

# *Annual Report 2016*

For The Fiscal Year Ended March 31, 2016





# PROFILE

Founded in 1937, Nishimatsu Construction Co., Ltd. has earned worldwide recognition as one of Japan's leading general contractors. The Company is renowned for taking on new challenges and its trend-setting ways in the development and introduction of sophisticated technologies in the fields of civil engineering and building construction.

With its headquarters located in Tokyo, Nishimatsu has a network of 5 regional headquarters and 7 branches in Japan, as well as a branch office and overseas offices in 8 countries and territories. The Company is well-known for its expertise in planning, design and construction in such wide ranging fields as marine, harbor, airport, highways, dams, tunnels, railways, high-rise buildings and power plants.

Nishimatsu has an impressive record of contributions to social and economic development in Asia. In addition to a continuing presence in several Asian countries, the Company has completed large-scale projects in Europe and Africa.

Providing high-quality, timely and environmentally-friendly services at all stages of its various projects, Nishimatsu continues to meet the demands of its clients while driving forward the frontiers of construction technology.

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### ON THE COVER

**Project Name:**

Design, Construction And Completion of East-West  
Transmission Cable Tunnel Contract EW3

**Construction Site:**

Singapore

**Construction Period:**

Oct./2012 – Apr./2017

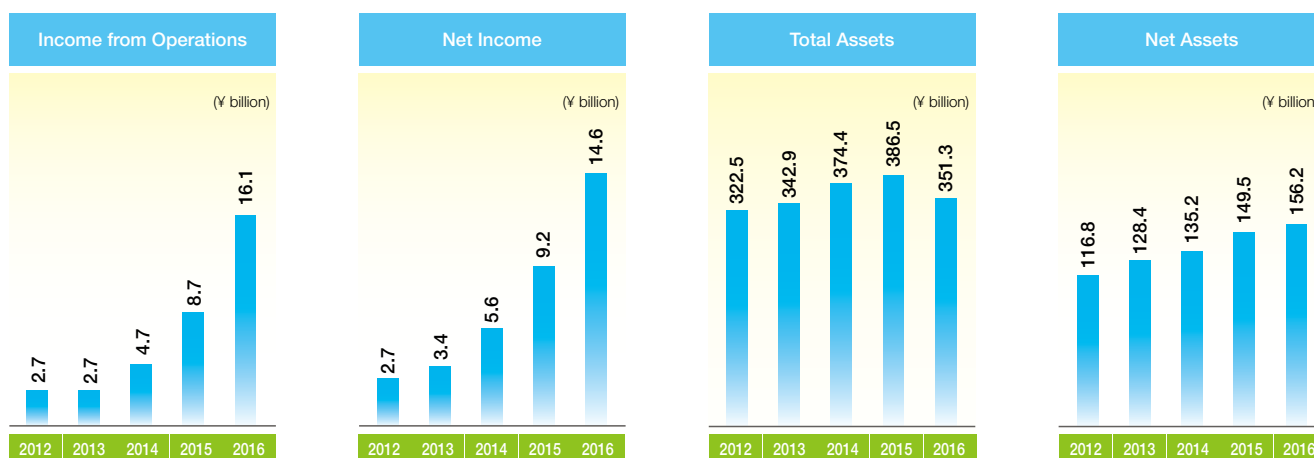
# FINANCIAL HIGHLIGHTS

	Consolidated			Non-Consolidated		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016	2015	2016	2016
For the year:						
Orders received	¥ —	¥ —	\$ —	¥339,095	¥298,758	\$2,651,384
Net sales	342,990	308,826	2,740,739	325,464	297,850	2,643,330
Income before income taxes	10,760	14,208	126,092	9,201	12,706	112,763
Net income	9,221	14,599	129,558	8,624	14,618	129,731
At year-end:						
Total assets	¥386,470	¥351,334	\$3,117,983	¥370,622	¥337,242	\$2,992,914
Net assets	149,554	156,154	1,385,822	145,127	150,410	1,334,842
Common stock	23,514	23,514	195,670	23,514	23,514	208,676
Per share of common stock: (in yen and dollars)						
Net income	¥33.29	¥52.71	\$0.468	¥31.14	¥52.78	\$0.468
Cash dividends applicable to the year	10.00	16.00	0.142	10.00	16.00	0.142

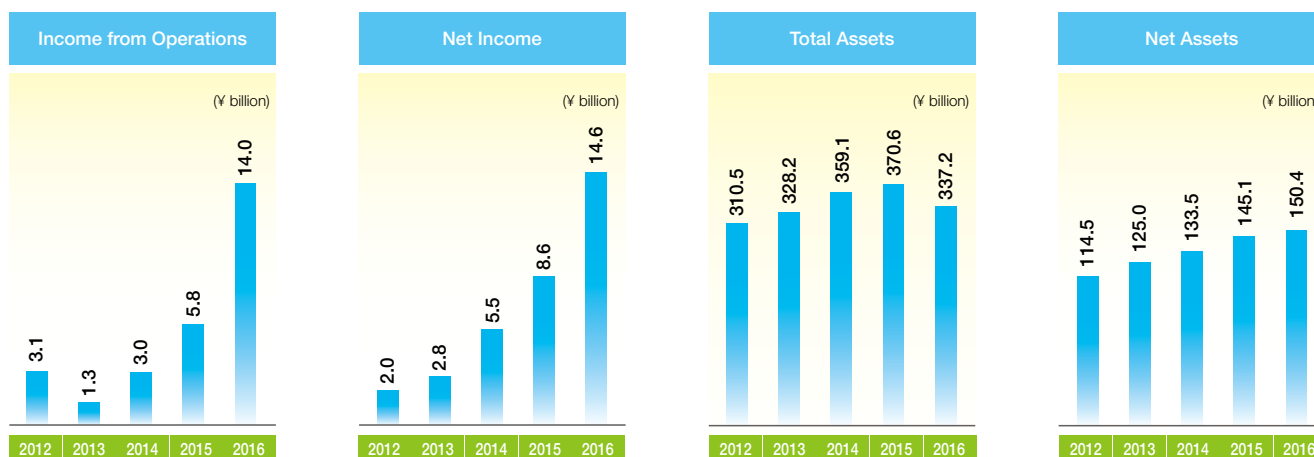
Note 1: Figures in US\$ in this annual report are converted from yen at the rate of ¥112.68 = US\$1.00, the rate prevailing on March 31, 2016, for the readers' convenience only.

Note 2: Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year.

## Consolidated



## Non-Consolidated



# TO OUR SHAREHOLDERS



**Harusada Kondo**  
Representative Director and President

## Business Result/Operation of this term

### Business performance for the 79th term

The Japanese economy in the current term showed some signs of weakness due to stagnation of the overseas economy in countries such as China and appreciation of the yen from the second half of the fiscal year. However, a gradual recovery continued due to the effects of economic reform and other policies implemented by the Japanese government.

The construction industry enjoyed steady growth thanks to demand for infrastructure-related construction and redevelopment in the Tokyo metropolitan area. Amidst these conditions, our corporate group achieved consolidated sales of 308.8 billion yen (down 10.0% from the previous term) in the 79th term.

Operating profit was 16.1 billion yen (up 85.8% from the previous term) and ordinary profit was 16.2 billion yen (up 63.9% from the previous term). These increases were due to improved profits in domestic construction work resulting from factors such as improvement of the order

receipt environment and stability in labor cost and materials cost.

Furthermore, we recorded expenses accompanying the organization of real estate owned by the group as an extraordinary loss. However, due to the effect of tax expenses accompanying the additional recording of deferred tax assets, the net profit attributable to owners of parent was 14.5 billion yen (up 58.3% from the previous term).

# TO OUR SHAREHOLDERS

## Construction industry

In the construction business, our core business, we seek to secure a high-revenue foundation by providing a high level of quality for our customers and pursuing further efficiency in construction.

In overseas operations, we are further strengthening our country risk management which considers factors such as differences in business customs, and are constructing a system which will secure stable profits.

We are reorganizing a segregation of duties in our group's real estate business, which will enable us to provide unified response to customer needs.

Furthermore, by constructing a system for the implementation of one-stop solutions services which cover the entire lifecycle of buildings, we are expanding our business with the aim of providing high added value solutions.

We are working to further improve our strength of "onsite ability" (the ability to implement detailed construction supervision and to take the initiative in discovering/solving various issues existing at construction sites). All executives and regular employees at our company are diligently working together to achieve the goals defined by our plan.

## Dividend policy

We issue dividends only once per year in the form of term-end dividends.

In order to strengthen our management foundation to support perpetual growth, while seeking to enhance our internal reserves and comprehensively considering the management environment and company performance, we engage in a fundamental policy of

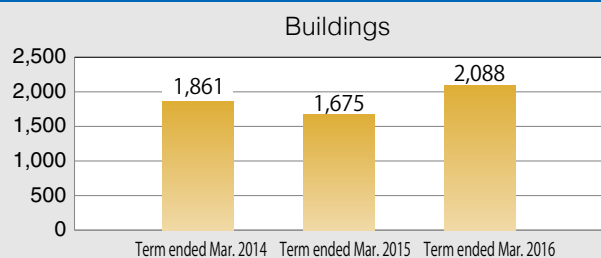
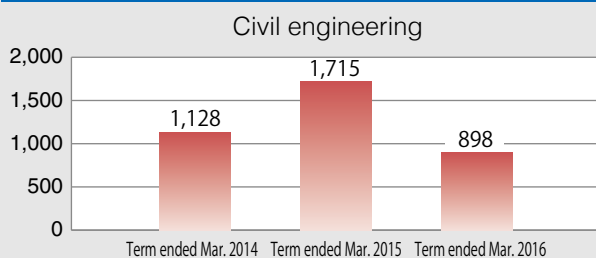
stable and continual redistribution of profits through a dividend payout ratio of at least 30% of consolidated current net profit.

A term-end dividend payment of 13 yen per share is scheduled for the next term (fiscal year ending March 31, 2017).

### Variation in amount of orders received (non-consolidated)

[Unit: 100 million yen]

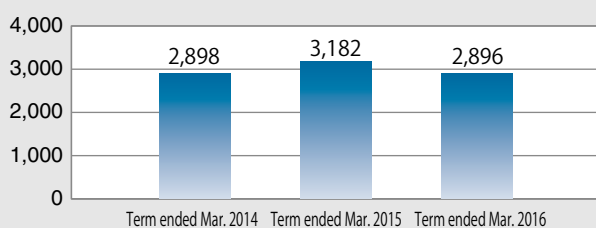
#### Construction business



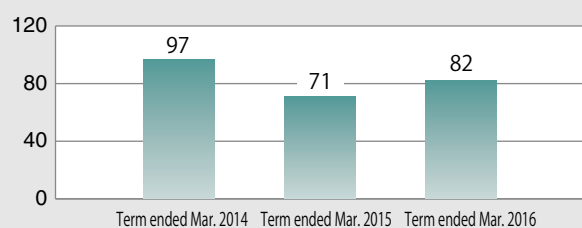
### Variation in sales (non-consolidated)

[Unit: 100 million yen]

#### Construction business



#### Real estate business, etc.



# The medium-term Management Plan 2017

## Medium-Term Management Plan 2017 Key Strategies

## Looking Back over Fiscal 2015

## Activities in Fiscal 2016

### Civil Engineering Strategy (Japan)

2015 target for orders received: 77 billion yen

2015 actual orders received: 79.2 billion yen

2017 target for orders received: 100 billion yen

**Aim at being an attractive business that achieves sustainable development on an ongoing basis by establishing the Nishimatsu brand as well as a high-profit corporate structure**

- Build the foundations to establish a high-profit corporate structure
- Further strengthen efforts aimed at comprehensive evaluation projects
  - Maintain an ongoing commitment to disaster reconstruction projects
  - Strengthen the organization and individuals by training young engineers
  - Launch efforts to provide momentum for future civil engineering business
  - Broaden sales efforts aimed at private-sector customers
  - Promote efforts toward renovation and renewal projects (including public-private partnerships and private finance initiatives)
  - Develop new technologies, such as back-end operations for nuclear power generation

Although we achieved overall targets for orders received, we did not achieve our targets for orders received for comprehensive evaluation projects. Our aim is to have these projects serve as the foundation for establishing a high-profit corporate structure.

- Issues in comprehensive evaluation projects
  - Decline in accuracy due to younger staff with fewer years of experience
  - Decline in the number of projects participated in due to lack of staff
- Issues in private-sector projects
  - Intensity of sales efforts varied by region
- Delays in progress on renovation and renewal projects
  - Difference in enthusiasm among local governments
  - A sense that we lack technologies for renovation

Our goal is to gain the trust of society and our customers and penetrate into the community. Accordingly, we will be working proactively with the aim of strengthening our order capabilities, improving profitability, and strengthening our organization as well as individuals in order to create a high-profit corporate structure.

- Establish a high-profit corporate structure
  - Analyze factors that lead to design changes
  - Increase the number of experienced individuals in departments responsible for estimates
  - Build a company-wide support system that functions during the period when project estimates increase
- Boost efforts toward private-sector projects
  - Take on a customer perspective and continue exploring how we can contribute
  - Strengthen sense of trust gained from long-term business relationships
- Promote efforts toward renovation and renewal projects
  - Implement sales activities by management that lead to receiving orders
  - Develop proprietary technologies in collaboration with the technology research institute and construction technical advisory committee

### Building Engineering Strategy (Japan)

2015 target for orders received: 182 billion yen

2015 actual orders received: 208.3 billion yen

2017 target for orders received: 180 billion yen

**Aim at being a business worthy of trust by building from a customer perspective**

- Solidify the foundations aimed at ensuring consistent revenue on a sustainable basis
- Conduct extensive research into customer needs based on organizational operations
  - Strengthen on-site capabilities (= ability to uncover problems and solve them on one's own)
  - Strengthen the technology-related aspects of the construction management follow-up system
- Focus on fields where we enjoy a competitive advantage
- Create fields of specialization by strengthening technical design and construction capabilities
  - Build partnerships with customers throughout the life of a building

We achieved all our targets for orders received, net sales of project completions, and gross profit. The situation surrounding construction investment has changed dramatically since we first formulated our Medium-Term Management Plan 2017. Therefore, we must work out an appropriate sense of scale and direction with a focus on human resources.

- Increased orders by strengthening upstream sales
- Pushed back timing of customer orders based on market wait-and-see
- Strengthened in-house coordination in concert with re-energizing job rotation in the design planning department
- Improved customer service and information sharing

We will continue providing construction services of the highest quality by ensuring that the scale of orders is appropriate for our current construction capacity. By further strengthening organizational operations, we will aim for reliability in our building engineering business by focusing on the fields where we enjoy a competitive advantage.

- Establish business strategies in new markets
- Establish medium- to long-term business strategies at each regional headquarters and branch office
- 70% or higher hit rate for priority projects
- Make first-half orders received and total estimated revenue be 90% of the annual target amount

### Urban Development and Real Estate Strategy

2015 net sales target: 9 billion yen

2015 net sales results: 10.3 billion yen

2017 net sales target: 12 billion yen

**Aim at being a business that can offer high-value-added solutions**

- Strengthen capabilities to generate new business
- Promote attractive, accessible urban environments by creating development projects
  - Actively develop a one-stop real-estate solution service
  - Offer proposals to commercialize real estate holdings that a customer owns
- Reinforce income and asset structure
- Expand investment in income properties and develop projects that enhance real estate value
  - Build asset portfolios that yield high profit

The real estate market was strong and we were able to maintain a high occupancy rate for rental properties. As a result, net sales were almost as planned, and gross profit and operating income took an upward swing compared to projections.

- Fiscal 2015 Final Completions and Project Starts
- Tokai Otagawa Station west district urban redevelopment project (Tokai City, Aichi Prefecture)
  - Ebara Corporation company dormitory leasing business (Yamato City, Kanagawa Prefecture)
  - Launched five new commercial business operations
  - Looking ahead toward development of a one-stop real-estate solution service, we allocated task responsibilities in our real estate business within the group
  - Largely completed disposal of low-profit assets

We will strengthen commitment to the "upstream-to-downstream complete-package business model" (a business model that provides comprehensive management of a project over the long term, from initiating the proposal up to operation and maintenance of the project).

- Major Projects Scheduled for Completion in Fiscal 2016
- Higashi-omiya Shopping Center (Saitama City, Saitama Prefecture)
  - Hiyoshi International House student dormitory, Keio University (Yokohama City, Kanagawa Prefecture)
  - Takaoka Station east district building complex project, (Takaoka City, Toyama Prefecture)
  - Early commercialization of projects currently in development
  - Ongoing efforts toward sales and marketing businesses
  - Investment focus on income properties and land for future commercial development

### Overseas Business Strategy

2015 target for orders received: 34 billion yen

2015 actual orders received: 11.1 billion yen

2017 target for orders received: 50 billion yen

**Looking to the future, strengthen our operational fundamentals and aim at being a business that will ensure consistent ongoing profits**

- Ensure consistent profits and improve overseas management capabilities
- Raise the level of risk management
  - Strengthen overseas organization and train local staff
- Take on the challenge of new business models
- Promote infrastructure-related business (including public-private partnerships and private finance initiative projects)
  - Make effective use of overseas assets
  - Expand into Laos and Cambodia (Mekong region)

As the scale of projects grew in size, postponed plans and aborted initiatives had a significant impact on our order-taking strategy. Slow progress for some construction work led to a decline in revenue and hence we were not able to achieve our targets for net sales of project completions and gross profit.

- Improved accuracy of cost management system, which integrated work completed, value of work completed, costs, and progress of work.
- Lack of appropriate personnel positioning

We will work proactively to improve tender submission and management operations, as well as improve and strengthen construction management in order to maintain consistent profit on an ongoing basis.

- Revise decision criteria for whether to take action on a project, as well as review noteworthy points that should be taken into consideration
- Improve the capabilities of tendering teams and fill out their rosters with needed estimating personnel
- Maintain planned progress rate
- Review and modify on-site organization
- Eliminate non-compliant safety and quality items

#### Establishment of Lao Nishimatsu Construction Co., Ltd.

In April 2015, Thai Nishimatsu Construction and Savan TVS Consultant, a Laos construction and consulting company, established a joint venture that became the first Japanese general contractor in the Lao People's Democratic Republic. In addition, we took a role in establishing a development management company for the Pakse-Japan SME Special Economic Zone (PJSEZ, total area: 195 hectares), which had been approved in August 2015 for Pakse, Champasak Prefecture, in the southern part of Laos. This special economic zone is intended for Japanese SMEs and is expected to lead to the creation of local employment opportunities and industrial development. It also aims to be a nature-friendly industrial park that gives full consideration to the environment along the Mekong River.



# Civil Engineering

We, engineers, strive to develop a strong eco-friendly urban infrastructure against disasters. We endeavor to make contributions to social infrastructures and the equipment investments of firms, and build win-win relationships with customers, collaborators and all stakeholders.

For 140 years since the establishment of the Company, we have always been polishing our engineering techniques to ensure that we are able to meet our customers' demands.

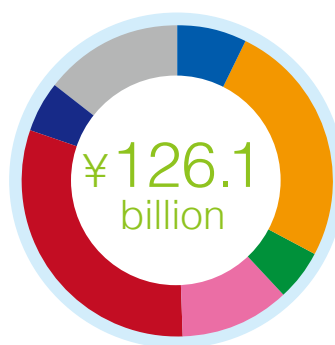
As a result, we have completed innumerable difficult construction tasks and major projects, earning an esteemed reputation as "Nishimatsu of Technologies" from our clients. We will continue to make introduction and advancements of new technology in order to meet stakeholders' expectations. We will assist in solving many issues such as global warming, the declining birth rate, national resilience, etc. and hope this will lead to building a safer and anxiety-free country.

Net sales of civil engineering operations (non-consolidated) for the year amounted to ¥126.1 billion (US\$1.42 billion), a drop of 12.1% from the previous year.

In addition to the ongoing development and introduction of new civil engineering technologies that draw on the accumulated efforts of the past, Nishimatsu upgrades infrastructure with the aim of creating comfortable surroundings in terms of people's lifestyles and the global environment.

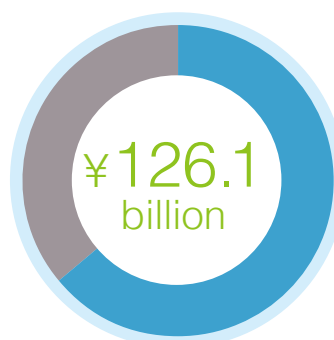
### Sales Breakdown by Project

Dams & Hydroelectric Facilities	7.4%
Railways	25.5%
Water & Sewage Works	5.4%
Site Formation	11.3%
Harbors, Wharfs & Airports	0.0%
Road Construction	30.7%
Cable Tunnels	5.4%
Others	14.3%



### Sales Breakdown by Client

Public Sector	64.0%
Private Sector	36.0%





## Construction Achievements



**National Route 45 Omoto Roadwork**

Client: Tohoku Regional Development Bureau; Ministry of Land, Infrastructure, Transport, and Tourism  
Completed: March 2016  
Location: Between Miyako-shi and Iwaizumi-cho, Shimohei-gun, Iwate Prefecture



**Okegawa No. 2 Elevated Bridge Substructure Work, Ken-O Expressway**

Client: East Nippon Expressway Co. Ltd. Kanto Branch  
Completed: August 2015  
Location: Kano, Toneri-shinden, Akabori, and Gochodai in Okegawa-shi



**Susami No. 2 Tunnel Work, Kinki Expressway Kisei Route**

Client: Kinki Regional Development Bureau; Ministry of Land, Infrastructure, Transport, and Tourism  
Completed: May 2015  
Location: Between Susami and Wabukagawa, Susami-cho, Nishimuro-gun, Wakayama Prefecture



**Kan-ni Underground Tunnel Construction (Shin-ohashi Area)**

Client: Tokyo Metropolitan Government  
Completed: December 2015  
Location: Tsukiji, Chuo-ku, Tokyo



**Shin-tomei Expressway Shinshiro Roadwork**

Client: Central Nippon Expressway Co. Ltd. Nagoya Branch  
Completed: March 2016  
Location: Between Yatsukaho, Shinshiro-shi, Aichi Prefecture and Inasa-cho, Kita-ku, Hamamatsu-shi, Shizuoka Prefecture



**Kurino Power Plant Renovation**

Client: JNC Corporation  
Completed: September 2015  
Location: Yusui-cho, Aira-gun, Kagoshima Prefecture

# Buildings

We are constantly seeking to develop our technology from both software and hardware standpoints. In addition, we strive to ensure that this technology can be passed onto the next generation, and work towards making contributions to safe and anxiety-free urban development.

At our architectural headquarters, we always encourage the idea of “manufacturing from the customer’s point of view” to maximize the satisfaction level of all our clients. By utilizing various cutting-edge technology as well as our architectural technologies nurtured in all areas from intelligent buildings to apartment complexes, we aim to develop safe, anxiety-free eco-friendly urban community for the perfect harmony among people, nature and buildings from the aspects of both software and hardware.

Net sales of building operations (non-consolidated) for the year amounted to ¥163.4 billion (US\$1.84 billion), a drop of 6.5% from the previous year. Continued fierce price competition is anticipated.

Nishimatsu seeks harmony among “people”, “nature” and “buildings” from both the hard and soft perspective of its construction business. To this end, the Company effectively uses a variety of advanced construction technologies cultivated in every field.

### Sales Breakdown by Project

Office & Governmental Buildings	10.9%
Hotel & Accommodation Facilities	1.7%
Shopping Centers	3.1%
Factories & Power Stations	9.1%
Warehouse & Logistics Facilities	25.3%
Residential Buildings	17.8%
Educational, Research & Cultural Facilities	17.7%
Hospital & Welfare Facilities	5.0%
Recreation Facilities	0.0%
Others	9.4%



### Sales Breakdown by Client

Public Sector	17.0%
Private Sector	83.0%





## Construction Achievements



**Sumitomo Realty & Development Mita Building**

Completed: August 2015  
 Location: Minato-ku, Tokyo  
 Total floor area: 24,209.20 m<sup>2</sup>



**Coop Tohoku Dry Logistics Center**

Completed: June 2015  
 Location: Tomiya-machi, Kurokawa-gun, Miyagi Prefecture  
 Total floor area: 42,970.60 m<sup>2</sup>



**Kamitsuga General Hospital**

Completed: March 2015  
 Location: Kanuma-shi, Tochigi Prefecture  
 Total floor area: 26,539.88 m<sup>2</sup>



**Atlas Tower Hongo-ekimae**

Completed: September 2015  
 Location: Nagoya-shi, Aichi Prefecture  
 Total floor area: 19,449.92 m<sup>2</sup>



**Kurume City Plaza**

Completed: November 2015  
 Location: Kurume-shi, Fukuoka Prefecture  
 Total floor area: 10,829.90 m<sup>2</sup>



**Daiwa Roynet Hotel Tokushima-ekimae**

Completed: September 2015  
 Location: Tokushima-shi, Tokushima Prefecture  
 Total floor area: 9,170.54 m<sup>2</sup>

# Overseas Operations

Using our achievements and the experience which we have accumulated for half a century, with the help of our local businesses and staff, we are making contributions to infrastructure development in various countries such as transportation and environment, and the entry of Japanese enterprises into overseas countries.

Our base of international operations in Hong Kong began with the construction of a large dam in 1962, and since then, we have worked on a variety of projects such as power plants, new airports, high-rise residential buildings, etc. Recently, our main focus of work has been on subway construction.

In 1963, we set up a local subsidiary in Thailand, and since then, its main operations consist of designing and constructing Japanese factories. In Singapore, since 1984, we have been accepting orders for major tunnels, skyscrapers, etc. and we are currently working on projects involving power supply system development and subway construction. Our main business in Malaysia and Vietnam is ODA construction. In recent years, we have also been putting efforts into infrastructure development and the construction of Japanese factories.

We are looking to continue expanding our business by capitalizing on our experience and technology.

### Construction Achievements



**HATC New Plant**

Completed: March 2016  
Location: Rojana Industrial Park, Prachinburi Province, Thailand



**RIST New Plant and Welfare Building**

Completed: January 2016  
Location: Navanakorn Industrial Estate, Pathumthani Province, Thailand



**West Island Line Sai Ying Pun Station, HKU Station, and Tunnel; Hong Kong MTR**

Completed: March 2016  
Location: Hong Kong



# Development and Real Estate

We provide a high value-added solution to match your every need, by utilizing our accumulated building technology and development know-how.

Our development department (redevelopment, land readjustment, PPP/PFI) offers a variety of comprehensive development solutions from the planning stage to the administration stage. We are currently promoting attractive urban development plans according to the needs of local community and society. Efforts are also being made in our real estate department to expand into leasing, real estate development and property sale.

## Main Projects



**Tokai Otagawa Station West District  
(Urban Redevelopment Project)**

Completed: August 2015  
Location: Tokai-shi, Aichi Prefecture  
Purpose: Housing, theater, commercial facilities, parking space  
Total floor area: 35,980 m<sup>2</sup>



**Yamaguchi Nakaichi-cho 1  
(Building Complex Development Project)**

Completed: December 2015  
Location: Yamaguchi-shi, Yamaguchi Prefecture  
Purpose: Housing, commercial facilities, parking space  
Total floor area: 6,360 m<sup>2</sup>

## Main Rental Buildings



**NCO Kanda Awaji-cho**

Location: Chiyoda-ku, Tokyo  
Purpose: Offices  
Total floor area: 2,622 m<sup>2</sup>



**Tosho Building**

Location: Chuo-ku, Tokyo  
Purpose: Offices, commercial facilities  
Total floor area: 4,484 m<sup>2</sup>



**NCO Sapporo**

Location: Kita-ku, Sapporo  
Purpose: Offices, commercial facilities  
Total floor area: 24,861 m<sup>2</sup>



**NCR Minamikaji-machi**

Location: Wakabayashi-ku, Sendai-shi  
Purpose: Housing (98 units)  
Total floor area: 2,962 m<sup>2</sup>

# OVERSEAS ACTIVITIES



In this reporting year, the HK construction industry is still flourishing with many existing infrastructure projects reaching the peak of their construction activities. Shortage of labour is less critical but is shifted to the E&M trades due to the completion of most civil works activities and subsequent change in project focus. Nishimatsu continues with its concerted effort to complete the remaining works of the 3 railways projects of MTRC that we have undertaken and have made notable achievement of progress.

Passenger Adit B3 of Sai Ying Pun Station, which is the last section of extremely difficult adit works for WIL Contract 704, is finally successfully excavated by ground-freezing method, and then lined and internal finishes installed. The last SYP-Entrance B3 is opened to public in March 2016. The completion of reinstatement of all works areas and landscaping works will earmark the total completion of WIL Contract 704.



Kwun Tong Line Extension No.1001

For the Ho Man Tin Station of KTE Contract 1001, the massive structure for this KTE/SCL exchange station was completed in May last year and was closely followed by ABWF works in seamless coordination with E&M installation. At the moment, ceiling installation, external finishes, backfilling, Emergency Vehicular Access & reinstatement works are progressing concurrent with Fire Service inspection and follow-on Railway Bureau inspection. Despite delays in Designated Contractors' work and numerous variations, the project team is trying its best endeavor to achieve client's target opening of KTE in the third quarter of 2016.

Entrance A1, A2 & A3 piling, excavation & structure works, including lift installation are completed. Final ABWF touch-up works is in progress together with remaining E&M installation. Similarly, Entrance B2 piling and structure are completed, with ABWF in progress with E&M installation.



West Island Line No,704

The Essential Public Infrastructure Works, including a long-span steel footbridge across Chatham Road, demolition of an old footbridge, piling and superstructure and glass roof of Public Transport Facilities, an extensive network of covered walkway and footbridges linking 2 Housing Estates to HOM, are all completed, with some sections handed over for public usage. At Chung Hau Street, the slope improvement work by soil nails and the reinstatement of the carriageway will soon to be completed.

The 2Km long Running Tunnel from YMT – WHA, are completely excavated, lined and trackwork installed and have passed both statutory inspections. The West Cavern & East Cavern, which form the KTE's underground station, are also completed and lined. ABWF final fix and E&M works are ongoing concurrent with the Ho Man Tin Station above. The tunnels works at GAR are completed and the surface garden was reinstated and handed over.

For the Wylie Road Ancillary Building, its underground cavern excavation is completed and lined together with the deep shaft is lined. Building structure work is completed from tunnel level to 2-storeys above ground. ABWF and E&M installation are completed and statutory inspections are passed.

For SIL Contract 902, the whole 3.2Km long tunnel excavation and lining are completed, including the transition box in the south and the last section of stub tunnel near the northern interface with Contract 901. Trackwork is fully laid.

Nam Fung Ventilation Building structure, ABWF works and E&M works are completed. Statutory inspections are passed, awaiting SIL Opening by end 2016. Hong Kong Park shaft excavation and lining are completed. The structure for the ventilation building, including ABWF works, are completed from L12 below ground to 2-storeys above ground. The adjacent multi-layer strutted excavation for the reinstatement of LCSD building is completed. Foundation and superstructure works are ongoing and are due for completion in July this year.

Notwithstanding the scale and complexity of works and the pressure to achieve progress, our Safety and Environmental performance are still maintained at commendable level, with the project teams' effort being fully appreciated by awards received from clients, including a prestigious Gold Environmental Award for SIL Contract 902 from MTRC:

Safety Award:	Project:	Organization:
Considerate Contractors Site Award (Merit Award) – 2015	KTE 1001	Hong Kong Government Development Bureau.
Model Frontline Supervisor Award – 2015	KTE 1001	Hong Kong Government Development Bureau.
Model Worker Award - 2015	KTE 1001	Hong Kong Government Development Bureau.
MTR Project Division Safety Week 2015 – Best Contractor Award	SIL 902	MTRC
MTR Project Division Safety Week 2015 – Subcontractor Safety Award	SIL 902	MTRC

Environmental Awards	Project:	Organization:
Environmental Merit Award 2015	HK Branch Office	Hong Kong Construction Association
Gold Environmental Award 2015	SIL 902	MTRC
Hong Kong Green Organization (2015 - 2017)	SIL 902	Environmental Protection Department - Environmental Campaign Committee
Hong Kong Green Organization (2015 - 2017)	KTE 1001	Environmental Protection Department - Environmental Campaign Committee

Being a socially responsible organization, we maintain active participation in stakeholder engagement, nourishment of new generations, care for workers, annual coastal cleanup campaign, site visits for students and stakeholders, care visits to hospital and elderly centers, dragon boat racing and charity bowling, all in line with our mission to build a better society for tomorrow together with the Community.

The global economy is sluggish and so is the Hong Kong's economy. Facing with critical delays in all ongoing railway projects, the Government has slowed down its programme for construction of new railway lines. On top of this, filibustering of Legislators has pushed back Government Funding approval of many infrastructure projects resulting in significant reduction in the number of new public works tenders. The impact is that the construction market will shrink in the coming year, whilst competition amongst contractors is expected to become very keen. Fortunately, with the Government's approval to expand the HK International Airport by building a third runway, related tenders are coming on stream. Amongst them, some are suitable to our expertise for which we will choose to participate. In the housing market, the HK Government has embarked on an ambitious programme to provide 470,000 public housing in the next 10 years. A lot of HK Housing Authority building tenders are steadily issued and we will continue to choose suitable ones with more civil contents to participate competitively.



## Thailand

Political instability has affected the economic situation in Thailand and surrounding countries remain unchanged for 2015. Amidst such conditions, Thai Nishimatsu Construction Co., Ltd. has successfully completed the following projects; UACJ Project Phase 2, SMT Factory, Asahi-Kasei Span Bond Renovation Project. Additionally, we have also been awarded Construction of KATO Works Factory, APC2 Warehouse Expansion Project, ANESCO Factory, UACJ Canteen Phase 2.

Despite slowdown of economy due to enlarged anti-government activities in Thailand, the rate of growth has been recovered slightly from 0.7% to 2.7% compared to year 2014. Regarding private investment represented by automobile industry, Annual vehicle production kept 1.9 million due to increment number of export against decrease of domestic market.

Cambodia, Laos, Myanmar (CML) of ASEAN Economic Community (AEC), adjoining to Thailand enlarge the trade with Thailand. Especially, export from Thailand is expected to enlarge due to removing tariff within ASEAN area, creating logistic infrastructure, combining customs and it supersedes domestic business to drives Thailand economy.

For year 2016, we will strive to cultivate new business areas including advanced factory projects with finance leasing condition. , residential projects in cooperation with new business partners, and maintenance services for civil structures in addition to the new factory building project and existing factory expansion project.

As stated above, due to improvement of condition for export and import within AEC area, it is expected to strengthen connectivity among AEC countries and due to social change such as increment of wage for labors and decline of labors due to falling birth rate, some companies make study to relegate a labor-intensive production process to surrounding CMS(so-called, "Thailand plus One" ).

To accommodate customer demands for "Thai plus One", we establish Lao Nishimatsu Construction Co., Ltd. (LNC). LNC support clients who consider the investment in Laos for the investigation, feasibility study, construction, and operation with consistency.



Pakse-Japan SME SEZ

Further, we invest in Pakse-Japan SME SEZ Development Co., Ltd.(PJSEZ) in January 2016. PJSEZ involve to develop and run "Pakse-Japan SME SEZ", the first development project of specific economic zone for exclusive use of Japanese companies in Laos. We are ready to fully support clients through the activities of PJSEZ.



## Singapore

The Building and Construction Authority (BCA) of Singapore reported in January 2016 that construction demand in 2016 continues to remain strong. Public sector projects are expected to contribute to the bulk of the industry's total demand of about 65%, which is between S\$27 - 34 billion. This is to be expected the highest proportion of construction demand from the public sector since 2002.



Works on the Land Transport Authority of Singapore (LTA)'s Contract 929A, the Construction and Completion of tunnels between Ubi and Kaki Bukit stations and reception tunnels that was awarded by the LTA in February 2011 has almost completed. The contract completion date is in December 2016.

The EW3 Contract of the East West Transmission Cable Tunnels was awarded by the Singapore Power Assets (SPPA) to Nishimatsu Construction Co., Ltd. in joint venture with a local contractor, Messrs KTC Civil Engineering and Construction Pte. Ltd. All three tunnel drives on EW3 using Tunnel Boring Machines (TBM) are completed by April 2016. The final M&E fittings and building structural works is currently ongoing. The contract completion date is in April 2017.

LTA's T228, the Construction of Gardens by The Bay station and tunnels for Thomson Line was awarded on 25 July 2014 to Nishimatsu in joint venture with Messrs Bachy Soletanche Singapore Pte Ltd. Excavation of the station has now commenced with the bored tunnelling scheduled to commence in late 2016. The contract completion date is in December 2020.

Nishimatsu Singapore will work to fulfill its contractual obligations for these three Contracts whilst pursuing new opportunities and building up its core professional and supervisory teams to embrace new challenges.



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



According to the Vietnamese government, the real GDP growth rate for 2015 was 6.7%, exceeding the goal for that year of 6.2%. The government has set the goal for 2016 at 6.7%, and hopes to maintain the high growth that they were experiencing in the past few years.

Meanwhile, in recent years, an increasing number of companies are taking the "China plus one" strategy, where they seek to diversify their operations by adding a new location in Asia outside of China because of a rapid increase in human resource costs and passive attitude towards attracting labor-intensive industries in China. Companies are especially paying attention to Vietnam for its low labor cost and promising domestic market with a population of 90 million. Vietnam is also attracting increasing attention as an invest-

ment destination for its superiority as an export hub for the partners of Trans Pacific Partnership (TPP) Agreement for which the participating countries have mostly reached an agreement in October 2015. It is expected that foreign companies including Japanese ones will continuously show high level of interests in capital investment in Vietnam.

Under these circumstances, in July 2015, we completed the Construction Project of Rental Factory No. 7 for Thang Long Industrial Park II Corporation that was commissioned in 2014.

Currently, the Rodax Vietnam Factory Project commissioned by Rodax Vietnam Co., Ltd. in November 2015 is under construction, with completion targeted for June 2016.

Furthermore, in the northern region, we built several factories of Japanese firms without trouble in Thang Long Industrial Parks I and II, and are approaching new clients with this achievement. In the southern region, it is foreseen that many Japanese manufactures are going to build their factories in the Long Duc Industrial Park, for which we were in charge of land formation and infrastructure works, and we are already receiving order inquiries from new and existing customers. We are hoping to secure orders from these inquiries.

In order to seize this business opportunity and secure our ground as a company entering Vietnam, we take full advantage of our resources, including the know-how and personnel, etc. developed through the above construction, give proposals according to the needs of clients, and aim to offer satisfactory services in order to conduct proactive sales operation to receive orders from more Japanese firms for the factory construction in Vietnam. In addition, we will pursue possibilities in new fields, including building maintenance, renewal, construction of commercial facilities, and collaboration for developing real estate properties in addition to the development of the land and infrastructure for industrial complexes, and aim to cultivate new clients.

On the other hand, the Japanese government plans to hold the bidding for the construction of infrastructure, including underground tunnels, urban railways, and water treatment plants, as ODA. Accordingly, Vietnam remains promising as the ODA construction market.

We intend to work carefully and enthusiastically on target projects in which our skills and know-how can be utilized, having sufficiently analyzed contract conditions, Vietnam's country risks such as the lack of clarity for authorization, procedures and legal interpretation, and the capabilities of clients including acquiring land for construction without delays and paying fees for construction without delays.



Rental Factory No.7 Project of TLIP II



Amid the slow and modest global economy recovery in 2015, Malaysia was able to sustain a GDP growth of 5% in 2015 as compared to 6% for 2014. This respectable growth was supported mainly by the continued domestic demand, primarily driven by the private sector.

For fiscal year 2016, the growth momentum is expected to be challenging. The uncertain outlook on commodity prices and sluggish demand, and the weakening of the ringgit will pose both upside and downside risks in Malaysia economy growth. For 2016, economic growth for Malaysia is expected to be 4.0 – 4.5%.

Growth in the Malaysian construction sector for 2015 was modest, at 12.1%. Total value of projects awarded, both government and private sector, was RM124.38 billion as compared to RM171.64 billion in 2014. The value of construction awarded to foreign contractor in 2015 declined steeply by 40%. (i.e. RM19.17 billion in 2015 versus RM47.62 billion in 2014).

Although the Malaysian construction outlook for 2016 remains attractive on the back of continued ongoing and planned execution of government projects, especially on infrastructure projects, such as MRT 2, LRT 3 and Pan-Borneo Highway, the involvement of foreign contractors remain as challenging as in 2015.

For 2015, we continued with maintenance works on the Pahang-Selangor Raw Water Transfer Project, Lot 1-1, Water Transfer Tunnel and Related Works (which was handed over on 3 March 2015) and the Centralized Sewerage for Kuching City Centre [Package 1] (which was handed over on 31 January 2015).

In March 2016, our consortium of Kumpulan-Nishimatsu-Hock Seng Lee was awarded a RM750 million contract for the Centralized Sewerage for Kuching City Centre [Package 2]. The contract period is for 72 months.

Efforts and follow ups are being made on potential construction contract opportunities where specialised engineering expertise and experience, are required. Some of these upcoming projects which are expected to commence in early 2017, are; a treated water transfer tunnel and some utility service tunnel. We are also diversifying into warehouse and factory construction and are looking into potential custom purpose factory for Japanese investors and also foreign investors too.



Under the new Government President Htin Kyaw Have been elected of Myanmar in April 2016, also NLD leader Aung San SUU Kyi and President office in the new Cabinet for democratization has progressed, the economic sanctions by the U.S. and Asian , etc. are about to be lifted, and economic activities are gaining steam. The real economic growth rate of Myanmar was keeps on more than 8% since 2013. However, our market has not kept up with the rapid growth, because of intricate factors, including the insufficiency of social infrastructure and legal systems, which hampers the socioeconomic growth of the country.

As for the current situation of overseas investment, the number of registered foreign firms is 3,000 (which accounts for nearly 10% of the total number of registered firms in Myanmar), and among them, the number of Japanese registered firms is more than 300, according to the announcement of the Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development. The comparison with the numbers of Japanese firms in ASEAN indicates that the number in Myanmar is almost same as that in Cambodia .

Myanmar is replete with natural resources, including natural gas, copper, nickel, and gemstones. This country also adjoins the two major economic giants: China and India, and so it has a geographical advantage to enhance its presence.

Myanmar has been appointed as international conferences has been completed with success. and energized its domestic economy. From the political aspect, this country will become a member of international society, and its leadership will be tested.

After the ongoing construction of the Thilawa industrial park in the special economic zone is completed in 2015, it is expected that Japanese manufacturers will start businesses there, social infrastructure for electricity, water supply, and transportation will be enriched with the ODA of the Japanese government, distribution will be intensified around the East-West Economic Corridor, where roads are to be improved, and industrialization will progress rapidly.

Myanmar Office of our company will seek business opportunities with Japanese firms that plan to make inroads into the market of Myanmar and aim to participate in the construction work supported by the Japanese ODA, in order to occupy a large share of the market after the general election in 2016.

At present, we are discussing how to contribute to the country as a builder through technological transfer, amid many constraints, such as the immature legal systems for business operation, and hope to develop a business environment that would lead to the growth of Myanmar.



Town Scape of Yangon

## Nishimatsu's New Construction Technologies

Cutting-edge construction technology of Nishimatsu Construction

Nishimatsu Construction is developing technologies for improving safety, construction performance and quality in the construction and repair of structures.

Here, we will introduce the cutting-edge technologies that are highly practical.

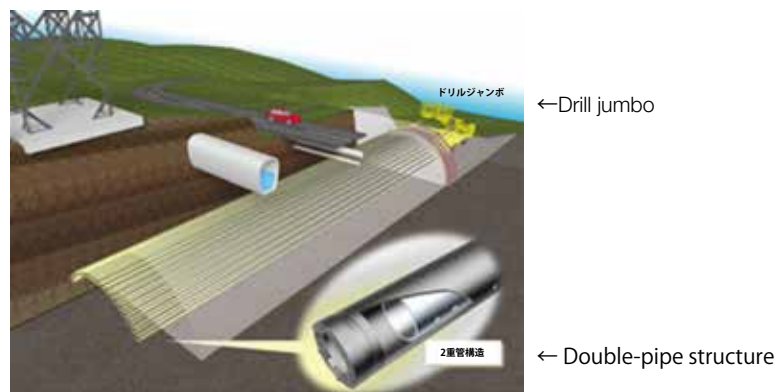
### 1 Long distance and Large caliber Forepiling Method

#### Achieving improved workability and reduced cost by using drill jumbo

The LL-Fp method is a long distance and large caliber forepiling method to install a large caliber steel pipe ( $\phi 139.8\text{mm}$ ) over long sections using a drill jumbo – a general-purpose mountain tunnel excavator – instead of dedicated machinery.

There is a concern, when excavating a mountain tunnel right under an existing road or an underground structure, that changes and subsidence to the bedrock due to the tunnel excavation may gravely affect the existing structures. The current method was developed as the anti-change/subsidence method, in which a high-rigidity “umbrella” is formed at the tunnel’s arch section before excavation by installing and inserting long distance and large caliber steel pipes of over 20 m per shift towards the front of the working face, minimizing the impact of excavation to the nearby structures.

This method is highly adaptable, being not only workable at the entrance of a shaft but also inside a narrow shaft.



LL-Fp Method Overview



Real-life Working Scenes (L: Shaft entrance, R: Inside shaft)

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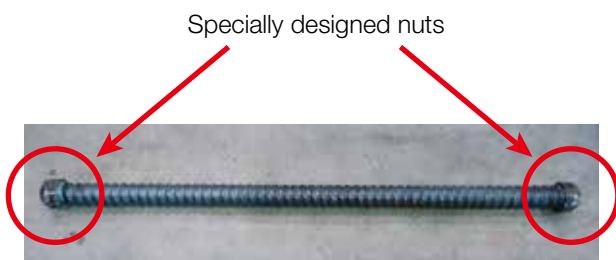
## 2 Anchor which is used after construction for shear reinforcement “Site Fit Nailing Bar (SNB)”

This method enables the shear reinforcement of our serviced RC members from one side even in narrow spaces. A hole is drilled into the RC member surface with a hammer drill, etc. and a dedicated mortar capsule is inserted into the hole before the special-nuts-attached, reinforced “Site Fit Nailing Bar (SNB)<sup>®</sup>” for shear reinforcement is driven in. After the mortar capsule has solidified, the “Site Fit Nailing Bar (SNB)<sup>®</sup>” and the RC member become unified and the necessary shear reinforcement is achieved.

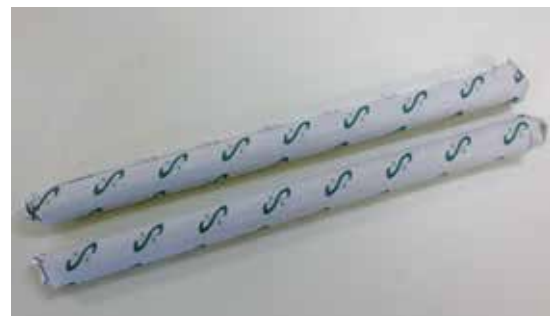
When shear reinforcement on the serviced RC members is performed, there are cases where onsite adjustment of reinforcement positions is needed, or the working space and the working schedule are restricted, due to the uncertainty of the member thickness and bar arrangement pitches of the relevant RC members. This is a highly workable method, viable even under those constraints, employing the specially designed nuts and mortar capsules that can be installed onsite.



SNB Installation



Site Fit Nailing Bar (SNB)<sup>®</sup>



SNB Mortar Capsules

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## 3 Multi Enlarged-NODES Ace pile method “Me-A Method”: A pile constructing method which can improve safety and reduce cost

Construction method with cast-in-place concrete piles with enlarged sections in the middle and at the tip.

The Me-A method increases the support capacity of the piles supporting buildings against both the thrusting and pulling directions by constructing enlarged sections (with diameter partially expanded) in the middle and at the tip of the pile shafts.

The pile constructing methods used for super high rising buildings, etc. have traditionally relied heavily on the enlarged tips in the supporting layer for building support capacity. Also, the long section of the pile has to be constructed within the supporting layers to withstand the drawing force during earthquakes.



# RESEARCH AND DEVELOPMENT

With this method, the enlarged sections in the middle and at the tip will not only support the weight of the building but also function effectively against the drawing force during earthquakes. By making multiple enlarged sections, the support capacity is dispersed between the middle and the tip, and this has also made it possible to ensure the quality with the shorter piles of a smaller diameter.

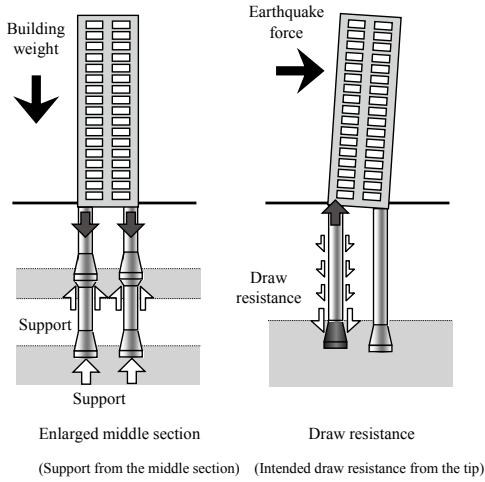


Figure 1 Me-A Method Principles

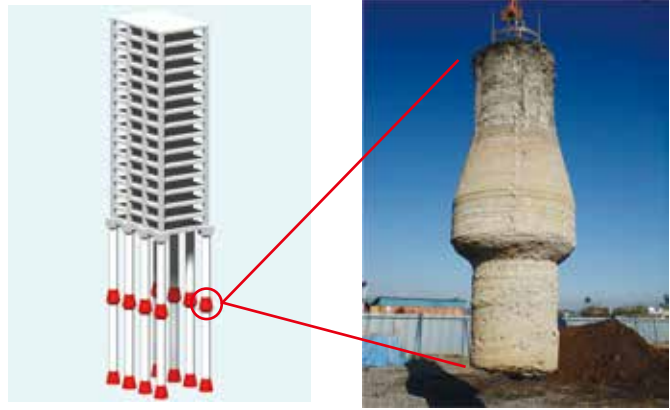


Figure 2 Me-A Method Overview

## 4 Pile Head seismic Isolation Structure: Base isolation structure enabling power-efficient & streamlined construction

Isolation structure comprising a pile head with an isolation device directly attached, and connected by a flat tie beam.

This is a structure optimized for power-efficient and streamlined construction by making the footing beams into thinner and flatter shapes compared to the common base isolation structures.

Isolation structure is known as a superior structure for the safety of buildings during large earthquakes because of its isolation device, but it is usually more expensive than earthquake resistant structures.

With this newly developed pile head seismic isolation structure, it has become possible to reduce the thickness of the footing beam while retaining a similar level of earthquake proof efficiency as conventional isolation structures by assessing the behavior of the isolation device more accurately through structural calculations, and this will make the foundation work cheaper and the construction more power-efficient and streamlined.

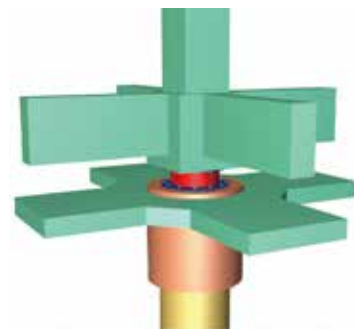
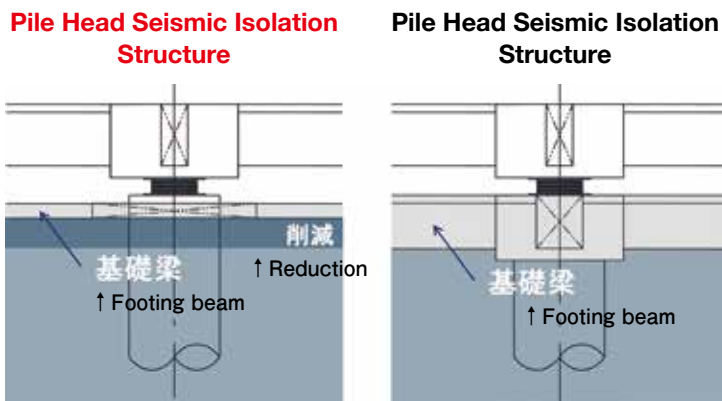


Figure 1 Pile Head Seismic Isolation Structure (schematic diagram)

# OUR RESPONSE TO ENVIRONMENTAL ISSUES

We established our medium-term Management Plan 2017 in fiscal 2015 and have been implementing environmental conservation activities with the goal of becoming an "outstanding environmental management corporation". In March 2016, we were designated as an "Eco-First Corporation" by the Minister of the Environment in recognition for our global warming countermeasures and other environmental measures based on these conservation activities.

As an "Eco-First Corporation," we will further strengthen our environmental activities based on the 3 pillars listed below. By doing so, we will contribute to the preservation of a sustainable global environment which can be passed down to future generations.

## Three Pillars of The medium-term Management Plan 2017 (Environment)

# 01

**We will promote the formation of a low-carbon society.  
We will strive to reduce our CO<sub>2</sub> emissions and aim to become a carbon-free company.**

- ▶ We will reduce our specific annual CO<sub>2</sub> emissions in construction by 50% by FY 2020 in comparison with FY 1990.

# 02

**We will provide support for biodiversity consideration and coexistence with nature.  
We will put into practice biodiversity conservation activities.**

- ▶ We will make all of our sites biodiversity-friendly by FY 2020.

# 03

**We will promote the formation of a recycling-oriented society.  
We will promote the 3Rs of construction by-products and aim for zero waste emissions.**

- ▶ We will achieve final landfill disposal rate of less than 3% by FY 2020. (Excluding construction sludge and industrial waste subject to special control)

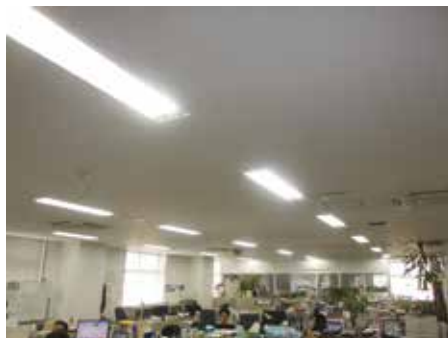
The following environmental activities were implemented throughout our company in FY 2015, the starting year for environmental activities based on the medium-term Management Plan 2017.

### (1) CO<sub>2</sub> reduction activities

We proceeded with the introduction of temporary LED lighting at all new sites, the introduction of solar panels at sites, the encouragement of fuel-saving driving and the introduction of LED lighting in our fixed offices.



Temporary LED lighting at sites



LED lighting in offices



Lecture on fuel-saving driving

# OUR RESPONSE TO ENVIRONMENTAL ISSUES

## (2) Biodiversity

We proceeded with the implementation of consideration that utilizes our own “biodiversity consideration sheets” at all sites. Furthermore, we worked to reduce the effect on animals and plants in the surrounding environment at sites, and promoted the preservation of rare plants and animals in surrounding areas.



Relocation and preservation of rare plants at sites

## (3) Zero waste emissions

We increased our recycling rate by promoting appropriate waste separation at sites.



Appropriate onsite waste separation



On-site waste separation instructions with photographs

## (4) Promotion of environmental awareness in employees

We conducted environmental education, such as promoting the acquisition of Eco Test as well as holding environmental seminars and hands-on environmental events.



Environmental seminar



Hands-on environmental event (Reforestation)

In order to effectively implement these environmental activities, we operate an environmental management system based on the international standard ISO14001.

We will continue to further enhance our environmental conservation activities in order to preserve our irreplaceable global environment for coming generations.



# FINANCIAL SECTION

*Nishimatsu Construction Co., Ltd.*

# 2016

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**Consolidated Balance Sheets**

March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 6)
	2015	2016	2016
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 2 and 16) .....	¥ 37,573	¥ 27,904	\$ 247,639
Marketable securities .....	177	39	346
Notes and accounts receivable, trade:			
Notes (Notes 12 and 16) .....	4,555	4,990	44,283
Accounts (Note 16) .....	147,674	138,924	1,232,909
Allowance for doubtful accounts (Note 2) .....	(243)	(167)	(1,484)
Inventories (Note 2) .....	19,508	9,512	84,416
Deferred income taxes (Notes 2 and 10) .....	4,317	3,924	34,828
Advance paid .....	13,336	14,757	130,966
Other current assets .....	8,974	5,118	45,410
Total current assets .....	235,871	205,000	1,819,313
<b>Investments and other assets:</b>			
Investment securities (Notes 2, 7, 12 and 16) .....	74,873	64,930	576,234
Investments in subsidiaries and affiliates (Note 12) .....	828	831	7,377
Others .....	4,871	5,142	45,642
Allowance for doubtful accounts (Note 2) .....	(114)	(108)	(966)
Total investments and other assets .....	80,458	70,795	628,287
<b>Property and equipment (Notes 2 and 12):</b>			
Land .....	45,769	46,179	409,827
Buildings .....	53,855	54,649	484,994
Machinery and equipment .....	9,019	8,918	79,149
Accumulated depreciation .....	(38,502)	(34,207)	(303,587)
Total property and equipment .....	70,141	75,539	670,383
<b>Total assets</b> .....	¥386,470	¥351,334	\$3,117,983

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 6)
	2015	2016	2016
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Short-term debt (Notes 8 and 16) .....	¥ 11,701	¥ 11,889	\$ 105,509
Current portion of long-term debt (Notes 8 and 16).....	25,932	15,634	138,745
Notes and accounts payable, trade:			
Notes (Note 16) .....	49,088	36,194	321,209
Accounts (Note 16) .....	53,417	45,637	405,010
Advances received on uncompleted contracts .....	15,177	7,691	68,254
Provision for warranties for completed construction (Note 2) .....	1,323	1,064	9,439
Provision for bonuses (Note 2) .....	1,534	2,524	22,398
Provision for loss on construction contracts (Note 2).....	6,032	1,680	14,909
Accrued income taxes .....	1,660	1,716	15,231
Employees' deposits .....	5,716	6,307	55,976
Provision for loss on real estate business and other (Note 2).....	37	17	152
Deposits received .....	16,979	15,050	133,563
Other current liabilities .....	2,839	3,757	33,348
Total current liabilities.....	191,435	149,159	1,323,743
<b>Long-term liabilities:</b>			
Long-term debt (Notes 8 and 16).....	16,286	25,653	227,660
Net defined benefit liability.....	11,058	11,206	99,450
Deferred income taxes (Notes 2 and 10) .....	13,994	4,983	44,224
Provision for environmental measures (Note 2) .....	227	227	2,014
Asset retirement obligations (Note 18).....	207	236	2,091
Other long-term liabilities .....	3,709	3,715	32,979
Total long-term liabilities.....	45,481	46,020	408,417
<b>Total liabilities</b> .....	236,916	195,180	1,732,161
<b>Net assets:</b>			
Common stock:			
Authorized – 800,000,000 shares			
Issued and outstanding – 277,957,513 shares .....	23,514	23,514	208,676
Capital surplus .....	20,780	20,780	184,420
Retained earnings .....	78,373	90,202	800,513
Treasury stock, at cost .....	(299)	(306)	(2,714)
Unrealized gain on available-for-sale securities .....	27,759	21,205	188,188
Equity adjustment from foreign currency translation.....	225	84	745
Remesurements of defined benefit plans .....	(2,504)	(1,762)	(15,635)
Non-controlling interests .....	1,706	2,437	21,629
<b>Total net assets</b> .....	149,554	156,154	1,385,822
<b>Total liabilities and net assets</b> .....	¥386,470	¥351,334	\$3,117,983

# Consolidated Statements of Income

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 6)
	2015	2016	2016
<b>Net sales</b> (Note 2):			
Completed construction contract.....	¥333,835	¥298,485	\$2,648,963
Real estate business and other.....	9,155	10,341	91,776
	<u>342,990</u>	<u>308,826</u>	<u>2,740,739</u>
<b>Cost of sales</b> (Notes 2 and 13):			
Cost of completed construction contract.....	314,103	270,568	2,401,206
Cost of real estate business and other.....	6,117	7,154	63,494
	<u>320,220</u>	<u>277,722</u>	<u>2,464,700</u>
Gross profit.....	<u>22,770</u>	<u>31,104</u>	<u>276,039</u>
<b>Selling, general and administrative expenses</b> (Note 13):.....	14,059	14,920	132,406
Income from operations .....	<u>8,711</u>	<u>16,185</u>	<u>143,633</u>
<b>Other income (expenses):</b>			
Interest and dividend income.....	1,094	1,041	9,237
Interest expenses .....	(644)	(547)	(4,855)
Financing expenses .....	(192)	(166)	(1,477)
Gain on sales of investment securities.....	1,603	1	5
Reversal of allowance for doubtful accounts .....	13	0	0
Loss on sales of fixed assets (Note 13) .....	(29)	(853)	(7,568)
Loss on retirement of non-current assets.....	(8)	(223)	(1,977)
Loss on impairment of long-lived assets.....	(390)	(496)	(4,401)
Foreign currency exchange gain (loss) .....	748	(576)	(5,116)
Head office relocation expenses.....	(133)	(31)	(272)
Loss of rebuilding.....	(112)	(385)	(3,419)
Other – net .....	99	259	2,302
	<u>2,049</u>	<u>(1,976)</u>	<u>(17,541)</u>
<b>Profit before income taxes and minority interests</b> .....	<u>10,760</u>	<u>14,208</u>	<u>126,092</u>
<b>Income taxes</b> (Notes 2 and 10):			
Current.....	2,777	2,787	24,738
Deferred .....	(1,612)	(4,055)	(35,987)
	<u>1,165</u>	<u>(1,268)</u>	<u>(11,249)</u>
<b>Profit</b> .....	<u>9,595</u>	<u>15,476</u>	<u>137,341</u>
<b>Profit attributable to non-controlling interests</b> .....	(374)	(877)	(7,783)
<b>Profit attributable to owners of parent</b> .....	<u>¥9,221</u>	<u>¥14,599</u>	<u>\$129,558</u>
	Yen		U.S. dollars
<b>Per share of common stock</b> (Note 20):			
Profit (loss).....	¥33.29	¥52.71	\$0.468
Cash dividends applicable to the year .....	10.00	16.00	0.142

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 6)
	2015	2016	2016
<b>Profit</b> .....	¥ 9,595	¥ 15,476	\$ 137,341
<b>Other comprehensive income:</b>			
Unrealized gain on available-for-sale securities .....	7,402	(6,555)	(58,168)
Equity adjustment from foreign currency translation.....	439	(289)	(2,566)
Remeasurements of defined benefit plans .....	1,312	743	6,593
	9,153	(6,101)	(54,141)
<b>Comprehensive income</b> .....	18,748	9,375	83,201
<b>Comprehensive income attributable to:</b>			
Comprehensive income attributable to owners of parent .....	18,232	8,646	76,728
Comprehensive income attributable to non-controlling interest .....	516	729	6,472

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2015 and 2016

	Millions of yen								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Equity adjustment from foreign currency transaction	Remeasurements of defined benefit plans	non-controlling interests	Total net assets
Balance at April 1, 2014 .....	¥23,514	¥20,780	¥73,533	¥(287)	¥ 20,357	¥(72)	¥(3,816)	¥1,193	¥135,202
Cumulative effects of changes in accounting policies..			(2,719)						(2,719)
Restated balance .....	23,514	20,780	70,814	(287)	20,357	(72)	(3,816)	1,193	132,483
Dividends declared .....			(1,662)						(1,662)
Profit attributable to owners parent.....			9,221						9,221
Purchase of treasury stock.....				(12)					(12)
Net changes of items other than shareholder's equity .....					7,402	297	1,312	513	9,524
Balance at April 1, 2015 .....	¥23,514	¥20,780	¥78,373	¥(299)	¥ 27,759	¥225	¥(2,504)	¥1,706	¥149,554
Cumulative effects of changes in accounting policies..									—
Restated balance .....	23,514	20,780	78,373	(299)	27,759	225	(2,504)	1,706	149,554
Dividends declared .....			(2,770)						(2,770)
Profit attributable to owners of parent...			14,599						14,599
Purchase of treasury stock.....				(7)					(7)
Net changes of items other than shareholder's equity .....					(6,554)	(141)	742	731	(5,222)
Balance at March 31, 2016 .....	¥23,514	¥20,780	¥90,202	¥(306)	¥21,205	¥84	¥(1,762)	¥2,437	¥156,154

	Thousands of U.S. dollars (Note 6)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Equity adjustment from foreign currency transaction	Remeasurements of defined benefit plans	non-controlling interests	Total net assets
Balance at April 1, 2015 .....	\$208,676	\$184,420	\$695,533	\$(2,654)	\$246,356	\$1,999	\$(22,227)	\$15,141	\$1,327,244
Cumulative effects of changes in accounting policies..									—
Restated balance .....	208,676	184,420	695,533	(2,654)	246,356	1,999	(22,227)	15,141	1,327,244
Dividends declared .....			(24,578)						(24,578)
Profit attributable to owners of parent...			129,558						129,558
Purchase of treasury stock.....				(60)					(60)
Net changes of items other than shareholder's equity .....					(58,168)	(1,254)	6,592	6,488	(46,342)
Balance at March 31, 2016 .....	\$208,676	\$184,420	\$800,513	\$(2,714)	\$188,188	\$745	\$(15,635)	\$21,629	\$1,385,822

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 6)
	2015	2016	2016
<b>Cash flows from operating activities:</b>			
Profit before income taxes.....	¥10,760	¥14,208	\$126,092
Adjustment for:			
Depreciation and amortization .....	1,779	1,862	16,521
Loss on impairment of long-lived assets.....	390	496	4,401
Increase (decrease) in allowance for doubtful accounts.....	(68)	(82)	(724)
Increase (decrease) in provision for loss on construction contracts .....	1,396	(4,352)	(38,618)
Increase (decrease) in net defined benefit liability .....	1,094	120	1,064
Loss (gain) on sales of investment securities.....	(1,603)	(1)	(6)
Loss (gain) on sales of property and equipment .....	29	853	7,568
Interest and dividend income.....	(1,094)	(1,041)	(9,237)
Interest expenses.....	644	547	4,855
Decrease (increase) in notes and accounts receivable .....	(18,221)	8,273	73,424
Decrease (increase) in inventories.....	8,152	10,832	96,131
Increase(decrease) in notes and accounts payable .....	580	(20,466)	(181,628)
Increase(decrease) in advances received on uncompleted contracts ...	(9,984)	(7,436)	(65,995)
Others.....	(2,931)	2,654	23,539
Sub-total .....	(9,077)	6,467	57,387
Interest and dividend received .....	1,103	1,031	9,149
Interest paid .....	(690)	(553)	(4,906)
Income taxes paid.....	(1,786)	(2,824)	(25,060)
Net cash provided by (used in) operating activities .....	(10,449)	4,121	36,570
<b>Cash flows from investing activities:</b>			
Payment for purchases of marketable and investment securities .....	(1,327)	(1,181)	(10,485)
Proceeds from sale of marketable and investment securities .....	2,960	179	1,589
Acquisition of property and equipment.....	(3,446)	(9,828)	(87,222)
Proceeds from sale of property and equipment .....	447	1,080	9,587
Payments of loans receivable .....	0	(15)	(137)
Proceeds from collection of loans.....	271	53	472
Net decrease(increase) in time deposits .....	0	150	1,331
Others.....	(142)	(126)	(1,113)
Net cash provided by (used in) investing activities .....	(1,237)	(9,688)	(85,978)
<b>Cash flows from financing activities:</b>			
Net increase(decrease) in short-term loans.....	185	188	1,669
Repayment of long-term debt .....	(4,794)	(25,107)	(222,815)
Proceeds from issuance of bonds .....	0	25,000	221,867
Redemption of bonds.....	(150)	(825)	(7,322)
Cash dividends paid .....	(1,664)	(2,764)	(24,530)
Proceeds from share issuance to non-controlling shareholders.....	0	6	56
Dividends paid to non-controlling interests.....	—	(4)	(40)
Others.....	722	545	4,840
Net cash provided by (used in) financing activities.....	(5,701)	(2,961)	(26,275)
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>1,757</b>	<b>(991)</b>	<b>(8,794)</b>
<b>Net increase (decrease) of cash and cash equivalents .....</b>	<b>(15,630)</b>	<b>(9,519)</b>	<b>(84,477)</b>
<b>Cash and cash equivalents at beginning of year (Note 2) .....</b>	<b>53,053</b>	<b>37,423</b>	<b>332,116</b>
<b>Cash and cash equivalents at end of year (Note 2) .....</b>	<b>¥37,423</b>	<b>¥27,904</b>	<b>\$247,639</b>

The accompanying notes are an integral part of these statements.



# 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 Annual 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 eleven subsidiaries (of which seven are included in the scope of consolidation), and ten affiliates constitute the Nishimatsu Construction Group (the "Group"). Lao Nishimatsu Construction Co., which was established in the consolidated fiscal year, has been included in the scope of consolidation.

Names of major consolidated subsidiaries are Nishimatsu Jisho Co.,Ltd and Thai Nishimatsu Construction Co.,Ltd.

Names of major non-consolidated subsidiaries are Shimashizu Corporation Co., Ltd, SPC Research Institute for Humanity and Nature Service 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.

Names of major non-consolidated subsidiaries and affiliates are Shimashizu Corporation, SPC Research Institute for Humanity and Nature Service and Shin Urayasu Ekimae PFI, and, non-consolidated affiliates, Hamamatsu Chuo Nishi Building K.K. and Masunagagumi.

These non-consolidated subsidiaries and affiliates are excluded from the application of the equity method, as each companies 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., and Nishimatsu Investment., Ltd. is December 31.

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

## 2. Summary of significant accounting policies

### **(a) Cash and cash equivalents**

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

Cash and cash equivalent balance of ¥27,904 millions (\$247, 639 thousands) is in the balance sheet as of March 31, 2016.

### **(b) Standard and methods of assessment of significant assets**

Investments in securities:

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

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

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

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

Derivatives:

Mark-to-mark method

Inventories:

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

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

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

### **(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 the standards that confirm to the methods provided for in the corporation tax act.

The straight-line method is applied to buildings acquired after April 1, 1998.

Intangible assets (excluding lease assets):

Intangible assets are carried at cost.

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

Lease assets:

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

### **(d) Accrued retirement benefits**

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

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

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

### **(e) Recognition of sales and related costs**

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

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

Sales from the percentage of completion method are ¥289,794 million (\$2,571,834 thousand).

**(f) Income taxes**

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

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

**(g) Foreign currency transactions**

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

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

**(h) Hedge accounting**

The 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) 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.

**(j) Allowance for doubtful accounts**

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

**(k) Provision for loss on construction contracts**

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

**(l) Provision for bonuses**

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

**(m) Provision for loss on real estate business**

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

**(n) Provision for environmental measures**

It is calculated based on a rational estimate and the Group recognized ¥227 millions (\$2.014 thousands) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

**(o) Other account policies on preparing consolidated financial statements**

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

### 3. Changes in accounting Policy in the consolidated Statement of income

Application of accounting standards related to business combinations Effective beginning the fiscal year ended March 31, 2016, the group has adopted the "Revised Accounting Standard for Business Combinations (ASBJ Statement NO.21 of September 13, 2013; hereafter the "Business Combinations Accounting Standard"), "the" Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement NO.22 of September 13, 2013; hereafter the "Consolidation Accounting Standard"), "the" Revised Accounting standard for Business Divestitures (ASBJ Statement NO.7 of September 13, 2013; hereafter the "Business Divestitures Accounting Standard")" and other standards.

Accordingly, the accounting method was changed to record the difference arising from changes in equity in subsidiaries which the group continues to control as capital surplus, and business acquisition costs as expenses for the fiscal year in which they occurred. Regarding business combinations implemented on or after April 1, 2015, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the fiscal year in which the relevant business combinations became or will become effective. In addition, the changes in the presentation of net income and the changes in the presentation from

minority interests to non-controlling interests have been implemented. In connection with the changes in the presentation of the consolidated financial statements, reclassifications have been made on the consolidated financial statements of the fiscal year ended March 31, 2015.

The Business Combinations Accounting Standard and other standards have been applied in accordance with the transitional treatments stated in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard from the beginning of the fiscal year ended March 31, 2016.

Changes in description method have been implemented for cash flow statement of the fiscal year ended March 31, 2016, as cash flows related to acquisition or sale of subsidiaries without changes in consolidation scope were provided in the section of cash flows from financing activities while cash flows related to the cost incurred from acquisition or sale of subsidiaries entailing changes in consolidation scope were provided in the section of cash flows from operating activities.

There is no impact on consolidated financial statements and per share information in the fiscal year ended March 31, 2016.

### 4. Accounting Standard Issued but Not Yet Adopted

Implementation guidance on recoverability of deferred tax assets On March 28, 2016, the ASBJ issued "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26). The ASBJ basically continues to apply the framework used in "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Audit Committee Report No.66, Japanese Institute of Certified Public Accountants), where an entity is classified into one of five categories according to certain criteria and the recoverability of deferred tax assets is assessed based on the entity's assigned category. However, the ASBJ reflected necessary changes in the guidance regarding the following accounting treatments:

- (1) Treatment is clarified for entities that do not meet the criteria for any of the five categories.
- (2) Criteria for classifying entities as "Category 2" or "Category 3" is changed from ordinary income to taxable income in the absence of infrequent or unusual events.
- (3) For "Category 2" entities, deferred tax assets attributable to deductible temporary differences for which scheduling the timing of the reversals is not possible are considered to be realizable if certain conditions are met. Under Audit Committee Report No.66, deferred tax assets are considered to be realizable to the extent not exceeding the amount based on a scheduling of future reversals of temporary differences.

(4) For “Category 3” entities, the future period of estimated taxable income can be estimated in excess of five years if certain conditions are met. Under Audit Committee Report No.66, the future estimable period is generally limited to five years.

(5) For entities classified as “Category 4”, they can be treated as “Category 2” or “Category 3” if certain conditions are met and such entities can use

the methods of measurement of deferred tax assets stipulated in “Category 2” or “Category 3”. The Company and its domestic subsidiaries will adopt the guidance effective from the beginning of the fiscal year ended March 31, 2017. At present, the group is in the process of evaluating the impact on the consolidated financial statements of the adoption of this implementation guidance.

## 5. Changes in presentations

Notes to consolidated statements of income

“Loss on retirement of non-current assets” which was included in “Other-net” under “Other income (expenses)” in the previous fiscal year, is separately listed from the fiscal year ended March 31, 2016, because of an increase in the amount. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in

presentation.

As a result, ¥91 million presented in “Other-net” under “Other income (expenses)” in the consolidated statements of income of the previous fiscal year has been reclassified as ¥8 million of “Loss on retirement of non-current assets” and ¥99 million of “Other-net”.

## 6. 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 ¥112.68 = US\$1, which was the exchange rate prevailing as of March 31,

2016.

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.

## 7. Investment in securities

As of March 31, 2015 and 2016, 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		
	2015			2016			2016		
	Book value	Fair value	Unrealized gains(losses)	Book value	Fair value	Unrealized gains(losses)	Book value	Fair value	Unrealized gains(losses)
Held-to-maturity securities whose market values exceed the amounts recorded in the balance sheet:									
Debt securities .....	¥349	¥356	¥7	¥200	¥216	¥16	\$1,771	\$1,916	\$146
Sub-total .....	349	356	7	200	216	16	1,771	1,916	146
Held-to-maturity securities whose market values do not exceed the amounts recorded in the balance sheet:									
Debt securities .....	27	26	0	0	0	0	0	0	0
Sub-total .....	27	26	0	0	0	0	0	0	0
total .....	¥376	¥382	¥7	¥200	¥216	¥16	\$1,771	\$1,916	\$146

### Other securities with quoted market prices

	Millions of yen						Thousands of U.S. dollars		
	2015			2016			2016		
	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 .....	¥23,568	¥64,575	¥41,007	¥22,931	¥53,939	¥31,008	\$203,504	\$478,694	\$275,190
Sub-total .....	23,568	64,575	41,007	22,931	53,939	31,008	203,504	478,694	275,190
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:									
Equity securities .....	104	101	(3)	1,745	1,292	(453)	15,487	11,462	(4,025)
Sub-total .....	104	101	(3)	1,745	1,292	(453)	15,487	11,462	(4,025)
total .....	¥23,672	¥64,676	¥41,004	¥24,676	¥55,231	¥30,555	\$218,991	\$490,156	\$271,166

### Available-for-sale securities sold during the fiscal year ended March 31, 2015 and 2016

	Millions of yen						Thousands of U.S. dollars		
	2015			2016			2016		
	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 .....	¥2,928	¥1,603	—	¥1	¥1	—	\$12	\$6	—

### Loss on valuation of investment securities

As of March 31, 2016, An impairment loss is recognized ¥37million of securities(othere 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 fall 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.

## 8. Short-term and long-term debt

(a) The weighted average interest rates on short-term debt outstanding as of March 31, 2016 was approximately 0.492 per cent.

(b) Long-term debt comprised the following:

	Issuer	Type	Date of issue	Millions of yen		Thousands of U.S. dollars
				2015	2016	2016
Due 2016 to 2018 with weighted-average interest rate of 2.083 per cent .....				¥31,393	¥6,286	\$55,790
0.740 per cent unsecured Japanese Yen bond due December 19, 2016 .....	Nishimatsu construction Co., Ltd.	The fifth unsecured Japanese Yen bonds	December 19, 2013	10,000	10,000	88,747
0.500 per cent unsecured Japanese Yen bond due Jul 24, 2020 .....	Nishimatsu construction Co., Ltd.	The 6th unsecured Japanese Yen bonds	Jul 24, 2015	—	15,000	133,120
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	88,747
2.345 per cent unsecured Japanese Yen bond due May 31, 2015 .....	Nishimatsu Jisho Co., Ltd.	The first unsecured Japanese Yen bonds	May 31, 2013	825	—	—
Less: Portion due within 1 year .....				42,218	41,286	366,404
				(25,932)	5,633	49,998
				¥16,286	¥46,919	\$416,402

The aggregate annual maturities of long-term debt on March 31, 2016 were as follows:

	Millions of yen	Thousands of U.S. dollars
2017 .....	¥653	\$5,792
2018 .....	0	0
2019 .....	0	0
2020 and thereafter .....	0	0

The aggregate annual maturities of lease on March 31, 2016 were as follows:

	Millions of yen	Thousands of U.S. dollars
2017 .....	¥38	\$337
2018 .....	31	276
2019 .....	19	173
2020 and thereafter .....	8	73

0.740 per cent Unsecured Japanese Yen bond issued by the Company on December 19, 2013 was as follows:

	Millions of yen	Thousands of U.S. dollars
Within 1 year .....	¥10,000	\$88,747
Less than 2 years more than 1 year .....	0	0
Less than 3 years more than 2 years .....	0	0
Less than 4 years more than 3 years .....	0	0

## 9. Retirement benefit and pension plan

Information on the Projected Benefit Obligation under the retirement benefit and pension plan were as follows:

FY2014(April 1, 2014 to March 31, 2015)

(a) Retirement benefit obligation

Recognition of retirement benefit obligation:	Millions of yen
	2015
Retirement benefit obligation as of April 1, 2014 .....	¥22,073
Cumulative effect of changes in accounting policies .....	2,719
Retirement benefit obligation that changes in accounting policies as of April 1, 2014 .....	¥24,793
Service cost .....	1,079
Interest cost .....	172
Actuarial gain or loss .....	(20)
Retirement benefits paid .....	(1,547)
Other .....	6
Retirement benefit obligation as of March 31, 2015 .....	¥24,482

Method of attributing the retirement benefit obligation to periods of service...Straight-line basis

(b) Reconciliation of plan assets

	Millions of yen
	2015
Plan assets as of April 1, 2014 .....	¥13,166
Expected return on plan assets .....	125
Actuarial gain or loss .....	641
Contribution by the Company .....	697
Retirement benefits paid .....	(1,205)
Plan assets as of March 31, 2015 .....	¥13,424

(c) Reconciliation of Retirement Benefit Obligation and Plan Assets and Net liability for retirement benefit in the Consolidated Balance Sheets

	2015
Funded retirement benefit obligation .....	¥24,388
Plan assets .....	(13,424)
	10,964
Unfunded retirement benefit obligation .....	94
Net liability for retirement benefit in the Consolidated Balance Sheets .....	11,058
Net defined benefit liability .....	11,058
Net liability for retirement benefit in the Consolidated Balance Sheets .....	¥11,058

(d) Components of net periodic pension cost for the year ended March 31, 2015

	Millions of yen
	2015
Service cost .....	¥1,079
Interest cost .....	172
Expected return on plan assets .....	(125)
Amortization of actuarial gain or loss .....	1,101
Unrecognized past service cost .....	(91)
Others .....	0
Total .....	¥2,136

(e) Remeasurements of defined benefit plans

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

	Millions of yen
	2015
Unrecognized past service cost .....	¥(91)
Unrecognized actuarial gain or loss .....	1,762
Total.....	¥1,671

(f) Cumulative remeasurements of defined benefit plans

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

	Millions of yen
	2015
Unrecognized past service cost .....	¥(456)
Unrecognized actuarial gain or loss .....	2,961
Total.....	¥2,505

(g) Pension assets

Details of plan assets

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

	2015
Bonds .....	45%
Securities.....	32%
General accounts.....	17%
Other.....	6%
Total.....	100%

Retirement benefits trust established for corporate pension plans accounts for 37% of total plan assets.

Method for long-term expected return on plan assets

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

(h) Assumptions for actuarial calculations

	2015
Discount rate .....	0.7%
Expected return on plan assets	
Except pension trust.....	1.5%
Expected return on pension trust.....	0.0%

(i) Defined contribution

Amount payable for defined contribution of consolidated subsidiary was ¥1 million.

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

Information regarding the multi-employer pension plans were summarized as follows:

(1) Funded status

Multi-employer pension funds

	Millions of yen
	2015
Plan assets .....	¥245,223
Legal reserve on the pension finance calculation ....	242,526
Net amount.....	¥2,697

(2) Number of participants of the multi-employer pension plans who are employees of the Company's consolidated subsidiaries as a percentage of total participants of such plans.

	2015
Proportion of the Group total salary of multi-employer pension funds.....	6.7%

Under this plan, past service cost is amortized evenly over 10 years.

The Group has recognized the special premium of ¥98million (\$812 thousand) as costs for the year ended March 31, 2015.

FY 2015 (April 1, 2015 to March 31, 2016)

(a) Retirement benefits obligation

Recognition of retirement benefit obligation:

	Millions of yen	Thousands of U.S dollars
	2016	2016
Retirement benefit obligation as of April 1, 2015.....	¥24,482	\$217,274
Service cost.....	1,136	10,081
Interest cost.....	170	1,504
Actuarial gain or loss.....	281	2,491
Retirement benefits paid .....	(1,520)	(13,486)
Other.....	(6)	(52)
Retirement benefit obligation as of March 31, 2016....	¥24,543	\$217,812

Method of attributing the retirement benefit obligation to periods of service...Straight-line basis

(b) Reconciliation of plan assets

	Millions of yen	Thousands of U.S dollars
	2016	2016
Plan assets as of April 1, 2015.....	¥13,424	\$119,137
Expected return on plan assets .....	210	1,865
Actuarial gain or loss.....	(693)	(6,147)
Contributions by the Company.....	1,607	14,260
Retirement benefits paid .....	(1,212)	(10,754)
Plan assets as of March 31, 2016 .....	¥13,337	\$118,362

(c) Reconciliation of Retirement Benefit Obligation and Plan Assets and Net liability for retirement benefit in the Consolidated Balance Sheets

	Millions of yen	Thousands of U.S dollars
	2016	2016
Funded retirement benefit obligation .....	¥24,431	\$216,814
Plan assets .....	(13,337)	(118,362)
	11,094	98,452
Unfunded retirement benefit obligation.....	112	998
Net liability for retirement benefit in the Consolidated Balance Sheets ...	11,206	99,450
Net defined benefit liability .....	11,206	99,450
Net liability for retirement benefit in the Consolidated Balance Sheets ...	11,206	99,450

(d) Components of net periodic pension cost for the year ended March 31, 2016

	Millions of yen	Thousands of U.S dollars
	2016	2016
Service cost.....	¥1,136	\$10,081
Interest cost.....	170	1,504
Expected return on plan assets .....	(210)	(1,865)
Amortization of actuarial gain or loss .....	1,031	9,146
Unrecognized past service cost .....	(91)	(810)
Others.....	0	10
Total.....	¥2,036	\$18,066



**(e) Remeasurements of defined benefit plans**

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

	Millions of yen	Thousands of U.S dollars
	2016	2016
Past service cost .....	¥(91)	\$(810)
Actuarial gain or loss .....	57	509
Total .....	¥(34)	\$(301)

**(f) Cumulative remeasurements of defined benefit plans**

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

	Millions of yen	Thousands of U.S dollars
	2016	2016
Unrecognized past service cost .....	¥(365)	\$(3,240)
Unrecognized actuarial gain or loss .....	2,904	25,769
Total .....	¥2,539	\$22,529

**(g) Pension assets****Details of plan assets**

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

	2016
Bonds .....	50%
Securities .....	24%
General accounts .....	18%
Other .....	8%
Total .....	100%

Retirement benefits trust established for corporate pension plans accounts for 34% of total plan assets.

**Method for long-term expected return on plan assets**

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

**(h) Assumptions for actuarial calculations**

	2016
Discount rate .....	0.7%
Expected return on plan assets	
Except pension trust .....	2.5%
Expected return on pension trust .....	0.0%

**(i) Defined contribution**

Amount payable for defined contribution of consolidated subsidiary was ¥1 million.

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

Information regarding the multi-employer pension plans were summarized as follows:

**(1) Funded status****Multi-employer pension funds**

	Millions of yen	Thousands of U.S dollars
	2016	2016
Plan assets .....	¥270,328	\$2,399,074
Total amount of legal reserve and actuarial obligation of the pension finance calculation .....	260,102	2,308,321
Net amount .....	¥10,226	\$90,753

(2) Number of participants of the multi-employer pension plans who are employees of the Company's consolidated subsidiaries as a percentage of total participants of such plans.

	2016
Proportion of the Group total salary of multi-employer pension funds .....	6.8%

Under this plan, past service cost is amortized evenly over 10 years.

The Group has recognized the special premium of ¥99million (\$881 thousand) as costs for the year ended March 31, 2016.

**10. Income taxes****Composition of deferred tax assets and liabilities**

(a) Deferred tax assets and liabilities at March 31, 2015 and 2016 consisted are as follows:

	Millions of yen	Thousands of U.S. dollars	
	2015	2016	2016
Deferred tax assets:			
Net defined benefit liability .....	¥5,045	¥5,319	\$47,206.00
Carry forwards .....	4,549	2,585	22,939
Impairment loss of long-lived assets ..	3,614	2,999	26,614
Provision for allowance for loss on construction projects ..	1,987	515	4,567
Allowance for doubtful accounts .....	1,173	1,413	12,537
Provision for bonuses .....	491	780	6,921
Provision for warranties for completed construction ..	436	329	2,917
Valuation Loss on investment securities ...	402	381	3,382
Loss on valuation of real estate .....	364	316	2,806
Other .....	2,005	2,225	19,755
Subtotal deferred tax assets .....	20,066	16,862	149,644
Valuation allowance .....	(14,959)	(7,051)	(62,580)
Gross deferred tax assets .....	¥5,107	¥9,811	\$87,064
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities .....	¥(13,244)	¥(9,350)	\$(82,977)
Resignation payment trust .....	(943)	(597)	(5,300)
Reserve for reduction entry of replaced property ..	(545)	(491)	(4,359)
Others .....	(40)	(306)	(2,710)
Gross deferred tax liabilities .....	¥(14,772)	¥(10,744)	\$(95,346)
Net deferred tax assets (liabilities) ..	¥(9,665)	¥(933)	\$(8,282)

(b) A reconciliation between the statutory tax rate and the effective tax rate were as follows:

	2015	2016
Statutory tax rate .....	35.6%	33.1%
(Adjustment)		
Permanent non-deductible items .....	5.7%	2.6%
Permanent non-taxable items .....	(1.3)%	(0.5)%
Inhabitant taxes on per capita levy .....	1.4%	1.0%
Difference of tax rate of foreign subsidiaries .....	(4.0)%	(2.5)%
Valuation allowance .....	(35.9)%	(52.4)%
Reduction of deferred taxes in effect of enacted future tax ...	2.1%	2.6%
Difference of the tax base of enterprise tax on corporation ...	6.1%	5.0%
Tax credit .....	(1.3)%	(1.1)%
Other .....	(0.2)%	3.3%
Effective tax rate .....	10.8%	(8.9)%

(c) As "Act for Partial Amendment of the income Tax Act, etc." and "Act for Partial Amendment of the Council Tax Act, etc." were enacted by the Diet on March 29, 2016, the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 32.3% to 30.9% for temporary differences expected to be eliminated in the fiscal year beginning on April, 2016 and on April 1, 2017, and to 30.6% for temporary differences expected to be eliminated in the fiscal year beginning on and after April 1, 2018. As a result, net of deferred tax liability decreased by 97 million yen, cumulative tax remeasurements of defined benefit plans for this fiscal year decreased by 43 million yen, and Unrealized gain of available-for-sale securities increased by 519 million yen, Deferred income taxes increased by 378 million yen.

## 11. Lease transactions

Information on finance lease transactions that do not transfer ownership of the leased assets to the lessee and accounted for as operating leases is as follows:

### Finance lease transactions that do not transfer ownership

1. Leased assets consist of the following types of assets
  - Tangible assets
  - Mainly computer system and equipment for the Company.
2. Depreciation method for lease assets
  - i) Method                      Straight line method
  - ii) Term                         Lease term
  - iii) Residual value          Zero

## 12. Notes to Consolidated Balance Sheets

(a) Investments in non-consolidated subsidiaries and affiliates as of March 31, 2015 and 2016 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Investment securities.....	¥828	¥831	\$7,377

(b) Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligation as of March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
<b>Pledged assets:</b>			
Building and structures.....	¥975	¥926	\$8,221
Land.....	95	95	840
Total.....	¥1,070	¥1,021	\$9,061
<b>Secured liabilities:</b>			
Deposits received.....	¥82	¥82	\$729
Other long-term liabilities.....	554	472	4,189
Total.....	¥636	¥554	\$4,918
<b>Pledged assets for loans on subsidiaries and affiliates:</b>			
Building and structures.....	¥326	¥316	\$2,803
Land.....	37	37	326
Investment securities.....	184	184	1,634
Total.....	¥547	¥537	\$4,764
<b>Pledged assets for construction:</b>			
Investment securities.....	¥60	¥50	\$443
<b>Pledged assets for housing latent defects:</b>			
Investment securities.....	¥315	¥141	\$1,247
Securities.....	¥—	¥9	\$80
Total.....	¥315	¥150	\$1,327

## (c) Contingent liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
	¥111	¥77	\$686

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Total amount of loan commitment.....	¥25,544	¥25,311	\$224,625
Loans outstanding.....	¥—	¥—	\$—

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Building and structures.....	¥199	¥859	\$7,621
Land.....	253	167	1,486
Total.....	¥452	¥1,026	\$9,107

## 13. Notes to Consolidated Statements of Income

(a) Inventories at the end of fiscal year represent the amount derived by writing down the book value according to the decrease in profitability where applicable, and the following loss on valuation of inventories is included in cost of sales on real estate business and other

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
	¥7	¥209	\$1,855

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
	¥5,485	¥834	\$7,399

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Employees' salary and allowances.....	¥7,164	¥7,269	\$64,507
Retirement benefit expenses.....	¥856	¥760	\$6,749
Provision for bonuses.....	¥43	¥376	\$3,334

(d) Research and development expenses for the years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
	¥1,227	¥1,254	\$11,133

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings and structures.....	¥0	¥0	\$0
Machinery.....	¥8	¥6	\$56
Land.....	¥2	¥71	\$629
Total.....	¥10	¥77	\$685



(f) Loss on sales of fixed assets were as follows.:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings and structures .....	¥7	¥250	\$2,218
Land.....	¥26	¥680	\$6,031
Other.....	¥5	¥0	\$0
Total.....	¥39	¥930	\$8,253

(g) Loss on retirement of non-current assets was follows.:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings and structures .....	¥2	¥221	\$1,962
Machinery .....	5	¥0	\$0
Other.....	1	¥2	\$14
Total.....	¥8	¥223	\$1,977

(h) Loss on Impairment of long-lived assets

**FY2014(April 1, 2014 to March 31, 2015)**

The Group recognized impairment loss on the following asset groups for the year ended March 31, 2015.

The asset grouping is made by business location for assets used by the Group and by property for individual assets for rent.

The book value of the following real estate for rent was reduced to the recoverable amount due to the decision of reconstruction and disposal by sales. The difference between the book value and the recoverable amount was posted as loss on impairment(¥390million)

Location	Purpose	Type of asset	Millions of yen	
			2015	
Tokyo	For rent	Building	¥227	
Tokyo	For rent	Land	¥73	
Tokyo	For rent	Land, Building	¥49	
Tokyo	For rent	Land, Building	¥29	
Tokyo	For rent	Land	¥12	

In addition, the recoverable value of the rental property was estimated based on the future cash flow discounted by the rate of 2.8% estimated selling amounts.

**FY2015(April 1, 2015 to March 31, 2016)**

The Group recognized impairment loss on the following asset groups for the year ended March 31, 2016.

The asset grouping is made by business location for assets used by the Group and by property for individual assets for rent.

The book value of the following real estate for rent was reduced to the recoverable amount due to the change in the purpose of holding, decreased profitability, etc. The difference between the book value and the recoverable amount was posted as loss on impairment(¥496 million)

Location	Purpose	Type of asset	Millions of yen		Thousands of U.S. dollars
			2016	2016	2016
Hiroshima	For rent	Land, Building	¥253		\$2,246
Kagawa	For business	Land, Building	¥119		\$1,052
Kanagawa	For business	Facilities attached to buildings, machinery and equipment other	¥66		\$588
Hyougo	For rent	Land, Building	¥28		\$247
Tokyo	For rent	Land	¥16		\$139
Kanagawa	For rent	Land, Building	¥15		\$129

In addition, the recoverable value of the rental property was estimated based on the estimated future cash flow discounted by the rate of 2.4% or the fair value less costs to sell based on the real-estate appraisal, etc.

## 14. Notes to Consolidated Comprehensive Income

Other Comprehensive income for the year ended March 31, 2015 and 2016 were as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrealized gain on available for sale securities			
Amount arising during the year .....	¥10,996	¥(10,448)	\$(92,723)
Reclassification adjustments.....	(1,603)	(1)	(6)
Equity adjustment from foreign currency translation			
Amount arising during the year .....	439	(289)	(2,566)
Remesurements of defined benefit plans			
Amount arising during the year .....	661	(973)	(8,637)
Reclassification adjustments.....	1,010	939	8,337
Amount before income tax effect .....	11,503	(10,772)	(95,595)
Income tax effect .....	(2,350)	4,671	41,454
Total .....	¥9,153	¥(6,101)	\$(54,141)

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrealized gain on available for sale securities			
Amount before income tax effect .....	¥6,526	¥(10,449)	\$(92,729)
Income tax effect .....	(2,305)	3,895	34,561
Amount after adjustment of income tax effect ....	4,221	(6554)	(58,168)
Foreign currency translation adjustment			
Amount before income tax effect .....	396	(289)	(2,566)
Income tax effect .....	0	0	0
Amount after adjustment of income tax effect ....	396	(289)	(2,566)
Remesurements of defined benefit plans			
Amount before income tax effect .....	396	(34)	(301)
Income tax effect .....	0	777	6,894
Amount after adjustment of income tax effect .....	396	743	6,593
Other comprehensive income			
Amount total of other comprehensive income ..	6,923	(10,772)	(95,595)
Income tax effect .....	(2,305)	4,671	41,454
Amount after adjustment of income tax effect ....	¥4,618	¥(6,101)	\$(54,141)

## 15. Notes to Consolidated Statements of Changes in Net Assets

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

	Thousand shares	
	2015	2016
Common stock		
Number of shares at the beginning of year .....	277,958	277,958
Number of shares increased .....	0	0
Number of shares decreased.....	0	0
Number of shares at the end of year.....	277,958	277,958

a) FY2014 (April 1, 2014 to March 31, 2015)

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

b) FY2015 (April 1, 2015 to March 31, 2016)

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

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

	Thousand shares	
	2015	2016
Common stock		
Number of shares at the beginning of year .....	979	1,006
Number of shares increased .....	27	14
Number of shares decreased.....	—	—
Number of shares at the end of year.....	1,006	1,020

(c) Dividends

FY2014 (April 1, 2014 to March 31, 2015)

1. Dividends paid

Resolution	Class of shares	Total dividend		Dividend per shares		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 27, 2014	Common stock	¥1,662	\$13,829	¥6.00	\$0.050	March 31, 2014	June 30, 2014

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

Resolution	Class of shares	Total dividend		Dividend per shares		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 26, 2015	Common stock	¥2,770	\$23,047	¥10.00	\$0.083	March 31, 2015	June 30, 2014

FY2015 (April 1, 2015 to March 31, 2016)

1. Dividends paid

Resolution	Class of shares	Total dividend		Dividend per shares		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 26, 2015	Common stock	¥2,770	\$24,579	¥10.00	\$0.089	March 31, 2015	June 29, 2015

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 shares		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 29, 2016	Common stock	Retained earnings	¥4,431	\$39,324	¥16.00	\$0.142	March 31, 2016	June 30, 2016

## 16. Financial Instruments

### (a) Disclosure on financial instruments

#### (1) Policy on financial instruments

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

The Group utilize derivatives to hedge risks against the fluctuation of foreign exchange rate and interest rate related to debt, and do 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 client credit risk.

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

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

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

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

The Group evaluates each client's credit in advance.

The Group monitors due dates and outstanding balances, and confirms the credibility of the client periodically.

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

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

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

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

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

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

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

The internal control board 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 in 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, 2015 and 2016 were as follows.

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

	Millions of yen		
	2015		
	Book Value	Fair value	Difference
Cash and deposits.....	¥37,573	¥37,573	¥—
Notes receivable, accounts receivable from completed construction contracts and other.....	152,230	151,678	(552)
Investment in securities.....	65,051	65,058	7
Long-term loans.....	177	—	—
Allowance for doubtful accounts*.....	(106)	—	—
	71	70	(1)
Assets .....	¥254,925	¥254,379	¥(546)
Notes payable, accounts payable for construction contracts and other.....	¥102,505	¥102,505	¥—
Short-term debt.....	¥36,807	¥36,807	—
Current portion of bond.....	825	825	—
Bond.....	10,000	10,048	48
Long-term debt.....	6,286	6,286	—
Liabilities .....	¥156,423	¥156,471	¥48
Derivative .....	—	—	—

	Millions of yen		
	2016		
	Book Value	Fair value	Difference
Cash and deposits.....	¥27,904	¥27,904	¥—
Notes receivable, accounts receivable from completed construction contracts and other.....	143,914	143,887	(27)
Investment in securities.....	55,430	55,447	17
Long-term loans.....	142	—	—
Allowance for doubtful accounts*.....	(100)	—	—
	42	41	(1)
Assets .....	¥227,290	¥227,279	¥(11)
Notes payable, accounts payable for construction contracts and other.....	¥81,830	¥81,830	¥—
Short-term debt.....	17,523	17,523	—
Current portion of bond.....	10,000	10,000	—
Bond.....	25,000	25,344	344
Long-term debt.....	653	653	0
Liabilities .....	¥135,006	¥135,350	¥344
Derivative .....	—	—	—

	Thousands of U.S. dollars		
	2016		
	Book value	Fair value	Difference
Cash and deposits.....	\$247,639	\$247,639	\$—
Notes receivable, accounts receivable from completed construction contracts and other .....	1,277,192	1,276,953	(239)
Investment in securities.....	491,927	492,073	146
Long-term loans.....	1,264	—	—
Allowance for doubtful accounts* .....	(893)	—	—
	371	365	(6)
<b>Assets .....</b>	<b>\$2,017,128</b>	<b>\$2,017,029</b>	<b>\$(99)</b>
Notes payable, accounts payable for construction contracts and other .....	\$726,219	\$726,219	\$—
Short-term debt.....	155,507	155,507	—
Current portion of Bond.....	88,747	88,747	—
Bond .....	221,867	224,925	3,057
Long-term debt.....	5,792	5,792	—
Liabilities .....	\$1,198,132	\$1,201,190	\$3,057
Derivative .....	—	—	—

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

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

#### Assets

##### 1) Cash and deposits

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

##### 2) Notes receivable, accounts receivable from completed construction contracts and other

The fair value of notes receivable and accounts receivable is based on the present value of a periodically divided the amount, discounted by the rate assumed based on its maturity and credit risk.

##### 3) Investment in securities

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

##### 4) Long-term loan

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

#### Liabilities

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

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

##### 2) Bond

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

##### 3) Long-term debt

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

2. Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2015 and 2016 were as follows:

Classification	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
	Book value	Book value	Book value
Unlisted receivables .....	¥55	¥30	\$266
Unlisted securities.....	8,693	8,223	72,979
Investment in anonymous association .....	389	1,286	11,409
Stock for nonconsolidated subsidiaries and affiliates .....	829	831	7,377

3. Redemption schedule for receivable and securities to maturity at March 31, 2015 and 2016.

	Millions of yen			
	2015			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	¥37,573	¥—	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other .....	128,359	6,369	17,501	—
Investment in securities Debt security held to maturity (government bonds) .....	¥177	198	—	—
Debt security held to maturity (other) .....	—	30	—	—
Long-term loan .....	—	91	26	61
<b>Total .....</b>	<b>¥166,109</b>	<b>¥6,688</b>	<b>¥17,527</b>	<b>¥61</b>

	Millions of yen			
	2016			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	¥27,904	¥—	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other .....	142,487	1,427	—	—
Investment in securities Debt security held to maturity (government bonds) .....	9	190	—	—
Debt security held to maturity (other) .....	30	—	—	—
Long-term loan .....	—	61	26	55
<b>Total .....</b>	<b>¥170,430</b>	<b>¥1,678</b>	<b>¥26</b>	<b>¥55</b>

	Thousands of U.S. dollars			
	2016			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	\$247,639	\$—	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other .....	1,264,530	12,662	—	—
Investment in securities				
Debt security held to maturity (government bonds) .....	79	1,690	—	—
Debt security held to maturity (other) .....	266	—	—	—
Long-term loan .....	—	544	231	490
<b>Total .....</b>	<b>\$1,512,516</b>	<b>\$14,896</b>	<b>\$231</b>	<b>\$490</b>

#### 4. Redemption schedule for bond, long-term debt, and lease liability as of March 31, 2015 and 2016.

	Millions of yen					
	2015					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond .....	¥825	¥10,000	¥—	¥—	¥—	¥—
Long-term debt...	25,107	5,634	653	—	—	—
Lease liability .....	31	26	23	16	5	—
<b>Total .....</b>	<b>¥25,963</b>	<b>¥15,660</b>	<b>¥676</b>	<b>¥16</b>	<b>¥5</b>	<b>¥—</b>

	Millions of yen					
	2016					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond .....	¥10,000	¥—	¥—	¥—	¥15,000	¥10,000
Long-term debt...	5,634	653	—	—	—	—
Lease liability .....	40	38	31	19	8	—
<b>Total .....</b>	<b>¥15,674</b>	<b>¥691</b>	<b>¥31</b>	<b>¥19</b>	<b>¥15,008</b>	<b>¥10,000</b>

	Thousands of U.S. dollars					
	2016					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond .....	\$88,747	\$—	\$—	\$—	\$133,120	\$88,747
Long-term debt...	49,998	5,792	—	—	—	—
Lease liability .....	357	337	276	173	74	—
<b>Total .....</b>	<b>\$139,102</b>	<b>\$6,129</b>	<b>\$276</b>	<b>\$173</b>	<b>\$133,194</b>	<b>\$88,747</b>

## 17. Investment and rental properties

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

Profit for investment and rental properties in 2015 was ¥2,183 millions, in 2016 was ¥2,041 million (\$18,114 Thousands).

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

Millions of yen			
Carrying amount			Fair value
April 1, 2014	Increased (Decreased)	March 31, 2015	March 31, 2015
¥49,442	¥(147)	¥49,295	¥51,722

Millions of yen			
Carrying amount			Fair value
April 1, 2015	Increased (Decreased)	March 31, 2016	March 31, 2016
¥49,295	¥159	¥49,454	¥53,681

Thousands of U.S. dollars			
Carrying amount			Fair value
April 1, 2015	Increased (Decreased)	March 31, 2016	March 31, 2016
\$437,480	\$1,412	\$438,892	\$476,399

- Carrying amount is net of accumulated depreciation and accumulated impairment losses from acquisition cost.
- The main reason of increase in 2015 was the purchase, ¥1,815 million, and those of decrease were Depreciation ¥857 million, the selling ¥438 million, transfer to sales of real estate ¥445 million and loss on impairment of long-lived assets ¥390 million.  
The main reason of increase in 2016 were the purchase, ¥2,470 million (\$21,920 Thousands), and the transfer from business use ¥523million (\$4,640 Thousands), those of decrease were transfer to sales of real estate ¥971 million (\$8,614 Thousands), the selling ¥869 million(\$7,716 Thousands), Depreciation ¥795 million(\$7,052 Thousands) and loss on impairment of long-lived assets ¥414 million (\$3,677 Thousands).
- Fair value at the end of this fiscal year is assessed by the Company mainly based on "real-estate appraisal criterion".

## 18. Asset retirement obligations

The asset retirement obligations included in financial statement for the years ended March 31, 2015 and 2016 were as follows:

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

- Obligation to remove asbestos based on 'Act on Asbestos Health Damage Relief'  
The estimated period of service of the building is mainly 18 to 50 years from acquisition and the discount rate has calculated the adjustment amount of an asset retirement obligations by having mainly used 1.592 to 2.308%.
- Obligation to soil investigation based on 'Soil Contamination Countermeasures Act'  
The estimated period of service of the building is mainly 8 to 17 years from acquisition and the discount rate has calculated the adjustment amount of an asset retirement obligation by having mainly used 1.035 to 1.989%.
- Rationally estimated cost of obligation to restore to original state based on real estate rental contract  
The estimated period of service of rental stores owned by the Group is 20 years based on periodical lease contract and the discount rate has calculated the adjustment amount of an asset retirement obligations by having used 2.155%.  
The estimated period of service of the offices which the Group rents is from 4 years to 42 years based on periodical lease contract and the discount rate has calculated the adjustment amount of an asset retirement obligations by having used from 0.037% to 0.899%

(b) Increase(decrease) of asset retirement obligations as of March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at beginning of year.....	¥108	¥207	\$1,835
New obligations by acquisition of fixed assets .....	97	21	190
Increase because of reasonable estimate can be made..	—	28	246
Adjustment for time's passage .....	2	2	16
Decrease because of executed obligation...	—	(22)	(196)
Balance at end of year .....	¥207	¥236	\$2,091

## 19. Segment information

### (a) Decision of reportable segments

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

The Company has management divisions for each operating segment such as civil engineering, building construction, and real estate development, and develop their domestic and overseas business.

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

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

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

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

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

### (c) Net sales, profit or loss, assets and liabilities by reportable business segments for the year ended March 31, 2015 and 2016.

	Millions of yen				
	2015				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Net sales:					
Customers .....	¥144,100	¥191,378	¥7,512	¥—	¥342,990
Intersegment or transfer .....	¥5	—	933	(938)	—
Total.....	¥144,105	¥191,378	¥8,445	¥(938)	¥342,990
Operating income (loss)....	1,048	5,538	2,125	—	8,711
Depreciation and amortization ..	403	520	856	—	1,779

	Millions of yen				
	2016				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Net sales:					
Customers .....	¥126,834	¥173,105	¥8,887	¥—	¥308,826
Intersegment or transfer .....	1	25	1,218	(1,243)	—
Total.....	¥126,835	¥173,130	¥10,105	¥(1,243)	¥308,826
Operating income (loss)....	4,754	9,270	2,160	—	16,185
Depreciation and amortization..	496	538	828	—	1,862

	Thousands of U.S. dollars				
	2016				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Net sales:					
Customers .....	\$1,125,613	\$1,536,252	\$78,873	\$—	\$2,740,739
Intersegment or transfer .....	6	222	10,806	(11,034)	—
Total.....	\$1,125,619	\$1,536,474	\$89,679	\$(11,034)	\$2,740,739
Operating income (loss)....	42,194	82,266	19,173	—	143,633
Depreciation and amortization..	4,403	4,774	7,344	—	16,521

### Related information

#### (1) Products and services

Information about products and services is included in "(c) Net sales, profit or loss, assets and liabilities by reportable business segments for the year ended March 31, 2015 and 2016.

#### (2) Geographical areas

Information by geographical segment for the year ended March 31, 2015 and 2016 were summarized as follows:

	Millions of yen			
	2015			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers .....	¥278,359	¥62,843	¥1,788	¥342,990

	Millions of yen			
	2016			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers .....	¥272,683	¥41,953	¥(5,810)	¥308,826

	Thousand of U.S. dollars			
	2016			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	\$2,419,979	\$372,320	\$(5,561)	\$2,740,738

### Information about tangible assets

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

#### (3) Major customers

This item for the year end March 31, 2015 and 2016 is omitted because net sales to no single customer represented 10% or more of total net sales of the consolidated statement of income.

#### (4) Loss on impairment of long-lived assets

There is no loss on impairment of long-lived assets on fixed assets by reportable business segment for the year end March 31, 2015 and 2016. The detail for the year ended March 31, 2015 and 2016 was as follow:



	Millions of yen				
	2015				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Loss on impairment of long-lived assets .....	¥—	¥—	¥390	¥—	¥390

	Millions of yen				
	2016				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Loss on impairment of long-lived assets .....	¥—	¥—	¥496	¥—	¥496

	Thousands of U.S. dollars				
	2016				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Loss on impairment of long-lived assets .....	\$—	\$—	\$4,401	\$—	\$4,401

## 20. 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, 2015 and 2016

### (a) Per share information

	Yen		U.S. dollars
	2015	2016	2016
Net income:			
Basic .....	¥33.29	¥52.71	\$0.468
Net assets: .....	533.84	555.06	4.926

1. Diluted net income per share for the year March 31, 2015 and 2016 were not presented because the Company had no shares with dilutive effects.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Prfprofit attributable to owners of parent ..	¥9,221	¥14,599	\$129,558
Amount that does not belong to general shareholders .....	—	—	—
Prfprofit attributable to owners of parent ..	9,221	14,599	129,558
Average number of shares of common stock during the year (Unit: 1,000) .....	276,961	276,944	2,458

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Total amount under net assets .....	¥149,554	¥156,154	\$1,385,822
Amount deducted from the total amount under net assets .....	1,706	2,437	21,629
(Of which minority interests) .....	(1,706)	(2,437)	(21,629)
Net assets at the end of the year related to common stock .....	147,848	153,717	1,364,193
Number of shares of common stock at the end of the year used in the calculation of net assets per share (Unit: 1,000) .....	276,952	276,937	2,458

## 21. Quarterly information for FY2015 (April 1, 2015 to March 31, 2016)

### (a) Accumulated period

	Millions of yen			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2015 Jun 30, 2015	Apr 1, 2015 Sep 30, 2015	Apr 1, 2015 Dec 31, 2015	Apr 1, 2016 Mar 31, 2016
Net sales .....	¥75,099	¥159,366	¥234,444	¥308,826
Prfprofit before income taxes .....	3,002	8,164	14,710	14,208
Prfprofit attributable to owners of parent .....	2,073	6,436	11,765	14,599
Per share of net income (Yen) .....	7.48	23.24	42.48	52.71

	Thousands of U.S. dollars			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2015 Jun 30, 2015	Apr 1, 2015 Sep 30, 2015	Apr 1, 2015 Dec 31, 2015	Apr 1, 2016 Mar 31, 2016
Net sales .....	\$666,479	\$1,414,320	\$2,080,620	\$2,740,739
Profit before income taxes .....	26,641	72,454	130,548	126,092
Prfprofit attributable to owners of parent .....	18,396	57,120	104,407	129,558
Per share of profit (U.S. dollars) .....	0.066	0.206	0.377	0.468

### (b) Each period

	Yen			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2015 Jun 30, 2015	Jul 1, 2015 Sep 30, 2015	Oct 1, 2015 Dec 31, 2015	Jan 1, 2016 Mar 31, 2016
Per share of profit .....	7.48	15.76	19.24	10.23

	U.S. dollars			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2015 Jun 30, 2015	Jul 1, 2015 Sep 30, 2015	Oct 1, 2015 Dec 31, 2015	Jan 1, 2016 Mar 31, 2016
Per share of profit .....	0.066	0.140	0.171	0.091

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Nishimatsu Construction Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheet as of March 31, 2016, and the consolidated statement of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

## **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

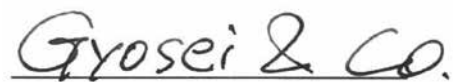
## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nishimatsu Construction Co., Ltd. and its subsidiaries as of March 31, 2016, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## **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 Note6.

Tokyo, Japan  
June 29, 2016



GYOSEI & Co.  
Certified Public Accountants



## Non-Consolidated Five-Year Summary

	Millions of yen				
	2012	2013	2014	2015	2016
Orders received .....	¥249,925	¥244,674	¥299,056	¥339,095	<b>¥298,758</b>
Orders received from overseas.....	46,176	24,724	34,624	25,764	<b>11,190</b>
Percentage of orders received from overseas.....	18.5%	10.1%	11.6%	7.6%	<b>3.7%</b>
Net sales.....	253,516	239,980	299,610	325,464	<b>297,850</b>
Cost of sales.....	239,525	226,280	283,860	306,186	<b>269,494</b>
Selling, general and administrative expenses .....	11,859	12,449	12,725	13,506	<b>14,381</b>
Profit before income taxes.....	1,559	3,330	2,165	9,201	<b>12,706</b>
Profit .....	2,001	2,848	5,453	8,624	<b>14,618</b>
Percentage of profit against net sales.....	0.8%	1.2%	1.8%	2.6%	<b>4.9%</b>
Total assets .....	310,537	328,229	359,090	370,622	<b>337,242</b>
Net assets.....	114,480	124,978	133,499	145,127	<b>150,410</b>
Percentage of net assets against total assets.....	36.9%	38.1%	37.2%	39.2%	<b>44.6%</b>
Common stock .....	23,514	23,514	23,514	23,514	<b>23,514</b>
Per share of common stock (in yen):					
Profit* .....	¥ 7.22	¥ 10.28	¥ 19.68	¥ 31.14	<b>¥ 52.78</b>
Cash dividends applicable to the year .....	4.00	4.00	6.00	10.00	<b>16.00</b>
Net assets.....	412.91	450.99	481.98	524.02	<b>543.12</b>
Number of shareholders.....	26,808	26,915	20,049	30,009	<b>23,290</b>
Number of employees .....	2,340	2,309	2,648	2,424	<b>2,467</b>

Note:

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

# Non-Consolidated Balance Sheets

March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2016	2016
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 13) .....	¥ 30,726	¥ 19,901	\$ 176,617
Marketable securities (Note 10) .....	167	39	346
Notes and accounts receivable, trade:			
Notes (Notes 8 and 13) .....	4,552	4,984	44,235
Accounts (Note 13) .....	147,958	137,512	1,220,372
Allowance for doubtful accounts (Notes 2 and 12).....	(243)	(167)	(1,483)
Inventories (Notes 2 and 5).....	18,988	9,051	80,324
Short-term loans to subsidiaries and affiliates (Note 13) .....	43	30	270
Deferred income taxes (Note 7) .....	4,170	4,103	36,409
Advance paid .....	13,360	14,783	131,198
Other current assets.....	8,609	4,917	43,637
Total current assets.....	228,330	195,153	1,731,925
<b>Investments and other assets:</b>			
Investment securities (Notes 2 and 10).....	70,113	60,758	539,211
Investments in subsidiaries and affiliates (Notes 2 and 8).....	2,372	2,274	20,185
Long-term loans to subsidiaries and affiliates (Note 8) .....	105	36	322
Others.....	5,687	4,706	41,751
Allowance for doubtful accounts (Notes 2, 7 and 12).....	(115)	(109)	(966)
Total investments and other assets.....	78,162	67,665	600,503
<b>Property and equipment (Notes 2 and 11):</b>			
Land .....	41,582	45,491	403,718
Buildings.....	48,396	53,468	474,513
Machinery and equipment .....	8,805	8,731	77,484
Accumulated depreciation.....	(34,653)	(33,266)	(295,229)
Total property and equipment.....	64,130	74,424	660,486
<b>Total assets</b> .....	¥370,622	¥337,242	\$2,992,914

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2016	2016
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Short-term debt from banks (Note 13) .....	¥ 9,139	¥ 9,439	\$ 83,768
Short-term debt from subsidiaries and affiliates .....	760	460	4,082
Current portion of long-term debt (Note 13).....	24,000	4,950	43,930
Notes and accounts payable, trade:			
Notes (Note 13) .....	48,937	36,533	324,218
Accounts (Note 13) .....	51,276	43,849	389,145
Advance received on uncompleted contracts (Note 13).....	14,623	6,924	61,447
Provision for warranties for completed construction (Notes 2 and 12) ..	1,323	1,064	9,439
Provision for bonuses (Notes 2 and 12).....	1,500	2,483	22,032
Provision for loss on construction contracts (Notes 2 and 12).....	6,032	1,639	14,546
Accrued income taxes .....	1,607	1,554	13,788
Employees' deposits .....	5,655	6,237	55,353
Provision for loss on real estate business and other (Notes 2 and 12) ..	37	17	152
Deposits received .....	16,959	15,023	133,326
Other current liabilities .....	2,459	13,445	119,324
<b>Total current liabilities</b> .....	<b>184,307</b>	<b>143,617</b>	<b>1,274,550</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 13).....	14,950	25,000	221,867
Accrued retirement benefits.....	8,460	8,555	75,924
Deferred income taxes (Notes 2 and 7) .....	14,042	5,789	51,380
Provision for environmental measures (Notes 2 and 12) .....	227	227	2,014
Asset retirement obligations.....	207	228	2,020
Other long-term liabilities .....	3,302	3,416	30,317
<b>Total long-term liabilities</b> .....	<b>41,188</b>	<b>43,215</b>	<b>383,522</b>
<b>Total liabilities</b> .....	<b>225,495</b>	<b>186,832</b>	<b>1,658,072</b>
<b>Net assets:</b>			
Common stock :			
Authorized - 800,000,000 shares			
Issued and outstanding - 277,957,513 shares.....	23,514	23,514	208,676
Capital surplus. ....	20,780	20,780	184,420
Legal reserve.....	5,878	5,878	52,168
Retained earnings.....	67,509	79,357	704,272
Treasury stock, at cost.....	(299)	(306)	(2,714)
Unrealized gain on available-for-sale securities .....	27,745	21,187	188,020
<b>Total net assets</b> .....	<b>145,127</b>	<b>150,410</b>	<b>1,334,842</b>
<b>Total liabilities and net assets</b> .....	<b>¥370,622</b>	<b>¥337,242</b>	<b>\$2,992,914</b>

# Non-Consolidated Statements of Income

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2016	2016
<b>Net sales</b> (Note 2):			
Completed construction contract.....	¥318,289	¥289,608	\$2,570,179
Real estate business and other.....	7,175	8,242	73,151
	325,464	297,850	2,643,330
<b>Cost of sales</b> (Note 2):			
Cost of completed construction contract.....	301,646	264,147	2,344,224
Cost of real estate business and other.....	4,540	5,347	47,451
	306,186	269,494	2,391,675
Gross profit.....	19,278	28,356	251,655
<b>Selling, general and administrative expenses</b>	13,506	14,381	127,632
Income (Loss) from operations .....	5,772	13,975	124,023
<b>Other income (expenses):</b>			
Interest and dividend income.....	2,464	984	8,735
Interest expenses.....	(616)	(542)	(4,809)
Financing expenses .....	(192)	(166)	(1,477)
Gain on sales of investment securities.....	1,603	1	6
Reversal of allowance for doubtful accounts .....	13	82	728
Loss on sales of fixed assets .....	(29)	(207)	(1,839)
Loss on retirement of non-current assets.....	(8)	(220)	(1,956)
Loss on impairment of long-lived assets.....	(473)	(119)	(1,052)
Loss on valuation of investment securities.....	0	(138)	(1,223)
Foreign currency exchange gain (loss) .....	745	(575)	(5,106)
Loss of rebuilding.....	(29)	(385)	(3,419)
Head office relocation expenses.....	(133)	(31)	(272)
Other - net .....	84	47	424
	3,429	(1,269)	(11,260)
<b>Profit before income taxes</b> .....	9,201	12,706	112,763
<b>Income taxes</b> (Notes 2 and 7):			
Current.....	2,229	2,377	21,096
Deferred .....	(1,652)	(4,289)	(38,064)
	577	(1,912)	(16,968)
<b>Profit (Loss)</b> .....	¥8,624	¥14,618	\$129,731

	Yen	U.S. dollars
<b>Per share of common stock:</b>		
Profit (Loss) .....	¥31.14	\$0.468
Cash dividends applicable to the year .....	10.00	0.142

The accompanying notes are an integral part of these statements.

# Non-Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2015 and 2016

	Millions of yen						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Total net assets
Balance at April 1, 2014.....	¥23,514	¥20,780	¥5,878	¥63,266	¥(287)	¥20,348	¥133,499
Cumulative effects of changes in accounting policies.....				(2,720)			(2,720)
Restated balance.....	23,514	20,780	5,878	60,546	(287)	20,348	130,779
Dividends declared.....				(1,661)			(1,661)
Profit.....				8,624			8,624
Purchase of treasury stock.....					(12)		(12)
Net changes' of items other than shareholders' equity..						7,397	7,397
Balance at March 31, 2015.....	23,514	20,780	5,878	67,509	(299)	27,745	145,127
Balance at April 1, 2015.....	23,514	20,780	5,878	67,509	(299)	27,745	145,127
Cumulative effects of changes in accounting policies.....							—
Restated balance.....	23,514	20,780	5,878	67,509	(299)	27,745	145,127
Dividends declared.....				(2,770)			(2,770)
Profit.....				14,618			14,618
Purchase of treasury stock.....					(7)		(7)
Net changes' of items other than shareholders' equity..						(6,558)	(6,558)
Balance at March 31, 2016.....	¥23,514	¥20,780	¥5,878	¥79,357	¥(306)	¥21,187	¥150,410

	Thousands of U.S. dollars (Note 4)						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Total net assets
Balance at April 1, 2015.....	\$208,676	\$184,420	\$52,168	\$599,120	\$(2,655)	\$246,232	\$1,287,961
Cumulative effects of changes in accounting policies.....							—
Restated balance.....	208,676	184,420	52,168	599,120	(2,655)	246,232	1,287,961
Dividends declared.....				(24,579)			(24,579)
Profit.....				129,731			129,731
Purchase of treasury stock.....					(59)		(59)
Net changes' of items other than shareholders' equity..						(58,212)	(58,212)
Balance at March 31, 2016.....	\$208,676	\$184,420	\$52,168	\$704,272	\$(2,714)	\$188,020	\$1,334,842

The accompanying notes are an integral part of these statements.

# Notes to Non-Consolidated Financial Statements

## 1. Basis of presenting non-consolidated financial statements

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

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

In preparing the non-consolidated financial statements for the purpose of inclusion in this Annual 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 consolidated statements of income to the extent that they are not hedged by foreign exchange derivatives.

### (b) Investments in securities

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

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

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

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

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

### (c) Inventories

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

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

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

### (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 the standards that confirm to the methods provided for in the corporation tax act.

The straight-line method is applied to buildings acquired after April 1, 1998.

Intangible assets (excluding lease assets):

Intangible assets are carried at cost.

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

Lease assets:

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

Long-term prepaid expenses

The straight-line method is applied.

### (e) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost.

### (f) Accrued retirement benefits

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

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

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

### (g) Recognition of sales and related costs

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

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

Sales from the percentage of completion method is ¥289,794 millions (\$2,572 thousands).

### (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

The 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.

### (j) Appropriations of retained earnings

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

**(k) Accounting for net sales of estate business**

Net sales of real estate business are posted on delivery basis. For large-scale contracts with deferred payment terms, however, the Company applies the deferred payment standard under which the amount of net sales deferred and the corresponding deferred cost of sales are posted at every contracted collection date.

**(l) Provision for warranties for completed construction**

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

**(m) Allowance for doubtful accounts**

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

**(n) Provision for loss on construction contracts**

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

**(o) Provision for bonuses**

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

**(p) Provision for loss on real estate business**

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

**(q) Provision for environmental measures**

It is calculated based on a rational estimate and the Company recognized ¥227 millions (\$2,014 thousand) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

**(r) Other account policies in preparing non-consolidated financial Statements**

- (1) Accounting for unrecognized actuarial gain or loss or unrecognized past service cost on non-consolidated balance sheets are different from the accounting on consolidated balance sheets.
- (2) Process of the equivalent of consumption tax and local consumption tax  
Consumption tax and local consumption tax are accounted for using the tax exclusion method.

**3. Changes in presentations**

Notes to non-consolidated statements of income "Loss on retirement of non-current assets" and "Loss of rebuilding" which were included in "Other-net" under "Other income (expenses)" in the previous fiscal year, are separately listed from the fiscal year ended March 31, 2016, because of an increase in the amount. The non-consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, ¥47 million presented in "Other-net" under "Other income (expenses)" in the non-consolidated statements of income of the previous fiscal year has been reclassified as ¥8 million of "Loss on retirement of non-current assets", ¥29 million of "Loss of rebuilding" and ¥84 million of "Other-net".

**4. 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 ¥112.68 = US\$1, which was the exchange rate prevailing as of March 31, 2016.

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.

**5. Inventories**

Inventories comprised the following.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Costs on uncompleted construction contracts.....	¥14,498	¥4,960	\$44,017
Real estate for sale.....	4,374	3,916	34,755
Raw materials and supplies .....	116	175	1,552
Total.....	¥18,988	¥9,051	\$80,324

**6. Securities**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Stocks of subsidiaries.....	¥2,206	¥2,106	\$18,692
Stocks of affiliates.....	166	168	1,493
Total.....	¥2,372	¥2,274	\$20,185



## 7. Income taxes

### Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities as of March 31, 2015 and 2016 were as follows

	Millions of yen		Thousands of
	2015	2016	U.S. dollars
Deferred tax assets:			2016
Accrued retirement obligations .....	¥5,024	¥4,516	\$40,078
Carry forwards .....	4,073	1,820	16,148
Impairment loss of long-lived assets ..	2,983	2,598	23,057
Provision for allowance for loss on construction projects.....	1,987	506	4,495
Allowance for doubtful accounts.....	1,173	1,413	12,537
Portion for bonus .....	480	767	6,808
Provision for warranties for completed construction .....	438	329	2,917
Valuation Loss on investment securities ...	402	381	3,382
Loss on valuation of real estate .....	364	316	2,806
Other .....	1,822	1,904	16,903
Subtotal deferred tax assets.....	¥18,746	¥14,550	\$129,131
Variation allowance.....	(13,852)	(5,768)	(51,191)
Gross deferred tax assets .....	¥4,894	¥8,782	\$77,940
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities.....	(13,237)	(9,341)	(82,902)
Resignation payment trust .....	(943)	(597)	(5,300)
Reserve for reduction entry of replaced property ..	(545)	(491)	(4,359)
Others.....	(41)	(40)	(349)
Gross deferred tax liabilities .....	(14,766)	(10,469)	(92,910)
Net deferred tax assets (liabilities) ..	¥(9,872)	¥(1,687)	\$(14,970)

(b) A reconciliation between the statutory tax rate and the effective tax rate were as follows:

	2015	2016
Statutory tax rate.....	35.6%	33.1%
(Adjustment)		
Permanent non-deductible items .....	6.7%	3.4%
Permanent non-taxable items .....	(7.3)%	(0.6)%
Inhabitant taxes on per capita levy .....	1.6%	1.0%
Valuation allowance .....	(41.1)%	(60.4)%
Reduction of deferred taxes in effect of enacted future tax..	2.4%	2.9%
Difference of base of enterprise tax on corporation ...	7.1%	5.6%
Tax credit .....	(1.5)%	(1.3)%
Other .....	(2.8)%	1.3%
Effective tax rate .....	6.3%	(15.0)%

(c) As "Act for Partial Amendment of the Income Tax Act, etc" and "Act for Partial Amendment of the Council Tax Act, etc." were enacted by the Diet on March 29, 2016, the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 32.3% to 30.9% for temporary differences' expected to be eliminated in the fiscal year beginning on April, 2016 and April 1, 2017, and to 30.6% for temporary differences' expected to be eliminated in the fiscal year beginning on and after April 1, 2018.

As a result, net of deferred tax liability decreased by ¥145 million (\$1,285 thousand), deferred income taxes for this fiscal year increased by ¥374 million (\$3,321 thousand), and unrealized gain on available-for-sale securities increased by ¥519 million (\$4,606 thousand)

## 8. Notes to Non-Consolidated Balance sheets

(a) Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligation as of March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of
	2015	2016	U.S. dollars
Pledged assets:			2016
Buildings.....	¥968	¥920	\$8,167
Structures .....	7	6	55
Land .....	94	95	840
Total .....	¥1,069	¥1,021	\$9,062
Secured liabilities:			
Deposit received .....	¥82	¥82	\$729
Other long-term liabilities .....	554	472	4,189
Total .....	¥636	¥554	\$4,918
Pledged assets for loans on subsidiaries and affiliates:			
Buildings.....	¥326	¥316	\$2,803
Land .....	37	37	326
Investment securities.....	177	177	1,568
Total .....	¥540	¥530	\$4,697
Pledged assets for construction:			
Investment securities.....	¥50	¥50	\$443.00
Pledged assets for housing latent defects:			
Investment securities.....	¥315	¥150	\$1,327
Marketable securities .....	—	(9)	(80)
Total .....	¥315	¥141	\$1,247

**(b) Contingent liabilities**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
	¥134	¥77	\$686

The Company provides guarantee for banks loans of the following.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Nishimatsu investments., Ltd.....	¥1,674	¥930	\$8,253
Nishimatsu-jisho Co.,Ltd.....	1,248	—	—
Total.....	¥2,922	¥930	\$8,253

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Total amount of loan commitment.....	¥25,000	¥25,000	\$221,867
Loans outstanding .....	—	—	—

(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
	2015	2016	2016
Secured liabilities:			
Buildings .....	¥198	¥725	\$6,435
Structures	1	3	26
Land.....	252	22	193
Total.....	¥451	¥750	\$6,654

**9. 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
	2015	2016	2016
Buildings and structures .....	¥0	¥0	\$0
Machinery .....	8	6	57
Land.....	2	0	0
Total.....	¥10	¥6	\$57

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings and structures .....	¥7	¥152	\$1,347
Land.....	26	61	545
Other.....	5	0	4
Total.....	¥39	¥213	\$1,896

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings and structures .....	¥2	¥219	\$1,941
Machinery .....	0	0	0
Other.....	6	2	14
Total.....	¥8	¥220	\$1,956

## 10. Details of securities

### (a) Stock

Investment Securities—Available for sale securities

Issuer	Number of shares	Millions of	Thousands of
		yen	U.S. dollars
Balance as of March 31, 2016 on balance sheets			
SUMITOMO REALTY & DEVELOPMENT CO., LTD.	3,800,000	¥12,517	\$111,086
SHOCHIKU CO., LTD.	3,288,000	3,489	30,960
MITSUI FUDOSAN CO., LTD.	1,098,354	3,084	27,371
TOKYO TATEMONO CO., LTD.	2,037,699	2,857	25,354
CENTRAL JAPAN RAILWAY COMPANY	137,500	2,737	24,289
MIZUHO FINANCIAL GROUP, INC.	11,355,481	1,909	16,941
MITSUBOSHI BELTING LTD.	2,000,000	1,812	16,081
KEIKYU CORPORATION	1,564,178	1,549	13,743
HULIC CO., LTD.	1,405,500	1,512	13,421
EAST JAPAN RAILWAY COMPANY	150,000	1,457	12,930
KEIHAN ELECTRIC RAILWAY CO., LTD.	1,710,849	1,357	12,040
TOKIO MARINE HOLDINGS, INC.	345,000	1,311	11,635
KYUSHU FINANCIAL GROUP, INC.	1,983,999	1,288	11,427
TEIKOKU SEN-I CO., LTD.	800,000	1,230	10,912
KOBE STEEL, LTD.	12,241,251	1,212	10,755
HANKYU HANSHIN HOLDINGS, INC.	1,674,970	1,203	10,673
ASAHI KASEI CORPORATION	1,557,759	1,185	10,519
TSURUYA DEPARTMENT STORE INC.	12,000	1,104	9,798
SAPPORO HOLDINGS LIMITED	1,868,870	1,047	9,288
ELECTRIC POWER DEVELOPMENT CO., LTD.	236,000	830	7,362
SOMPO JAPAN NIPPONKOA HOLDINGS, INC.	221,122	705	6,256
WEST JAPAN RAILWAY COMPANY	100,000	695	6,167
JAPAN NUCLEAR FUEL LIMITED	66,664	667	5,916
JFE HOLDINGS, INC.	375,786	570	5,056
FUKUYAMA TRANSPORTING CO., LTD.	1,000,000	549	4,872
KYUSHU ELECTRIC POWER COMPANY, INC.	437,788	469	4,161
JSR CORPORATION	251,416	407	3,610
FUJI KYUKO CO., LTD.	250,000	387	3,432
CHUBU ELECTRIC POWER COMPANY, INC.	243,154	382	3,391
DAIWA HOUSE INDUSTRY CO., LTD.	118,595	375	3,332
TAIHEIYO CEMENT CORPORATION	1,335,625	346	3,070
THE CHUGOKU ELECTRIC POWER COMPANY, INC.	217,898	331	2,939
KANSAI INTERNATIONAL AIRPORT LAND COMPANY, LTD.	6,300	315	2,796
KUBOTA CORPORATION	200,000	307	2,727
NANKAI ELECTRIC RAILWAY CO., LTD.	500,000	306	2,711
METROPOLITAN INTERCITY RAILWAY COMPANY	6,000	300	2,662
THE OGAKI KYORITSU BANK, LTD.	795,750	271	2,401
OKAMOTO INDUSTRIES, INC.	280,400	266	2,364
OTHER(127 ISSUES)	15,228,290	6,944	61,664
Total	70,902,198	¥58,362	\$517,948

### (b) Bonds

Marketable Securities - Held to maturity securities

Issuer	Millions of	Thousands of	Millions of	Thousands of
	yen	U.S. dollars	yen	U.S. dollars
Total face value		Figure on balance sheet		
Government bond(Two issues)...	¥9	\$80	¥9	\$80
Corporate bond(One issue)...	30	267	30	266
Total.....	¥39	\$347	¥39	\$246

Investment securities - Held to maturity securities

Issuer	Millions of	Thousands of	Millions of	Thousands of
	yen	U.S. dollars	yen	U.S. dollars
Total face value		Figure on balance sheet		
Government bond(Six issues)....	¥197	\$1,744	¥190	\$1,690
Total.....	¥197	\$1,744	¥190	\$1,690

### (c) Other

Investment Securities - Available-for-sale securities

Type and issue	Number of investment units, etc	Millions of	Thousands of
		yen	U.S. dollars
Figure on balance sheet			
Investment in anonymous association (Toranomon Ichigo Godokai).....	—	¥750	\$6,656
Mitsui Fudosan Private REIT Inc. ....	300	300	2,662
Investment in anonymous association(one issue).....	—	99	880
Investment in limited investment association(one issues).....	3	137	1,211
Total.....	—	¥1,286	\$11,409

## 11. Details of property and equipment

Millions of yen

Type of assets	Balance at April 1, 2015	Increase during the year	Decrease during the year	Balance at March 31, 2016	Accumulated depreciation or accumulated amortization at March 31, 2016	Depreciation for the year	Net balance at March 31, 2016
<b>Tangible assets</b>							
Buildings.....	¥45,672	¥3,543	¥4,044 (16)	¥45,171	¥23,815	¥1,104	¥21,356
Structures.....	1,964	106	61	2,009	1,623	37	385
Machinery and equipment.....	6,419	10	78	6,350	5,845	170	505
Vehicles.....	429	41	23	448	383	32	66
Tools, furniture, and supplies.....	1,649	77	165	1,560	1,358	71	202
Land.....	41,572	4,137	218 (102)	45,491	—	—	45,491
Lease assets.....	302	69	—	372	242	36	130
Construction in progress.....	776	7,887	2,374	6,289	—	—	6,289
Total tangible assets.....	¥98,783	¥15,871	¥6,964 (118)	¥107,690	¥33,266	¥1,450	¥74,424
<b>Intangible assets</b>							
Software.....	—	—	—	2,262	1,837	307	424
Other.....	—	—	—	574	404	—	170
Total intangible assets.....	—	—	—	2,836	2,241	307	594
Long-term prepaid expenses.....	31	9	5	35	22	7	13
Deferred assets.....	—	—	—	—	—	—	—
Total intangible assets.....	—	—	—	—	—	—	—

Thousands of U.S. dollars

Type of assets	Balance at April 1, 2015	Increase during the year	Decrease during the year	Balance at March 31, 2016	Accumulated depreciation or accumulated amortization at March 31, 2016	Depreciation for the year	Net balance at March 31, 2016
<b>Tangible assets</b>							
Buildings.....	\$405,325	\$31,447	\$35,893 (143)	\$400,878	\$211,353	\$9,798	\$189,525
Structures.....	17,429	941	544	17,826	14,408	329	3,418
Machinery and equipment.....	56,963	88	693	56,359	51,873	1,512	4,486
Vehicles.....	3,812	368	200	3,980	3,395	282	585
Tools, furniture, and supplies.....	14,632	684	1,468	13,848	12,054	628	1,794
Land.....	368,940	36,711	1,933 (909)	403,718	—	—	403,718
Lease assets.....	2,683	614	—	3,298	2,147	321	1,151
Construction in progress.....	6,885	69,994	21,069	55,809	—	—	55,809
Total tangible assets.....	876,669	140,847	61,802 (1,052)	955,715	295,229	12,870	660,486
<b>Intangible assets</b>							
Software.....	—	—	—	20,074	16,310	2,728	3,765
Other.....	—	—	—	5,097	3,587	0	1,510
Total intangible assets.....	—	—	—	25,171	19,897	2,728	5,274
Long-term prepaid expenses.....	272	80	41	311	193	58	118
Deferred assets.....	—	—	—	—	—	—	—
Total intangible assets.....	—	—	—	—	—	—	—

(a) Figures in parentheses represent loss on impairment in this fiscal year and included in the figures above

(b) Major increase during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Building	Kawguchi-shi, Saitama	Company Dormitory	¥2,199	\$19,513
Land	Urayasu-shi, Chiba	Company housing	1,210	10,738
Land	Saitama-shi, Saitama	For rent	913	8,103
Land	Chiyoda-ku, Tokyo	For rent	887	7,871
Construction in progress	Minato-ku, Tokyo	For rent	5,699	50,579

### (c) Major increase during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Building	Itabashi-ku, Tokyo	For business	¥2,682	\$23,805

(d) 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.

"Descriptions for the year" for property and equipment includes special depreciation of 0 million yen under the ACT on Special Measures Concerning Taxation.

## 12. Details of provision

	Millions of yen				
	Balance at April 1, 2015	Increase during the year	Decrease during the year(used for purpose)	Decrease during the year(other)	Balance at March 31, 2016
Allowance for doubtful accounts .....	¥358	¥19	¥—	¥101	¥276
Provision for warranties for completed construction .....	1,323	453	712	—	1,064
Provision for bonus .....	1,500	2,483	1,500	—	2,483
Provision for loss on construction contracts .....	6,032	793	2,051	3,134	1,639
Provision for loss on real estate business and other .....	37	5	25	—	17
Provision for environmental measures .....	227	—	—	—	227

	Thousands of U.S. dollars				
	Balance at April 1, 2015	Increase during the year	Decrease during the year(used for purpose)	Decrease during the year(other)	Balance at March 31, 2016
Allowance for doubtful accounts .....	\$3,177	\$165	\$—	\$893	\$2,449
Provision for warranties for completed construction .....	11,740	4,021	6,322	—	9,439
Provision for bonus .....	13,309	22,032	13,309	—	22,032
Provision for loss on construction contracts .....	53,528	7,035	18,202	27,815	14,546
Provision for loss on real estate business and other .....	326	44	218	—	152
Provision for environmental measures .....	2,014	—	—	—	2,014

(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 15 million yen and collect of loans receivable of 85 million yen.

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

## 13. Major assets and liabilities

### (Assets)

#### 1. Cash and deposit

Cash and deposits	Millions of yen	Thousands of U.S. dollars
Cash .....	¥41	\$368
Deposits		
Current deposits .....	9,419	83,592
Saving deposits .....	6,790	60,261
Time deposits .....	3,650	32,395
Total .....	¥19,900	\$176,616

#### 2. Notes receivable

##### (a) Break down by payer

Payer	Millions of yen	Thousands of U.S. dollars
Chiyoda Corporation .....	¥920	\$8,168
HOKKAIDO JR URVAN DEVELOPMENT Co., Ltd. ....	706	6,265
AEON Hokkaido Co., Ltd. ....	642	5,698
AEON Mall CO., Ltd. ....	495	4,389
YANASE & CO., LTD. ....	459	4,077
Other .....	1,762	15,639
Total .....	¥4,984	\$44,236

##### (b) Break down by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2016, April .....	¥1,816	\$16,120
May .....	1,867	16,573
June .....	534	4,739
July .....	496	4,402
August .....	92	819
September and beyond .....	179	1,582
Total .....	¥4,984	\$44,235

The figure for May includes items unsettled as of April 30 (worth ¥76 million) as April 30 2016 were bank holiday.

The figure for August includes items unsettled as of July 31 (worth ¥25 million) as July 31, 2016 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 .....	¥18,845	\$167,247
Peoples Democratic Republic of Algeria, Ministry of Public Works .....	11,691	103,758
ASAMA Specific Purpose Company .....	11,048	98,050
MTR Corporation Ltd. ....	5,967	52,955
Urban Renaissance Agency .....	5,425	48,142
Other .....	84,535	750,220
Total .....	¥137,511	\$1,220,372

## (b) Stagnation

	Millions of yen	Thousands of U.S. dollars
Posted in fiscal year 2016 .....	¥135,180	\$1,199,678
Posted in fiscal year 2015 or before.....	2,332	20,694
Total.....	¥137,512	\$1,220,372

## 4. Real estate for sale

Item	Millions of yen	Thousands of U.S. dollars
Land for sale.....	¥1,402	\$12,439
Building for sale.....	1,126	9,999
Total.....	¥2,528	\$22,438

Breakdown of land is as follows:

Region	Square meter	Millions of yen	Thousands of U.S. dollars
Tohoku region.....	38,690.34	¥1,325	\$11,758
Kyushu region .....	409.91	31	273
Other region .....	3,450.90	46	408
Total.....	42,551.15	¥1,402	\$12,439

## 5. Cost on work in progress

	Millions of yen			
	Balance at April 1, 2015	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2016
Work in progress .....	¥14,498	¥254,609	¥264,147	¥4,960

	Thousands of U.S. dollars			
	Balance at April 1, 2015	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2016
Work in progress .....	\$128,669	\$2,259,572	\$2,344,224	\$44,017

Breakdown of the balance at March 31, 2016 is as follows.

Item	Millions of yen	Thousands of U.S. dollars
Materials cost .....	¥1,912	\$16,970
Labor cost .....	185	1,640
Subcontracts cost.....	1,663	14,757
Other region .....	1,200	10,650
Total.....	¥4,960	\$44,017

## 6. Payment on estate trade

Item	Millions of yen	Thousands of U.S. dollars
Operation cost payment.....	¥437	\$3,879
Others .....	951	8,438
Total.....	¥1,388	\$12,317

## 7. Raw materials &amp; supplies

Item	Millions of yen	Thousands of U.S. dollars
Raw materials & supplies.....	¥49	\$431
Materials for sale.....	75	667
Others .....	51	453
Total.....	¥175	\$1,551

## (Liabilities)

## 1. Notes payable

## (a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
Marubeni-Itochu Techno Steel Inc.....	¥791	\$7,018
Yoshida Tekkoujo Co.,Ltd. ....	613	5,441
Nakamura_Gumi.....	404	3,589
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION .....	401	3,561
Miki Industrial INC .....	227	2,011
Other.....	10,039	89,089
Total.....	¥12,475	\$110,709

## (b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2016, April .....	¥3,205	\$28,442
May.....	2,931	26,011
June.....	2,862	25,402
July .....	3,477	30,854
Total.....	¥12,475	\$110,709

## 2. Electrically recorded obligation

## (a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
TC TRADING CO., Ltd. ....	¥1,006	\$8,930
Kinden Corporation.....	822	7,293
Kyudenko Corporation.....	519	4,603
CONCHEM Co., Ltd. ....	518	4,596
HOKUEI KENSETSU KOUGYOU.CO.LTD. ....	502	4,453
Other.....	20,691	183,634
Total.....	¥24,058	\$213,509

## (b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2016, April .....	¥6,524	\$57,902
May.....	6,250	55,468
June.....	5,047	44,793
July .....	6,237	55,346
Total.....	¥24,058	\$213,509

## 3. Accounts for payable for construction

Recipient	Millions of yen	Thousands of U.S. dollars
GEOSS CORPORATION .....	¥761	\$6,762
GL.co.,Ltd. ....	555	4,930
Kinden Corporation .....	522	4,637
KAGAYA Co.Ltd. ....	334	2,970
TC TRADING CO., Ltd. ....	327	2,903
Other.....	41,347	366,942
Total.....	¥43,848	\$389,145



## 4. Short-term debt

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Corporate Bank, Ltd. ....	¥2,000	\$17,749
Higo Bank, Ltd. ....	870	7,721
Mizuho Trust & Banking Co., Ltd. ....	867	7,694
Resona Bank, Ltd. ....	858	7,614
The Ogaki Kyoritsu Bank, Ltd. ....	500	4,437
The Hyaku Jushi Bank, Ltd. ....	500	4,437
The Taiko Bank, Ltd. ....	500	4,437
The Norinchukin Bank, Ltd. ....	500	4,437
Other .....	2,344	20,805
Long-term debt due within one year .....	4,950	\$43,930
Total .....	¥13,889	\$123,261

The above amount includes part of the outstanding balance of a syndicated loan offered by 28 financial institutions.

## 5. Advances received on uncompleted construction

	Millions of yen			
	Balance at April 1, 2015	Amount received for the year	Amount transferred to completed construction contract	Balance at March 31, 2016
Advances received on uncompleted construction .....	¥14,623	¥155,854	¥163,553	¥6,924

	Thousands of U.S. dollars			
	Balance at April 1, 2015	Amount received for the year	Amount transferred to completed construction contract	Balance at March 31, 2016
Advances received on uncompleted construction .....	\$129,779	\$1,383,158	\$1,451,490	\$61,447

The difference of ¥134,296 million between total sales of ¥297,850 million on the non-consolidated statements of income and the amount of transferred to net sales of ¥163,553 million indicated above is equal to the sum of accounts receivable from completed construction contracts of ¥133,625 million for fiscal 2015 and the increase of ¥671 million as a result of making adjustment to the contract value of prior-period settled construction contracts.

## 6. Corporate Bonds

Issued by	Millions of yen	Thousands of U.S. dollars
Corporation (6th unsecured straight bond) .....	¥15,000	\$133,120
Corporation (7th unsecured straight bond) .....	10,000	88,747
Total .....	¥25,000	\$221,867

More details mentioned at FINANCIAL SECTION, 1 CONSOLIDATED FINANCIAL STATEMENTS, (1)CONSOLIDATED FINANCIAL STATEMENTS

⑤CONSOLIDATED FINANCIAL SPECIFICATIONS, COPORATE BOND SPECIFICATION

## 14. Cost of completed construction

## 1. Cost of completed construction

Item	Millions of yen		Millions of yen		Thousands of U.S. dollars
	2015	% to Total	2016	% to Total	2016
Raw materials .....	¥55,235	18.3%	¥47,438	18.0%	\$420,996
Labor .....	19,368	6.4%	16,281	6.1%	144,490
(of which, outsourced labor cost) ..	(19,368)	(6.4)%	(16,281)	(6.1)%	(144,490)
Outsourcing cost .....	181,555	60.2%	157,667	59.7%	1,399,249
Expenses .....	45,488	15.1%	42,762	16.2%	379,489
(of which personal expenses) .....	(17,535)	(5.8)%	(17,255)	(6.5)%	(153,130)
Total .....	¥301,646	100.0%	¥264,147	100.0%	\$2,344,224

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
	2015	% to Total	2016	% to Total	2016
Land .....	¥363	8.0%	¥371	7.0%	\$3,296
Buildings .....	93	2.0%	1,034	19.3%	9,177
Expenses .....	2,482	54.7%	2,556	47.8%	22,683
Sub-Total .....	2,938	64.7%	3,961	74.1%	35,155
Other .....	1,601	35.3%	1,386	25.9%	12,296
Total .....	¥4,539	100.0%	¥5,347	100.0%	\$47,451

Cost is calculated under the job-order cost method.

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Nishimatsu Construction Co., Ltd. which comprise the balance sheet as of March 31, 2016, and the statement of income and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nishimatsu Construction Co., Ltd. as of March 31, 2016, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

## **Convenience Translation**

The United States dollar amounts shown in the financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 4.

Tokyo, Japan  
June 29, 2016



GYOSEI & Co.  
Certified Public Accountants

# CORPORATE DIRECTORY

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## REGIONAL HEADQUARTERS & BRANCH OFFICES

Sapporo, Sendai, Niigata, Tokyo, Nagoya, Osaka,  
Hiroshima, Takamatsu, Fukuoka

## OVERSEAS OFFICES

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#### MTR South Island Line

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### ◆ Thailand

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#### Great Mekong Sub-region Office

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#### HATC Project Office

c/o Honda Automobile (Thailand) Co., Ltd.  
Rojana Industrial Park,  
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Ayutthaya 13210  
Phone: 66-3580-0003, 0037

#### HATC Sawadi Project Office

c/o Honda Automobile (Thailand) Co., Ltd.  
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#### RIST Project Office

c/o ROHM Integrated Systems (Thailand) Co., Ltd.  
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101/94, 102 Moo 20, Phaholyothin Road,  
Tambol Khlong-Nueng, Amphur Khlong-Lueng,  
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Phone: 66-2024-8016 Fax: 66-2024-8015

#### BTMT OSP 2016 Project Office

c/o BridgestoneTire Manufacturing (Thailand) Co., Ltd.  
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700/622 Moo 4, Tambol Bankao,  
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Phone: 66-3845-2574~6 Fax: 66-3845-2572

#### AKST 2 Project Office

c/o Asahi Kasei Spunbond (Thailand) Co., Ltd.  
Saha Group Industrial Park Sriracha,  
54/19 Moo 10 Tambol Bung, Amphur Sriracha,  
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Phone: 66-3819-0766

#### FSTH Project Office

c/o UACJ (Thailand) Co., Ltd.  
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7/352 Moo 6, Tambol Mabyangporn,  
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Phone: 66-3802-7408 Fax: 66-3802-7409

#### KATO Project Office

c/o Kato Works (Thailand) Co., Ltd.  
Amata City Industrial Estate Land Plot No.A-497  
Moo 6, T.Mabyangporn, A.PluakDaeng, Rayong

#### APC Project Office

c/o Asian Honda Motor Co., Ltd.  
Wellgrow Industrial Estate  
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Bangsamak, Bangpakong, Chachoeng-sao 24180

#### Training Center & Warehouse

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Chonburi 20160

### ◆ Singapore

#### Singapore Office

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#### LTA Downtown Line Stage 3

#### Contract 929A (UBI) Project Office

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#### SPPA East-West Transmission Cable Tunnel Contract EW3 (Airport Road) Project Office

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#### LTA Thomson Line Contract T228 (Contract T228) Project Office

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### ◆ Malaysia

#### Malaysia Office

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### ◆ Laos

#### Lao Nishimatsu Construction Co., Ltd.

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Email: info@laonishimatsu.com

### ◆ Algeria

#### Algeria East-West Motorway Project, Single Lot, Eastern Section

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Phone: 213-31-972-500 Fax: 213-31-972-272

# INVESTOR INFORMATION

## Board of Directors

Representative Director and President	Harusada Kondo
Representative Director	Akira Maeda
Directors	Makoto Isshiki Yoshiyuki Sawai Nobutoshi Takase Akira Matsumoto Yuichi Kono

## Audit & Supervisory Committee

Director	Uichi Mizuguchi
External Directors	Kouji Mino Kiyomi Kikuchi Jun Ikeda

## Executive Officers

Chief Executive Officer and President	Harusada Kondo
Executive Vice President	Akira Maeda
Senior Managing Officers	Makoto Isshiki Yoshiaki Kudo
Managing Officers	Yoshiyuki Sawai Nobutoshi Takase Akira Matsumoto Yuichi Kono Akimitsu Takashima Hiroo Morimoto Shozo Sakai
Executive Officers	Shigeru Tokura Hideo Kaneko Junichiro Saito Kazunari Umeda Jun Morita Jiro Goto Kensuke Hayashi Katsuya Iwanaga Fumihide Miyazaki Osamu Shibui Tatuya Hagiwara Kazutoyo Hamada

## Established

September 1937

## Authorized Number of Shares

800,000,000 shares

## Issued and Outstanding Number of Shares

277,957,513 shares

## Paid-in Capital

¥23,513 million

## Number of Shareholders

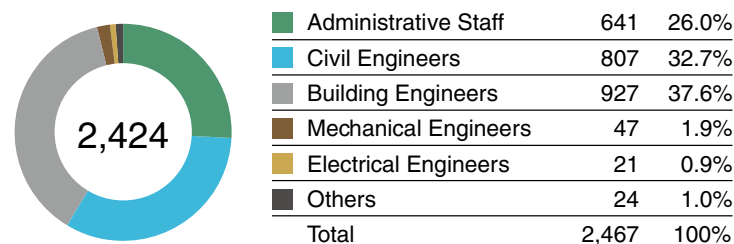
26,332

## Major Shareholders

Thousands of Shares

Japan Trustee Services Bank, Ltd. (trust account)	25,574
The Master Trust Bank of Japan, Ltd. (trust account)	19,040
Japan Trustee Services Bank, Ltd. (trust account No. 4)	9,719
Mizuho Bank, Ltd.	5,070
Trusty & Custody Service Bank, Ltd.	5,070
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	4,689
Meiji Yasuda Life Insurance Company	4,577
Mizuho Trust & Banking Co., Ltd.	4,000
Nishimatsu Construction Employee Shareholders' Association	3,311
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	3,138

## Employees



## Stock Listing

Tokyo Stock Exchange (First Section) (August 1963)

## Independent Certified Accountants

GYOSEI & Co.

## Administrator of Shareholders' Register

Mizuho Trust & Banking Co., Ltd.

(As of June 29, 2016)

(As of March 31, 2016)



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