

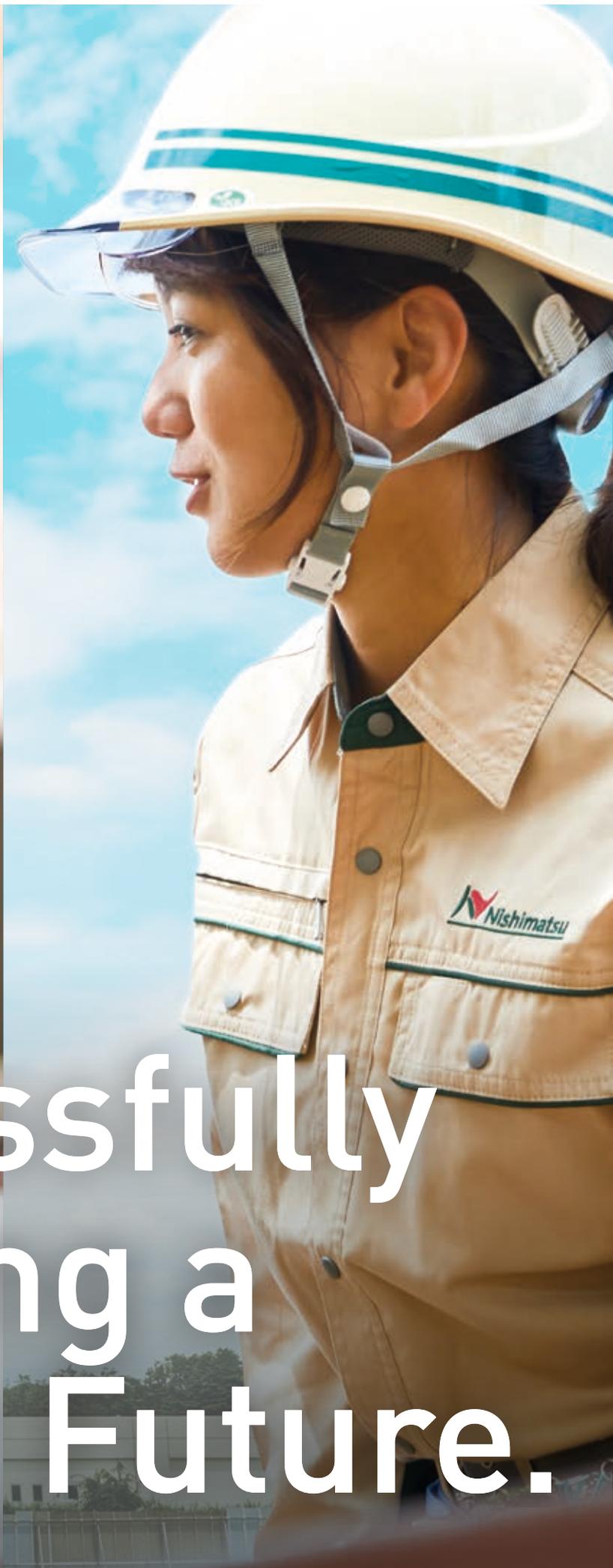
Corporate Report

2017

*Successfully Building a Better Future.*

 **NISHIMATSU**  
CONSTRUCTION CO., LTD.





# Successfully Building a Better Future.



The term “frontline” has a particular meaning to Nishimatsu Construction. To us, it is the place where we uncover and use our overall capabilities to solve challenges in many different aspects of work—in other words, it is the place where value originates. It is not limited to construction sites, but includes the places where all employees go about their work. Starting on the frontline, Nishimatsu Construction will continue to build the future.

# Leveraging Our Overall Capabilities That Or

Vision

Contributing to Building a Sustainable So  
Where People Can Live with Pe



Customers



Employees



Partner  
companies

Demonstrating shared value and providing that value over the long term in a broad array of domains, while building win-win relationships with various stakeholders



Getting out of simply receiving business

## Leveraging our overall capabili

Thinking independently to discover and solve problems on each frontline

**Frontline  
capabilities**  
of our  
employees

# Imagine on the Frontline

## Society and Environment Peace of Mind.



Local communities



Shareholders

We will continue to leverage our overall capabilities while making the frontline our focus as we provide value to society. The key to this is “getting out of simply receiving business” and “optimizing flow and stock.”

“Getting out of simply receiving business” means working with customers as a collaborative partner that brings expertise to projects from the very first stages.

“Optimizing flow and stock” means augmenting a flow-focused business model with stock businesses for a model that is optimized overall.



Optimizing flow and stock

ties



### Company Motto

### Courage, Courtesy, and Justice

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

### Corporate Philosophy

Providing society with important structures and services using the  
technologies and experience we have acquired to help establish a sustainable  
society and environment where people can live with peace of mind

### CSR Management Policy

We aim to ensure that all of us follow CSR practices and act with an awareness of all stakeholders in our day-to-day operations. We will conduct our CSR management in accordance with the motto of “respecting all people,” in an effort to forge win-win relationships with stakeholders and create a situation in which the Company and its employees can build mutual trust in a free and broad-minded internal environment based on interactive communications.

### Five Steps for CSR Management

1. We will listen to everyone’s opinions and create an outstanding living environment to help meet our customers’ needs.
2. We will provide workplaces that allow all who are related to or work for the Company, as well as their family members, to lead healthy and fulfilling lives, and enable employees to take full advantage of their abilities so they can feel proud to work here.
3. We will recognize societal expectations and demands and take bold action in the spirit of compliance as we responsibly carry out our corporate activities without deviating from societal norms.
4. We will consider the next generation and take positive steps to create and maintain a better environment in order to facilitate a sustainable society.
5. We will actively participate in corporate social contribution activities and support individual employees’ activities in Japan and overseas by maintaining close communications with local communities.

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**Forward-Looking Statements:**

This report includes forecasts of future results related to the business and prospects of Nishimatsu Construction Co., Ltd. Such statements reflect our judgement and analysis concerning existing information and various trends available at the time of writing. Actual results may vary from these forecasts due to factors that include major risks and uncertainties.

## Editorial Policy

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

<p><b>Coverage</b> Information on the activities of Nishimatsu Construction Co., Ltd. and its consolidated subsidiaries, with some sections applicable to Nishimatsu Construction Co., Ltd. alone</p> <p><b>Applicable Period</b> In principle, the applicable period for this report is the financial reporting period from April 1, 2016 to March 31, 2017, although it also covers some activities conducted in fiscal 2017, due to the importance of presenting the most current information.</p> <p><b>Topics Covered</b> This printed version includes high priority topics in light of the information's impact on stakeholders and its importance with regard to Nishimatsu Construction's short-, medium- and long-term value provision. Detailed corporate social responsibility (CSR) information is presented on our website.</p>	<p><b>Referenced Guidelines</b> Starting with this report, we have referred to the International Integrated Reporting Council's (IIRC)* international framework for Integrated Reporting (IR) and made a report about Nishimatsu Construction's value provision. IR is based on the seven basic principles below and strives for reporting that covers a company's short-, medium- and long-term value provision, which we believe is aligned with Nishimatsu Construction's basic aspirations and aims for integrated reporting.</p> <p>A) Strategic focus and future orientation, B) Connectivity of information, C) Stakeholder relationships, D) Materiality, E) Conciseness, F) Reliability and completeness, G) Consistency and comparability</p>
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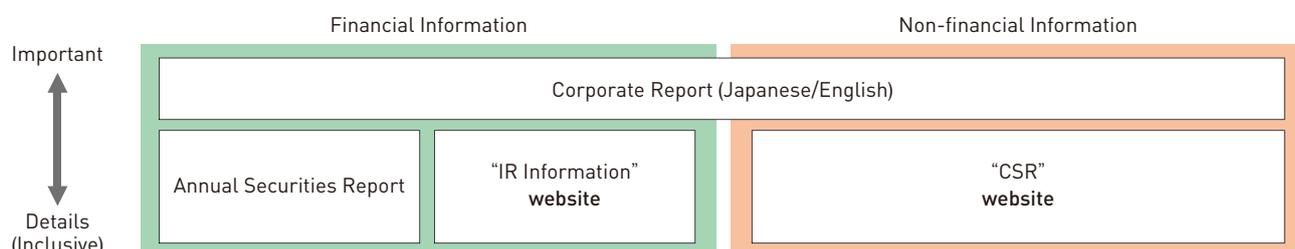
For CSR information, we referenced the Environmental Reporting Guidelines (2012 Version) of Japan's Ministry of the Environment and the Sustainability Reporting Guidelines (Version 4.0, 2013) of the Global Reporting Initiative (GRI). Third party assurances have been adopted for some environmental data and HR data to ensure reliability.

\*An organization comprised of private companies, investors, accounting groups, government agencies, NGOs, etc., IIRC was founded in 2010 with the purpose of providing an international framework for corporate reports. This framework was published in December 2013.

## Information Disclosure

The report's printed version and online version take advantage of the features of each medium when covering Nishimatsu Construction's social responsibility activities. The printed version focuses on our major initiatives in fiscal 2016, while our website offers more detailed information.

**Website**  
<https://www.nishimatsu.co.jp/eng>



Establishment

**144** years since our establishment

In 1874, Keisuke Nishimatsu established a civil engineering and building subcontractor business, which Kojiro Nishimatsu then made into an independent enterprise under the name Nishimatsu Kogyosho in 1914. The company name was changed to Nishimatsu Construction Co., Ltd. in 1948.

Orders received

**¥360.1** billion

Consolidated orders received rose 18.2% year on year to ¥360.1 billion. Orders were strong in the domestic construction business as we were able to book steady, large-scale orders in the civil engineering domain, with projects that included roadway and railway tunnels, and in the building construction domain, with projects that included apartments/condominiums, as well as commercial facilities.

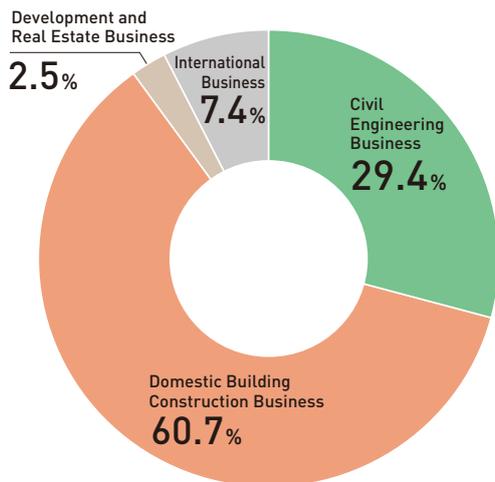
Net sales

**¥315.2** billion

Net sales rose a modest 2.1% year on year to ¥315.2 billion. We will maximize our use of operating resources and aim for sustainable growth.

Business Portfolio (Non-consolidated basis)

Sales Composition Ratio by Business



Description of Businesses

Business	Orders received (Non-consolidated basis)
Civil Engineering Business	¥124.4 billion
Domestic Building Construction Business	¥212.7 billion
Development and Real Estate Business	—
International Business	¥18.3 billion

A History of Building a Better Future

<p><b>1914</b></p> <p>First independent subcontracting project: Received exclusive contract for the construction of a new line in Construction Area 12 of the Miyazaki Railway Line</p>  <p>Although prices surged due to the impact of World War I, which brought difficulties with materials procurement and cash management, the project was finished on schedule. This marked the start of Nishimatsu Construction's stalwart approach to weathering any challenge with integrity and professionalism.</p>	<p><b>1946</b></p> <p>Japan's first rock-fill dam: Ishibuchi Dam project</p>  <p>In the turmoil immediately following the end of World War II, this project was for a multi-purpose dam on the Isawa River in Iwate Prefecture. Since no precedent existed in Japan for this structure, Nishimatsu Construction relied upon reference documents from the U.S. and had to devise various creative solutions during construction.</p>	<p><b>1973</b></p> <p>20 years of battling soil and sand: Nabetachiyama Tunnel construction</p>  <p>A wide range of civil engineering techniques had to be employed to handle the ground that kept expanding no matter how deep the digging went, making the construction of this tunnel one of the most remarkable feats in the history of civil engineering.</p>
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ROE

11.9%

Net profit attributable to owners of parent company was a record high ¥19.2 billion. Return on equity (ROE) also reached a high level.

Dividend payout ratio

30.2%

While striving to enhance internal reserves in order to strengthen our business base for long-term growth, we have set a basic policy of maintaining a dividend payout ratio of 30% or more of net income on a consolidated basis to provide a stable and ongoing return of profit, keeping an overall perspective of the business environment and our performance.

Employees (Consolidated)

2,740

For Nishimatsu Construction, human resources are its greatest business resource and securing a stable workforce is necessary for sustainable growth. On a consolidated basis, the number of employees increased by 36 year on year.  
(As of March 31, 2017)

Net sales (Non-consolidated basis)

¥90.4 billion

**Business activities**  
Using the technologies we have cultivated, we aim to coexist harmoniously with nature and build a land that is disaster resistant. In addition to developing infrastructure and contributing to other companies' capital investment, we will establish win-win relationships with all of our stakeholders, including our clients, partner companies and the general public.

¥186.3 billion

By constantly pursuing advances in software and hardware for building systems and by passing on accumulated technologies to future generations, we will contribute to the creation of safe cities where residents can live with peace of mind.

¥7.7 billion

We provide high-value-added solutions to diverse customer needs, based on our extensive experience and know-how in urban development and construction.

¥22.5 billion

In the process of accumulating more than 50 years of experience operating overseas, we have worked together with local companies and local staff to develop transport, environment and other civil infrastructure in many countries, and we have supported a number of Japanese companies in launching their businesses abroad.

1988

The world's tallest skyscraper (at the time):  
Construction of UOB Plaza



A 280-meter, 66-story skyscraper constructed in central Singapore. Nishimatsu Construction employed a state-of-the-art concrete pump to achieve an unprecedented height for concrete pumping.

2003

A new neighborhood in Kanda, Jinbocho:  
Jinbocho 1-Chome South District Urban  
Redevelopment Project



A redevelopment project that spanned more than 15 years from the planning stage. Construction of combined residential-commercial facilities with more than 140,000 m<sup>2</sup> of floor space by a total of 450,000 workers, without any incidents or injuries.

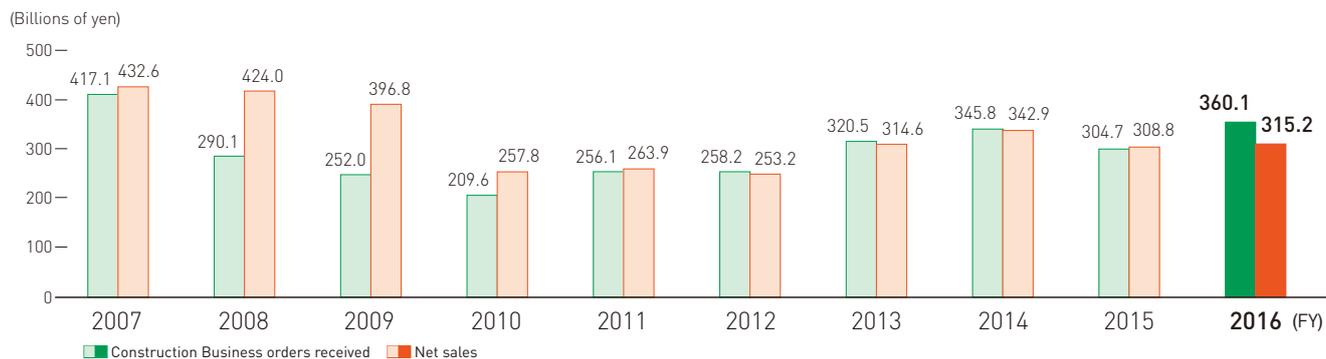
2017

Hareno Terrace: A shopping center that  
helps connect people and the city



Located in Minuma, Saitama Prefecture, Hareno Terrace is one of the Nishimatsu Construction Group's complete-package commercial facility projects involving a one-stop solution from project planning to tenant recruitment and operation and management.

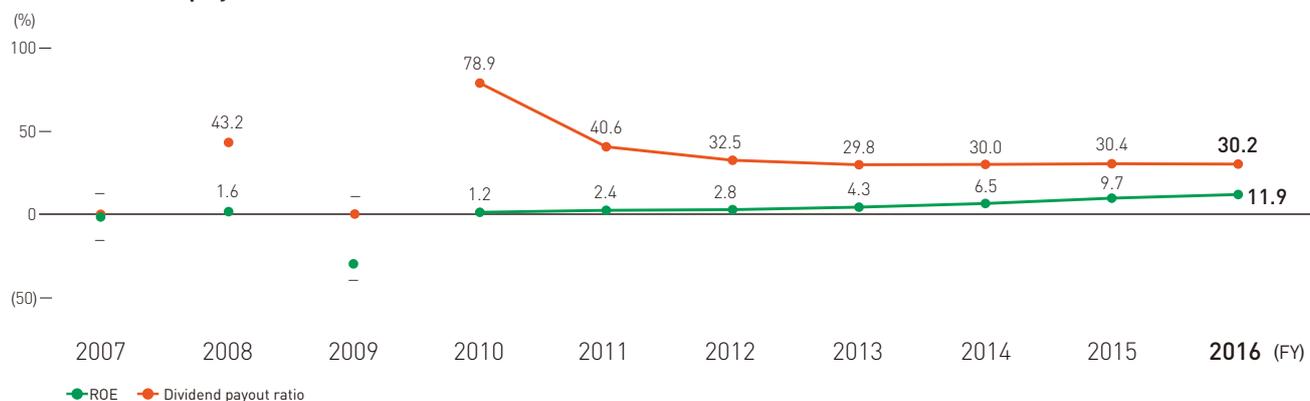
## Construction Business orders received/Net sales



## Income from operations/Operating margin



## ROE/Dividend payout ratio

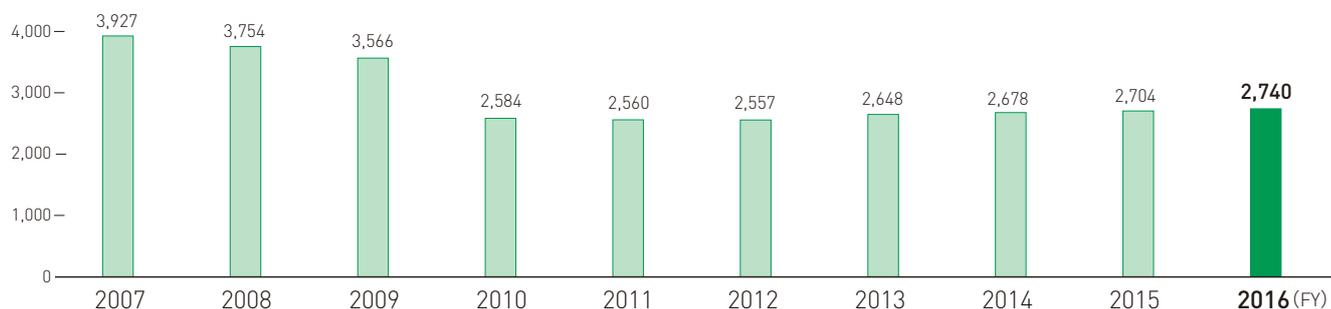


## Market

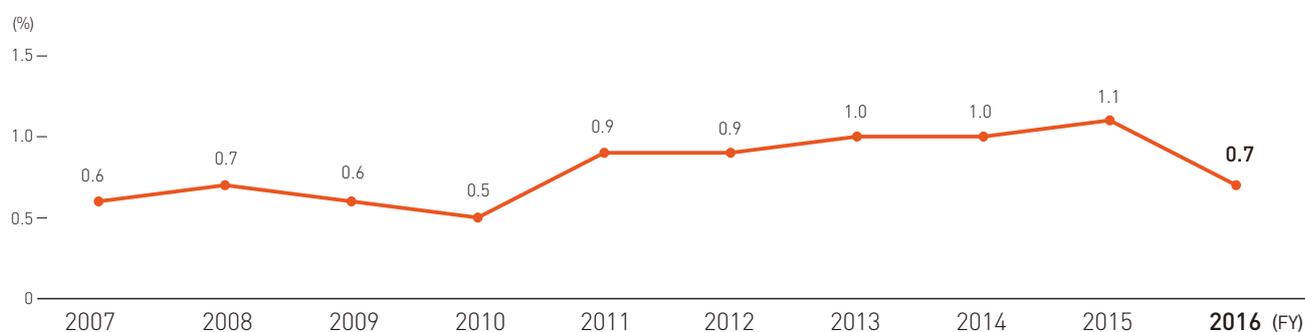
### Total construction investment (nominal)



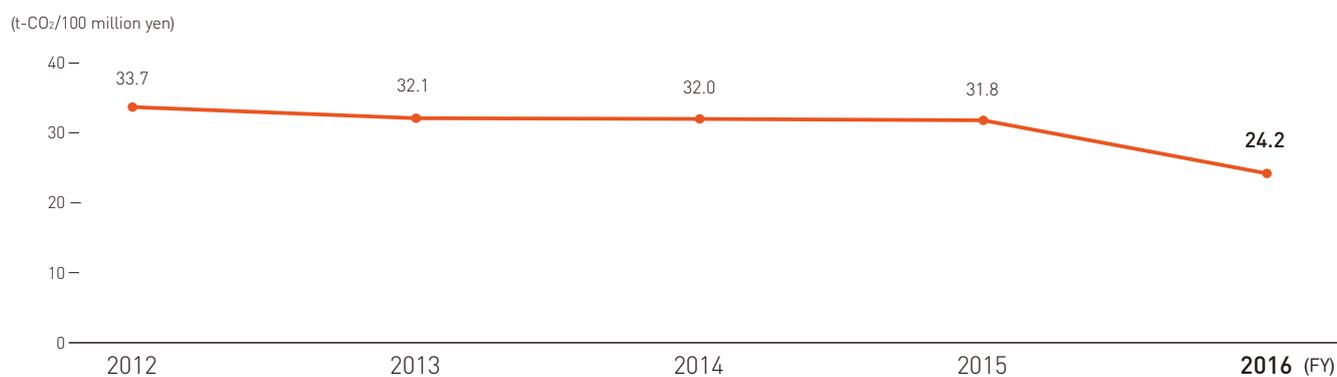
### Employees at the end of the fiscal year (consolidated)



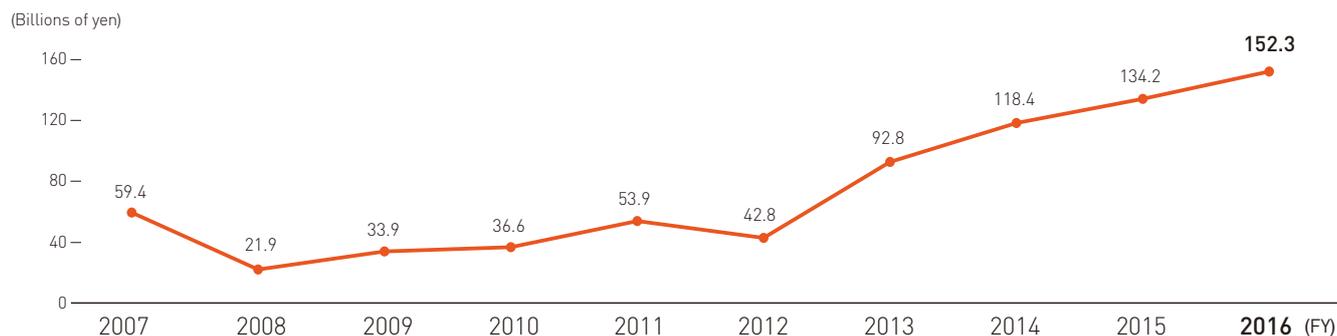
### Occupational injury frequency rate



### CO<sub>2</sub> emission intensity



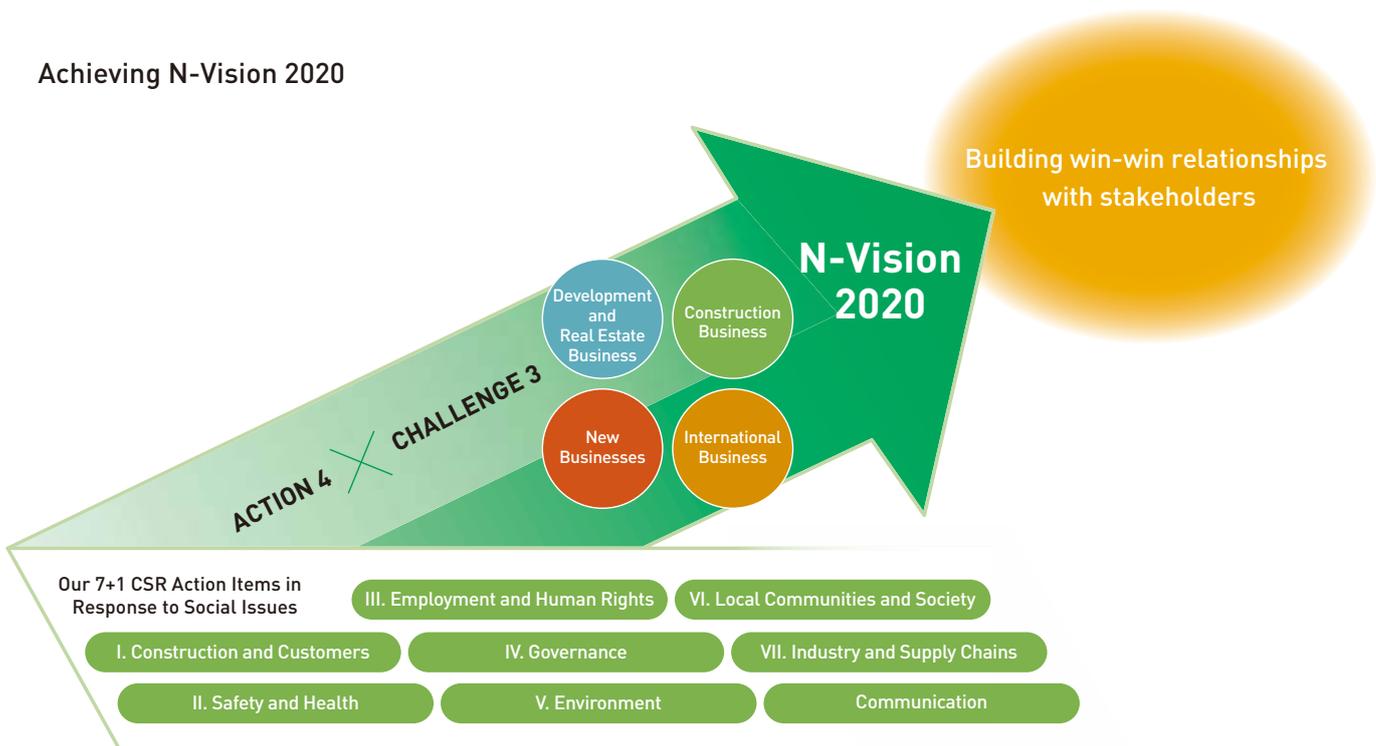
### Market capitalization



# Message from the President



## Achieving N-Vision 2020





At Nishimatsu Construction, we aim to sustain win-win relationships with stakeholders in order to contribute to building a sustainable society and an environment where people can live with peace of mind. To achieve this, we must be drivers of innovation in light of the outlook for the medium- to long-term business environment. We are working to create new value, with reformation of our overall capabilities as the key to innovation. We aim to increase our corporate value by improving the abilities of our human resources with our slogan of “Successfully Building a Better Future.” You can continue to expect great things from us.

**Harusada Kondo**  
Representative Director and President

#### Significance of the Construction Industry and Outlook

**Looking at the business environment beyond 2020, the time has come to transform the way we provide value.**

The social significance of the construction industry and construction companies lies in ensuring social capital and the safety and peace of mind of citizens, while also creating jobs and supporting economic growth. We are aware that this role will not change even in the long term. Similarly, our Corporate Philosophy, which is “Providing society with important structures and services using the technologies and experience we have acquired to help establish a sustainable society and environment where people can live with peace of mind,” will not change.

Nevertheless, in light of the outlook for the medium- to long-term business environment, we are heading into a period where we must transform the way we provide value.

The lead up to the 2020 Tokyo Olympic and Paralympic Games is a period in which demand is expected to be driven by infrastructure-related projects and private investment, with construction spending remaining firm. Direct investment in construction for the Olympic Games is expected to reach ¥800-900 billion in the coming three years. Annual construction demand in Japan in the markets of the major construction firms alone is approximately ¥30 trillion, so indirect demand, including industrial revitalization projects, heading into 2020 has a far greater impact than the amount of direct investment.

The period beyond 2020 is crucial. It is critical to remain aware of the myriad changes in Japan, including the government's Fundamental Plan for National Resilience, policies for ensuring safety and security, and the revitalization of local economies; the establishment of social infrastructure commensurate with economic growth; and the issue of falling birthrates and an aging population coupled with a decrease in the working population. Broadly speaking, construction demand on the public side, despite changes in the content of social infrastructure projects, is largely flat, while on the private side, the nature of industrial demand is changing, yet demand is still weak to flat. The decrease in single-family homes during a time of a simultaneous increase in apartment buildings in urban areas, in addition to forecasts for rising demand for medical facilities and nursing homes, logistics facilities and projects related to tourism are examples of the changing nature of industrial demand.

How should the construction industry respond in this environment in which the overall market is not growing dramatically? If we continue to do what we have always done, while social structure and sensibilities change and diversify at an unprecedented speed, strains on our business are sure to appear. Furthermore, the current construction industry is structured in such a way that it is highly susceptible to economic and environmental fluctuations, with each company tending to have a similar level of vulnerability. This, too, is an aspect that must be reformed.

**Nishimatsu Construction's Vision as a Company**

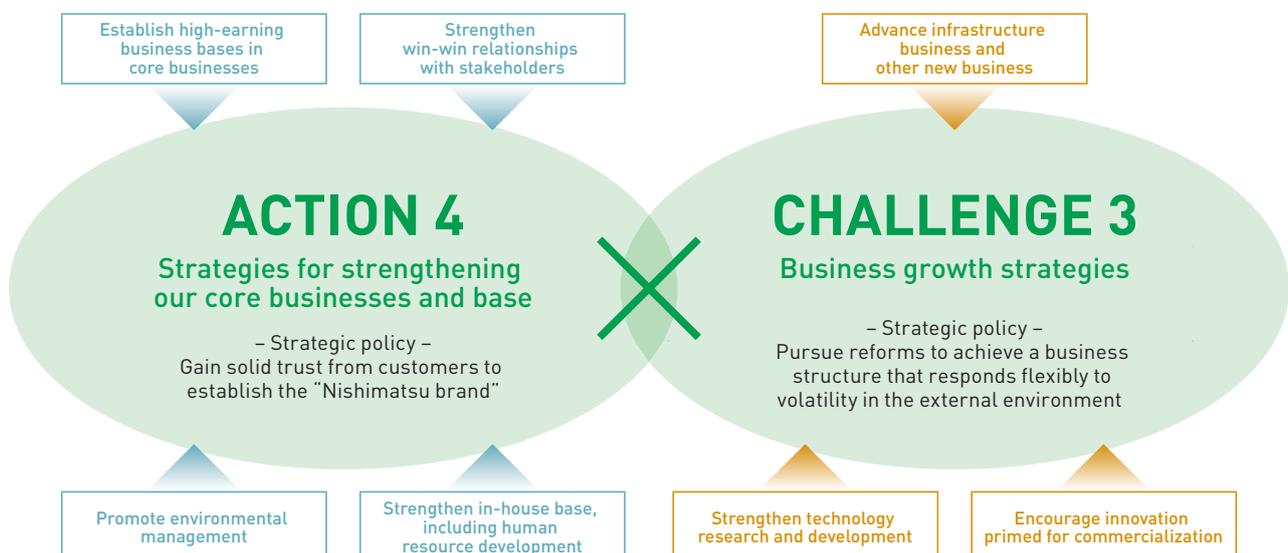
**We will establish win-win relationships with our stakeholders by using our overall capabilities as the key to innovation.**

Our definition of a company is "a dynamic organization that acts with the aim of continually contributing to society." Furthermore, we believe that building win-win relationships with stakeholders is indispensable for a company to continually contribute to society, so we have formulated and are promoting N-Vision 2020 to accomplish these goals.

The crucial point is continuity. In order to sustain favorable, win-win relationships with stakeholders in our changing environment, we must be drivers of innovation, differentiate our products from those of our competitors and provide value.

Recognizing this, Nishimatsu Construction sees its overall capabilities as the key to innovation as it works to provide new value. Therefore, allow me to briefly explain "overall capabilities."

**Major strategies for Medium-Term Management Plan 2017**



Conventional construction companies, whether in civil engineering or building construction, have focused on midstream technology and construction within an upstream to downstream value chain that includes finance, planning proposals, design, technology, construction capacity, management and operations. However, we possess vast experience, reliable technology and extensive knowledge. If we can leverage these assets and be involved along the entire value chain, we can increase the scale of our PDCA cycle, become truly customer-oriented and bring greater value to society. By broadening our scope to include upstream and downstream areas, we will increase value. This is what we mean by “leveraging our overall capabilities.”

#### Value Provision Strategies

**We are pushing forward with reform that focuses on the key concepts of “flow and stock” and “getting out of simply receiving business.”**

As we promote the provision of value leveraging our overall capabilities, we are placing emphasis on the concepts of “flow and stock” and “getting out of simply receiving business.” Our strategy is to add stock businesses to the construction company business model that typically focusses on flow businesses, and to build projects in closer coordination with customers.

One of our strategies in this regard was the launch of the Development Business & Real Estate Division in 2011. Since this business segment utilizes our technologies and assets and manages projects over the long term, from conception to operation and maintenance, it truly enables us to broaden our scope and generate earnings from our stock businesses. Six years have passed since the division was established. It is now engaged in the development and operation of a shopping center and a student dormitory, and has finally reached the point of generating steady income.

In addition, we have achieved reforms in the Building Construction Business. We have seen steady growth in the percentage of orders we receive as a result of the advantage of utilizing our specialized knowledge to collaborate with customer companies from the project planning stage and to develop business with these customer companies as strategic partners. As a result, we have received a considerable number of orders as planned, and our results have grown favorably.

#### Medium-Term Management Plan

**We are seeing clear progress in our strategies for strengthening our core businesses and base, in addition to business growth strategies.**

Under Medium-Term Management Plan 2017, which we launched in fiscal 2015, we are pursuing strategies for strengthening our core businesses and base as well as business growth strategies. We have seen definite results in terms of progress and reforms over the past two years.

In terms of individual business strategies, in our Civil Engineering Business, we are aiming to establish the “Nishimatsu brand,” along with a highly profitable corporate structure, in a business that is able to grow continuously. We are moving forward with initiatives to build a base for this high-profit structure, in addition to initiatives to drive future civil engineering projects. We also promoted initiatives toward creating a strong presence in fiscal 2016.

In our Building Construction Business, we are working to earn trust by designing and building projects from the customer’s point of view, while solidifying our base for continuously securing stable income and focusing on fields where we have a competitive advantage. In fiscal 2016, we maintained favorable results due to an increase in exclusive (sole source) contracts in addition to other orders received.

In the International Business, we are challenging ourselves to secure stable profits by improving overseas management capabilities and creating new business models while strengthening our operational fundamentals with a view to the future. In fiscal 2016, our various measures produced solid results, with a strengthening of our overseas bases and investment in real estate among others.

In the Development and Real Estate Business, we are aiming to deliver high-value-added solutions, while strengthening business generation capabilities and enhancing and expanding our profit structure. In fiscal 2016, we actively engaged in new initiatives and investments, while the scale of our business continued to grow.

These results allowed us to achieve increased earnings and profit for the year for the Nishimatsu Construction Group.

With regard to forecasts for fiscal 2017, there is evidence of weakness in housing investment in the domestic construction industry; however, we see net sales trending strongly, supported by demand from infrastructure-related construction and private construction (non-residential) investment. In terms of profit, we forecast lower profit year on year.

With regard to returns to shareholders, our basic policy is to provide a stable and on-going return of profit, with a payout ratio of 30% or more of net income, keeping an overall perspective of the business environment and our performance, while striving to enhance internal reserves in order to strengthen our business base for long-term growth. Under this basic policy, we have set our year-end dividend for fiscal 2016 at ¥21 per share, which is a ¥5 year-on-year increase.

## Future Growth and Expansion

**We are working to reform our business structure, improve productivity, and raise our corporate governance to a new level.**

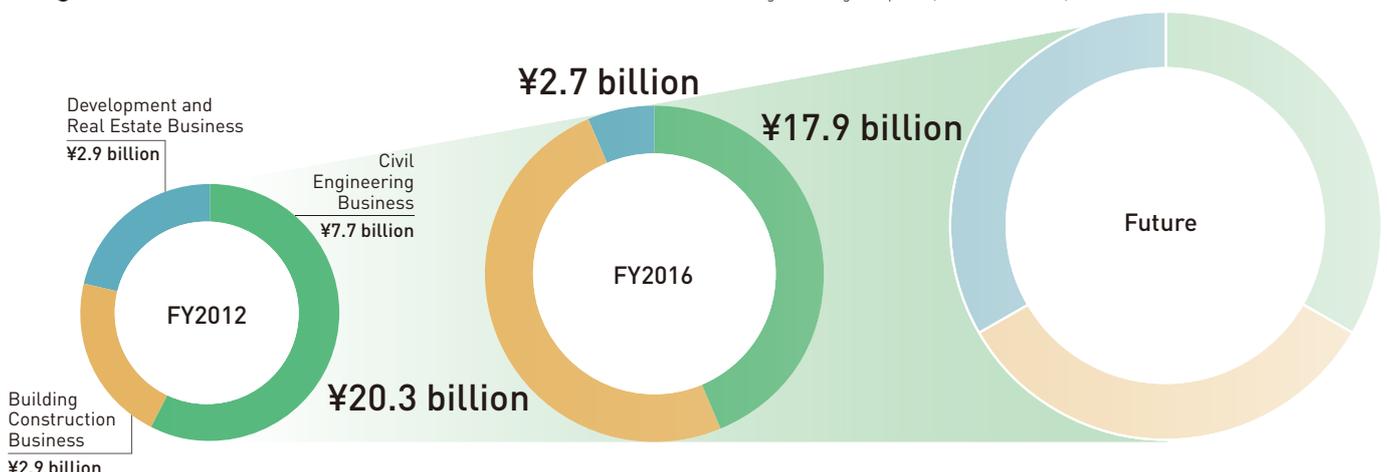
Currently, we are formulating a new Medium-Term Management Plan as we approach our next stage of expansion and transformation. Please allow me to explain our future outlook and direction.

Focusing on the key concepts of “flow and stock” and “getting out of simply receiving business,” we are working to take our current business structure of a 1:1:0.2 profit ratio for the Civil Engineering Business, the Building Construction Business, and the Development and Real Estate Business, and shift it to a more balanced 1:1:1 ratio.

Additionally, we are making efforts to boost productivity, which has room for improvement. We will encourage organic coordination through cross-divisional information sharing and build a strong organization by expanding each employee’s scope of engagement.

## Image of businesses in the future

Note: Figures are gross profit (non-consolidated)





In terms of corporate governance, we are also working to continuously evolve. In fiscal 2016, we transitioned to a company with an Audit and Supervisory Committee, which we feel has brought new energy to deliberations by our Board of Directors, including discussions of what kind of company we should become and the direction in which we should move. Through our external directors, we are now able to discuss and review matters for deliberation at an earlier point in time. Consequently, we would like to define the future of Nishimatsu Construction while incorporating more outside, objective viewpoints than were previously available.

#### Path to Increased Corporate Value

**With “Successfully Building a Better Future” as our driving force, we will spur innovation and generate value for society.**

Our human resources are our greatest asset in working to provide value.

“Frontline capabilities” are our characteristic and strength and serve as the driving force behind the value we provide.

“Frontline capabilities” does not refer only to our capacity for construction. To us, it marks where our business begins, and forms the core of our business. Each and every employee starts out with the idea of construction sites as our launching pad, from which we respond to changing daily conditions, coordinate with numerous partner companies, customers, and neighboring residents, and drive projects forward. Since we approach our work thinking of issues ranging from how to utilize land, to what is really necessary for neighboring residents, we are able to demonstrate superior “overall capabilities” that extend to the areas of planning, development and design.

I myself worked at our construction sites until I was 50, so my approach emphasizes the frontline as our starting point. Whenever I have time, I try to visit our sites and talk with employees. I gain many insights from seeing sites firsthand, and I feel that it is an important process in sharing our company’s vision and strategies with employees.

An additional future goal of Nishimatsu Construction is to reform its human resources training. Currently, we have established indicators for each age group, with a systematic human resources training program in place. This approach, however, does not share training programs laterally across divisions. We plan to work toward establishing a training system that crosses organizational borders.

I want Nishimatsu Construction to have human resources that are able to take the initiative to act and solve problems using their own ideas. After all, building win-win relationships also extends to our employee interactions. More than anything else, employees gain from using their own ideas to make progress in their work, while enjoying what they do each day. An organization consisting of such human resources is a strong entity that is able to forge continuous, win-win relationships with stakeholders, which we expect will translate into increased corporate value.

At Nishimatsu Construction, we will bring all of our employees together from across the Company to spur innovation starting from the frontline as we work to realize the company envisioned in N-Vision 2020. You can continue to expect great things from Nishimatsu Construction.

## Discussion with Directors on the Audit and Supervisory Committee



**Uichi Mizuguchi**  
Director and (full-time)  
Chairperson of the Audit and  
Supervisory Committee

Has served for many years as a Nishimatsu Construction executive officer, including Representative Director and Vice-President. In June 2016, moved from his executive officer position and became chairperson of the Audit and Supervisory Committee.



**Koji Mino**  
External Director and Audit and  
Supervisory Committee member

Enjoyed a long career at Development Bank of Japan Inc. and also has experience as an external director at multiple companies. Became a Nishimatsu Construction external director in June 2015.



**Kiyomi Kikuchi**  
External Director and Audit and  
Supervisory Committee member

Her wealth of experience includes working as an attorney providing legal advice to numerous corporations, while also serving as an outside expert for the Ministry of Land, Infrastructure, Transport and Tourism and on various other ministerial committees. Became a Nishimatsu Construction external director in June 2015.



**Jun Ikeda**  
External Director and Audit and  
Supervisory Committee member

Enjoyed a long career at Mitsubishi Corporation, including being appointed President and Representative Director of some of its subsidiaries. Became a Nishimatsu Construction external director in June 2016.

In June 2016, Nishimatsu Construction transitioned to a company with an Audit and Supervisory Committee. The Audit and Supervisory Committee is comprised of a full-time committee chairperson, who is an inside director, and three external directors. In order to give readers a deeper understanding of Nishimatsu Construction, the directors on the committee took this opportunity to discuss governance and the Company's approach to providing value in the future.

### Changes to Corporate Governance and Challenges Going Forward

**Mizuguchi** One year has passed since we transitioned to a company with an Audit and Supervisory Committee. First, let me ask how you see our current governance framework and your role within it.

**Kikuchi** I was appointed external director in 2015. Since I became an Audit and Supervisory Committee member in 2016, I have felt like I was entrusted with more responsibility, and the hours I spent working increased significantly. As an attorney, I have taken the viewpoint of governance, rather than business management, in discussions with the Board of Directors and in exchanging opinions with general managers of the divisions. During these discussions, as well as during audit visits, I have tried to ask probing questions, such as "Why do you think that?" and "What is your basis for that?" My reasoning is that, if you look at things objectively, the facts the Company takes for granted, and its ways of thinking about various matters are, sometimes, lacking in an understanding of the basics, or are even misunderstood or are incorrect. I want people inside the Company to examine whether they are considering rules, principles and other matters from their essence. I also want people to have thorough discussions about those topics. So, I purposefully don't make comments, I just ask questions.

**Ikeda** The amount of information that we receive as Audit and Supervisory Committee members is enormous. It includes reference materials, interviews and on-site exchanges of opinions. I have had previous experience as the president of multiple companies. Nothing has changed in terms of thinking

about business based on information obtained. Of course, my authority and responsibility is different from that of a company president, but precisely because of that, I have tried to speak freely without worrying about being "diplomatic." I think that turning tacit knowledge into explicit knowledge and bringing clarity to the decision-making process is an essential role for an external director, and it is also important in terms of the Company fulfilling its duty for accountability.

**Mino** Like Director Kikuchi, I was appointed external director in 2015 and became an Audit and Supervisory Committee member in 2016. The quality and volume of information has changed significantly since the Company transitioned to having an Audit and Supervisory Committee. I feel that it is extremely beneficial to receive careful interpretations and explanations, as well as prompt sharing of information through e-mail, from Chairperson Mizuguchi, who brings many years of executive experience to his position as a full-time committee member. Under this framework, I have used my role to emphasize the status of Company conduct from a more social perspective, not from the narrow perspective I developed from many years in a government-related financial agency, while also stressing a medium- to long-term view and the decision-making process, not based on current circumstances alone. In light of the characteristics of the construction industry, I have tried to appreciate the public utility of the Company, while engaging in debate and judgments from medium- and long-term perspectives.

**Mizuguchi** Thank you. Several years ago, there was not much debate on the Board of Directors regarding the Company's future path and what we needed to become, but debate on this subject has gradually increased and, in the past year, rapidly

accelerated. Next, let me ask your thoughts on the challenges the Company faces in terms of governance in order to continue to grow and develop.

**Kikuchi** Although I did not have many ties to the construction industry before being appointed external director, I have gotten the impression that this Company's employees and officers are very serious and approach their work with sincerity. So, in terms of governance, they are constantly proactive in trying to self-correct. However, since the external environment of the construction industry is good at the moment, I feel that the Company tends to focus on future growth and development at the expense of more robust risk management during normal times. Because the Company is in this type of period, I think it should take the opportunity to reassess and earnestly address its risk management system, its approach to general compliance and status of legal compliance, so that it is not caught off guard.

**Ikeda** There are ways in which discrepancies can easily develop between the risks noticed from an external vantage point and those seen from inside a company. Also, the Company is currently giving very careful consideration to risks such as those arising from increasing costs, but I think it would be wise to have more discussion on financial risks and overall business risks. Since the Company is currently trying to chart a new growth trajectory toward differentiation, it is important to accurately define its capacity for taking on risk and how much risk it should incur.

**Mino** President Kondo has talked at length about taking a cross-divisional approach as we move toward new growth, and changes have gradually been emerging. With regard to the Company's corporate culture, since it is conservative when it comes to showcasing itself to external parties, I feel that a little more ingenuity is needed with how the Company communicates. If that can be improved, I think the trust and understanding of stakeholders will also increase. Furthermore, if the Company can more quickly detect changes in the external environment and utilize a broad perspective overall, I think it can build itself into an extremely strong company.

## Moving toward Providing Future Value

**Mizuguchi** Since internal discussion is continuing on our 10-year Vision and the next Medium-Term Management Plan, let me ask what you expect of the Company in terms of creating value going forward. For example, I think that our mission to build social infrastructure will not change. The state of cities and rural areas will change as our society ages and the birth rate declines. I feel that there is no question that we must engage in project planning and operational management, but it also seems necessary to help with municipal coordination and make a shift to "urban development."

**Mino** Currently, the Company is expanding the scope of its business while promoting connections between each division. As I said earlier, however, I think it is important to take a broad perspective and outline a path toward providing value.



With regard to the urban development Chairperson Mizuguchi mentioned, it will be important to incorporate the culture and identity of each local area, but I think that the overall capabilities that we extol as a Company will lend themselves to better proposals and projects for us.

**Kikuchi** Although the Company has highly advanced technology focused on its work sites, I often hear comments about a lack of skill in handing down that technology. Yet I think one of the Company's social missions is to fully utilize these assets. The government is promoting overseas infrastructure exports to various Asian countries where urban infrastructure and similar projects are urgently needed. In this regard, I think that there are many contributions the Company can make by using its technology. Personally, I feel that thorough discussion addressing how the Company can leverage its overseas business operations going forward brings the possibility for considering transformation of the Company's entire business model.

**Ikeda** It appears that there are not many significant differences in the strategies that construction industry companies are proposing in their medium-term management plans. At the same time, it must be said that, considering that the Japanese market has a shrinking population, it is quite difficult to imagine that the construction industry can survive as it is. Currently, the Company is proceeding with discussions on "flow and stock" and "getting out of simply receiving business." I think it is necessary to implement reforms from the perspective of anticipating, or even generating, demand.

**Mizuguchi** It is important to encourage the Board of Directors to have more energetic discussions, including on these topics and others. I agree that we need to urge directors who are also general managers of the divisions to focus on more than their own division and discuss the Company's future from an overall perspective, and I would also like to stimulate deeper debate on investment and capital allocation as we consider future reforms. I think that Nishimatsu Construction will achieve increased corporate value by engaging in active discussion focused on the future.

Everyone, thank you for your time.

Committee members: Thank you as well.

# Civil Engineering Division

Through the construction of social infrastructure such as roads, railways, electrical power/dams, and airports/harbors, we support people's lifestyles and socio-economic activities. Leveraging the technical capabilities and on-site experience that we have accumulated over many years, we are responding to social demands for safe and secure national land development.

Yoka Hidaka Road Aoyamagawa Bridge Lower Area Construction

## Vision

Toward achieving safe and secure national land development, our vision is to establish safe and secure social infrastructure, to proceed, under the Japanese Government's Fundamental Plan for National Resilience, to branch out from being heavily concentrated in the Tokyo area, to develop the nation's lands in an autonomous, decentralized, and collaborative approach, and to contribute to disaster and other countermeasures. Furthermore, by taking on a major role in these future national land development projects, we aim to demonstrate a steadfast presence, while building and fortifying the "Nishimatsu brand."

## Strategies

As we establish the foundation for a high-profit corporate structure, we are further strengthening efforts for projects using the Comprehensive Evaluation Bidding System, while also continuing to foster young engineers. At the same time, we are striving to achieve a self-directed organization by bolstering both our organization and the individuals within it. Furthermore, along with continuing to dedicate effort to disaster recovery projects, we are working to strengthen private-sector projects and renewal projects (including public-private partnership and private finance initiative projects).

## Looking Back over the Medium-Term Management Plan

The environment surrounding the civil engineering market is relatively strong, based on demand for infrastructure-related construction and private construction investment. Within this environment, we have had to establish a high-profit corporate structure that is not easily swayed by economic fluctuations. Additionally, by introducing a regional headquarters and division system, we have set up an organizational structure capable of rapidly building consensus and moving projects forward. At the

same time, we have pursued initiatives while differentiating ourselves from the competition. With regard to government-sector construction projects, which have been our forte, we are working to further strengthen efforts for projects using the Comprehensive Evaluation Bidding System. At the same time, we are aggressively continuing initiatives toward expanding private-sector orders, such as railways and electrical power projects.

The strength of Nishimatsu Construction is our frontline

### Net sales/Gross profit/Gross profit margin



### Main Construction in Fiscal 2016

- National Route 115, Tamano Tunnel Construction**  
 Client: Tohoku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism  
 Location: Soma, Fukushima Prefecture
- Kanazawa Tobu Circular Route, Goshu Tunnel Construction (Stage 2)**  
 Client: Hokuriku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism  
 Location: Kanazawa, Ishikawa Prefecture
- Yoka Hidaka Road Aoyamagawa Bridge Lower Area Construction**  
 Client: Kinki Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism  
 Location: Yabu, Hyogo Prefecture
- Takenokawa River Dam Reconstruction**  
 Client: JNC Corporation  
 Location: Kuma District, Kumamoto Prefecture

## Exercising the strength of our frontline capabilities and contributing to land development that imparts psychological and emotional richness

**Makoto Isshiki**

General Manager of Civil Engineering Division



capabilities that bring solutions to construction sites. In order to exercise that strength, the most pressing task for our company is developing human resources and improving our technical capabilities. In our Construction Engineering Committees, which are Company-wide, cross-divisional groups, employees with a wealth of experience and advanced expertise work side by side with our next generation of workers. Furthermore, we are also building an organizational

structure that appoints veteran staff members with well-honed planning and construction skills in each branch. This simultaneously facilitates objective approaches to solving problems, while encouraging the transfer of technical skills. We are also dedicating effort to improving our project planning capabilities and technological development in the area of maintenance, which are important points for differentiating ourselves going forward.

### Toward the Future

Although our basic role of establishing social infrastructure in the construction industry remains constant, the changing times have placed new demands upon us. Whereas survival and safety were the objectives in the early years of the Meiji era, historical changes have brought demands for construction of social infrastructure that achieves efficiency and comfort. Additionally, the grand designs present in the high economic growth period have cycled back toward expectations for the construction industry to develop the nation's land in a way that also imparts psychological and emotional richness. In order to give shape to this policy, including the ideas of Grand Design 2050 (Japan's

long-term project for national land development), we are striving to aggressively contribute from the early project planning stage.

Consequently, it is essential to continue honing our overall capability, including project planning skills, and to establish the presence of the "Nishimatsu brand." As stated above, we are reaching for a higher level of dedication to technical prowess and human resource development directed toward further boosting our frontline capabilities. At the same time, we are working to provide value carefully attuned to construction sites so that we can expand and enhance the trust we have built up with customers over many years.

#### TOPIC

### Carrying out safe construction suited to the geology of the construction site

This project involved construction of a tunnel as part of the redevelopment of the Kanazawa Tobu Circular Route to alleviate traffic congestion in central Kanazawa.

Excavation was in the Omma Formation, which is famous as a location where a large number of fossilized shells were discovered. Geologically, the strata have not undergone diagenesis, so they are unconsolidated from an engineering perspective. Hardness varies from place to place, making construction very challenging. Given these conditions, we drew up detailed construction plans before commencing, and chose auxiliary construction methods. Once construction began, we maintained safe operations through discussions with business partners, and experts from academia and within the Company, and by employing further auxiliary construction methods. As a result, excavation was completed without incident.

In order to ensure the quality of the concrete lining, we had discussions between our Technical Research Institute and the Civil Engineering Design Department of the Head Office, and decided to use medium/high fluidity concrete to prevent quality degradation around the crown. The whole company worked together with experienced workers invited to provide instruction during construction, which ensured that we were able to construct a concrete structure with excellent durability and solidity.



**I focused on measurements that took into account possible changes in the bedrock, and we completed the construction without incident. I will use this experience and increase my frontline capabilities to contribute to incident- and injury-free operations.**

**Chisato Kato**  
Assistant Manager,  
Goshō Tunnel Field Office



# Building Division

While making full use of advanced technical capabilities, we handle diverse building construction projects, from office buildings to cultural, educational, commercial, and medical facilities. At the same time, we provide services throughout the lifespan of buildings as we take a hand in the planning and design stages, continuing through to the operation and maintenance phases of projects.

Tohoku University (Aobayama 3) Agriculture Complex New Construction

## Vision

In order to contribute to urban development and the growth of economies and industries, we are moving away from simply receiving business and moving toward being a strategic business partner that solves problems side by side with our customers as we aim to provide value. To that end, we will continue to thoroughly pursue craftsmanship from the customer's perspective, strive for the highest standards of construction and services, and achieve growth as a trusted company.

## Strategies

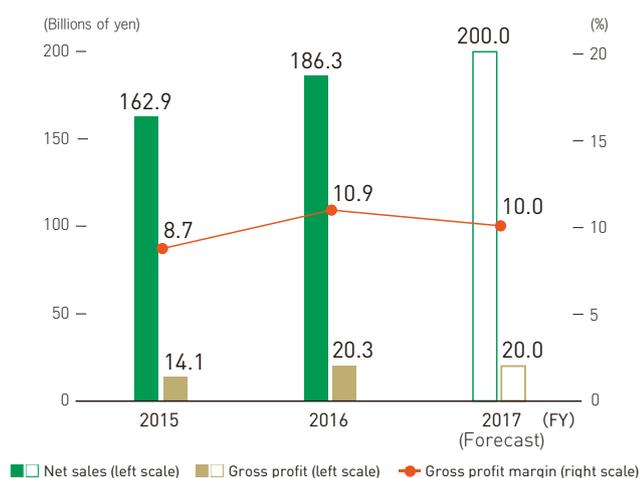
By creating fields of specialty through strengthening design, construction, and project proposals, our strategy is to further expand and enhance organizational management in upstream areas. At the same time, we will further strengthen our frontline capabilities (overall capabilities created by our organization) and our system for technical follow-up during construction management. We will continue to earn the deep trust of customers and drive evolution toward a business model that increases exclusive (sole-source) contracts.

## Looking Back over the Medium-Term Management Plan

Demand for construction investment is holding steady due to infrastructure development, such as for the hosting of the Tokyo Olympic and Paralympic Games, as well as for the expansion and improvement of the transportation network. Against this backdrop, we are pursuing initiatives for a wide range of clients, from government-sector to private-sector, and we have identified logistics, medical/welfare and developers as our focus areas. We are working to differentiate ourselves from the

competition by making optimal structural designs for each building use and making new engineering proposals related to construction methods. At the same time, we are providing broader services, such as building maintenance. We are aggressively honing our company's unique specialty and establishing a collaborative system for making proposals from the planning and design stage in order to provide support for customers' business strategies. With the ratio of orders received

### Net sales/Gross profit/Gross profit margin



### Main Construction in Fiscal 2016

- 1. Josho Gakuen Educational Foundation Umeda Campus (tentative name) New Construction**  
 Client: Josho Gakuen Educational Foundation  
 Location: Kita Ward, Osaka
- 2. Prologis Park Chiba New Town Project**  
 Client: Asama SPC  
 Location: Inzai, Chiba Prefecture
- 3. Tohoku University (Aobayama 3) Agriculture Complex New Construction**  
 Client: National University Corporation Tohoku University  
 Location: Aoba Ward, Sendai, Miyagi Prefecture
- 4. Nobeoka City New Government Office Building, First Stage of Primary Construction**  
 Client: Nobeoka City Building Division  
 Location: Nobeoka, Miyazaki Prefecture

## Helping customers provide value through Nishimatsu's unique technologies and expertise

### Akira Maeda

General Manager of Building Division



as a result of our advantages steadily improving from 34% in fiscal 2012 to 71% in fiscal 2017, we have been able to expand and enhance project orders.

With regard to promoting these strategies, our ability to execute has made a major leap forward thanks to carefully

### Toward the Future

As part of our basic strategy to transition from simply receiving business to working with customers as a collaborative partner, we are striving to continuously evolve and contribute to the value our customers provide.

With regard to our focus areas, we will challenge ourselves in new fields that, in accord with national policies, address social issues and do so with the belief that there is demand that Nishimatsu Construction can specifically satisfy. In particular, we are planning projects for lodgings and accommodation facilities, many of which have delayed renovations because building supply and demand has become more of an issue. Other projects include food product facilities, which are demanding greater safety and security, and projects for medical equipment and medical product facilities, which Japan has identified as a growth area and which are experiencing technological advancements.

following the PDCA cycle, both in sales activities and on construction sites, based on detailed analysis of each of our activities. The intentions and background of our strategies, in addition to policies for future initiatives, have been spread and shared throughout the entire organization—we consider that a major factor in our progress.

At the same time, we will further strengthen our human resource capabilities, which are the lifeline for Company growth. Bolstering human resource capabilities, which are an operational resource, and frontline capabilities, which are the collective expression of human resource capabilities, is a fundamental task. We believe that mutual skills are accumulated and organizational strength is increased when employees take initiative in solving problems, propose possible solutions, and make suggestions to their supervisors (a process that can be summed up as “reporting, contacting and consulting”) in a Company-wide, cross-divisional approach.

By building a system that allows highly skilled employees to further exercise their abilities, and by strengthening cross-divisional ties, we aim to expand and enhance Nishimatsu Construction's quintessential strength of frontline capabilities, while we connect these efforts to providing value.

### TOPIC

#### Solving Problems by Leveraging Our Frontline Capabilities

Construction has been completed on the Josho Gakuen Educational Foundation Umeda Campus (tentative name), which is a 22-story tower (with two underground floors) located close to JR Osaka Station. It connects directly to railway lines and commercial facilities.

This building, which entailed intricate specifications for its design and facilities, is a good project to showcase our overall capabilities. Our frontline capabilities were demonstrated by the careful planning and execution of construction that had to deal with the soft bedrock, and in the efficient exterior construction, which delivers an exterior design that is distinctive and symbolic.

It was a substantial accomplishment to successfully complete construction without incident, applying experience from inside and outside the Company and combining the diligent efforts of staff and partner companies. Going forward, we plan to utilize this experience and apply it to many more building projects.

Josho Gakuen  
Educational  
Foundation  
Umeda Campus  
(tentative name)  
New Construction



Yu Okubo  
Assistant Manager,  
Josho Umeda Field Office



## Value Provided by Business Segments

# Development Business & Real Estate Division

We provide one-stop real estate solutions with high added value through redevelopment projects that lead to attractive urban development and revitalization of local economies, in addition to commercial facility and office building development and management projects. To these, we add corporate real estate (CRE) and other projects that support companies seeking to efficiently manage their real estate holdings.

Commercial Facility Development and Operation Project: Hareno Terrace

### Vision

We aim to build relationships of trust with our customers and local communities over the medium to long term by providing new added value that enables customers to develop their businesses and helps consumers lead rich, convenient lives. At the same time, we aim to be a team of experts that wins the overwhelming support of our customers by offering the above benefits while growing together alongside those customers.

### Strategies

We give a central role to the overall Company strategy of striving for the optimal mix of “flow and stock,” while working to dramatically increase our ability to generate business and develop human resources. At the same time, we seek to achieve business expansion through effective use of operational resources, while working to evolve into a corporation whose overall capabilities combine the Development and Real Estate Business with the Building Construction Business.

## Looking Back over the Medium-Term Management Plan

In the six years since the division was established, we have set up a “stock” (or contractual) business model that delivers one-stop real estate solutions and has continued to see steady growth.

We feel that it is necessary to more rapidly expand business targeting sustainable growth by nimbly adapting to changes in the business environment, giving shape to innovative concepts and ideas that cross existing boundaries, and by striving to create high-value-added projects.

## Toward the Future

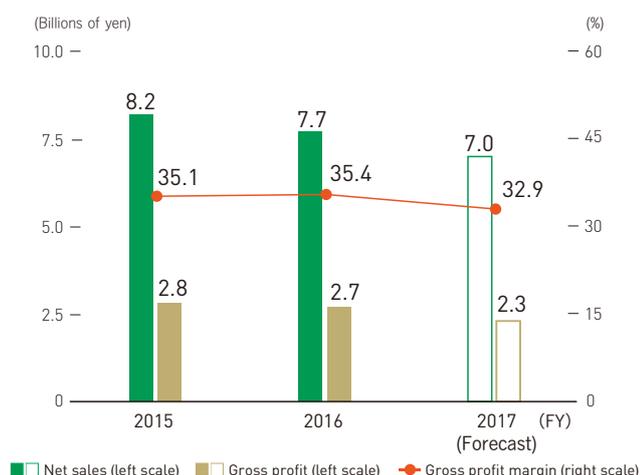
We see each project as a continuum from the initiation phase to the management and operation stages, and believe that this is the key to providing our unique, long-term value. We will continue to provide one-stop real estate solutions that contribute to urban development and revitalization of local economies, while aiming to expand our “stock” business.

As one of the three mainstay business divisions, alongside the Civil Engineering Division and the Building Division, we will effectively invest operational resources in business domains and areas expected to yield growth, and, while coordinating with the other divisions, will combine the know-how and skills of each as we work to enhance and expand the roll out of businesses that meet the needs of society and customers.

Under the slogan of fostering “experts that win the overwhelming support of our customers” by 2020, our division will utilize its diverse human resources and thoroughly pursue our target vision of providing new value to customers and society.

We must raise the level of satisfaction of customers and society, and provide high-value-added solutions that completely surpass those of other companies, as we continually succeed at developing new businesses.

### Net sales/Gross profit/Gross profit margin



A team of experts that wins the overwhelming support of our customers while creating high-value-added solutions

Yoshiyuki Sawai

General Manager of Development  
Business & Real Estate Division



**Commercial Facility Development and Operation Project: Hareno Terrace**

A shopping center that helps connect people and the city



Hareno Terrace is one of the Nishimatsu Construction Group's complete-package commercial facility projects. It involves a one-stop solution from project planning to tenant recruitment and operation and management. As the pivotal facility of an urban planning project, Hareno Terrace is on an intersection, centrally located on a new arterial road that connects the city, creating a zone where people and the city interact. At the same time, the project strives to generate urban vitality in a space that can earn the long-term affection of residents.

**Concept**

City + network in a compact design



People



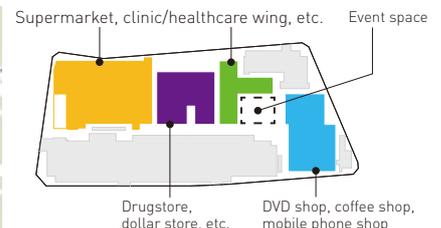
City



Creation of vitality

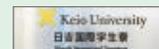
**Facility Overview**

Location: 393 Shima-cho, Minuma Ward, Saitama, Saitama Prefecture  
Access: 1 km (approx. 13 min.) on foot from JR Higashi-Omiya Station  
By car: Approx. 3 min. from Higashi-Omiya Bypass  
Tenant mix: Shops, a supermarket, clinic/healthcare wing, drug store, rental goods shop, others.



**Keio University: Hiyoshi International Dormitory Business**

Creating an international student dormitory that facilitates opportunities for communication and fosters top global leaders



As a new CRE business initiative, we worked together with Keio University to plan and start managing the Hiyoshi International Dormitory. The Nishimatsu Construction Group offered a complete-package, one-stop solution, from project planning to operation and management, for this Keio University dormitory, which brings international and Japanese students together in a shared living space.

**Concept**



- Four-person dormitory rooms that facilitate interaction
- Private rooms that ensure personal space



- First floor lounge and meeting room that can be joined with the inner courtyard
- Bright and open community lounge facing the inner courtyard



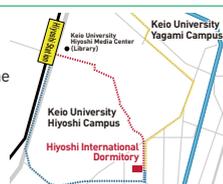
- Security that takes into account the co-educational living environment
- 1.25 times the normal seismic resistance
- Storehouse with disaster response stocks



- Light well courtyard design for natural lighting and ventilation
- Photovoltaic power generation
- Solar water heating system
- Rooftop greening

**Facility Overview**

Location: 5-11-8 Hiyoshi, Kohoku Ward, Yokohama, Kanagawa Prefecture  
Access: Approx. 18 min. on foot from Hiyoshi Station on the Tokyu Toyoko Line  
Approx. 10 min. on foot to the Hiyoshi campus  
Approx. 16 min. on foot to the Yagami campus  
Purpose: 200 dorm rooms (50 4-person units)  
1 manager's apartment, 2 guest rooms: 203 rooms total



Exterior view



Shared kitchen and dining area

# International Division

Nishimatsu Construction's international business is focused on Southeast Asia, which includes the seven countries and regions of Thailand, Hong Kong, Singapore, Malaysia, Vietnam, Myanmar and Laos.

We leverage the many years of experience we have accumulated overseas and our robust customer relationships as we engage in civil engineering projects that involve highly public infrastructure development. At the same time, we are involved with the construction of factories and facilities ordered by Japanese companies, and have also begun activities in the development and real estate business.

Hong Kong Subway South Island Line Nam Fung Tunnel and Ventilation Tower Construction

## Vision

We build long-term relationships of trust with customers as we expand our local networks, while striving to develop human resources. We fully leverage our many years of project planning and technical capabilities built up in Japan as we deliver Nishimatsu Construction's unique brand of safe and high-quality infrastructure and facilities. We will continue to contribute to Asian countries' key challenges of economic and industrial development, urban development, and standard of living gains.

## Strategies

By strengthening our overseas organizations and fostering local employees, we will be in a position to optimize placement of human resources while meeting the particularities and circumstances of each region. At the same time, we will expand the scope of our business while building public infrastructure and strengthening construction of factories and facilities for Japanese companies. As part of our efforts, we are striving to increase the regional scope of our business and create new real estate-related businesses.

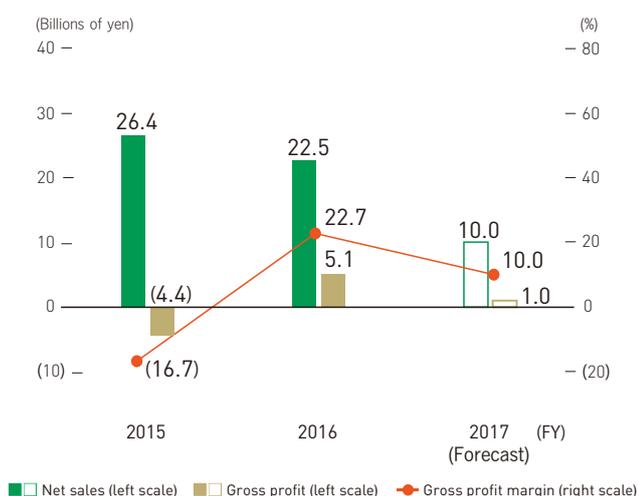
Our strategies are "to ensure stable profit and improve overseas management capabilities" and "to take up the challenge of creating new business models."

## Looking Back over the Medium-Term Management Plan

Historically, Nishimatsu Construction has held a dominant position and well-developed relationships with certain customers in countries experiencing rapid economic growth. Our policy has been to focus effort on seven Asian countries and regions as we leverage our areas of specialty. Furthermore, we have been able to display Nishimatsu Construction's unique

brand of project planning, construction and management, and equipment and machinery selection capabilities. We have combined this approach with cooperation with customers from upstream stages, followed by detailed maintenance activities after construction is complete, to achieve a high degree of trust and a robust presence in each region. Additionally, the

### Net sales/Gross profit/Gross profit margin



### Main Construction in Fiscal 2016

- Hong Kong Subway Kwun Tong Line Extension Tunnel Construction and New Ho Man Tin Station Construction  
Client: MTR Corporation Limited  
Location: Hong Kong
- Hong Kong Subway South Island Line Nam Fung Tunnel and Ventilation Tower Construction  
Client: MTR Corporation Limited  
Location: Hong Kong
- Singapore Subway Downtown Line 3, Contract 929A  
Client: Land Transit Authority of Singapore  
Location: Singapore

## Building trust and providing the long-term value of safety and high quality

### Akira Matsumoto

General Manager of International Division



resulting safe and high-quality construction has lowered long-term total costs for customers, which has raised approval from customers to an even higher level.

This approach has given us a solid business foundation, which we are currently working to grow into a more stable earnings base while deepening our strategies in each country and region and accelerating expansion. Specifically, our strategy in Singapore and Hong Kong, where demand is strong, is to establish a foundation for stably acquiring a steady flow of public works projects, while in Thailand, where business has

focused on construction for Japanese companies, we will expand by targeting multinational companies as well. Meanwhile, in Vietnam, we have established a local corporate entity and are working to increase the number of projects we are involved in. In Myanmar, we are targeting transportation and electrical power infrastructure, which are garnering increasing attention. Our focus in Laos is expanding industrial park business. Furthermore, as new initiatives that leverage our unique know-how, we will consider starting real estate development, real estate investing, and real estate leasing.

## Toward the Future

Going forward, we will continue to provide safe and high-quality planning, design, construction, and maintenance in order to lower long-term total costs for customers while contributing to development in Asian countries. Furthermore, by expanding our "stock" businesses, which include real estate-related solutions, we will build a base for stable, high earnings.

Of foremost importance in pursuing these initiatives are our human resources capabilities. By strengthening our training of local staff in construction technology and better management

skills, we have seen remarkable professional growth to the point where we are even considering certain staff members for promotion to the level of Director. Going forward, we will continue to dedicate ourselves to fostering human resources, including further enhancing our training system. Additionally, as we look toward future growth, stronger collaboration between division will become even more essential. We will take a cross-divisional approach to each project and pursue cooperation on training measures and other fronts.

## TOPIC

### Communication with Customers

Through meaningful dialogue with customers, we are able to accurately assess their needs. Nishimatsu Construction starts with project planning and design, then manages construction and proceeds to the maintenance stage after construction is complete. In order to achieve productive cooperation with customers, we take care to accurately assess customer needs at each stage and share our ideas regarding the project. This serves to align our approaches and ensures that we provide buildings of the specifications and quality that customers demand, while finishing on schedule and at a satisfactory price.

Legal regulations differ by country, while the types of materials in standard use differ as well. We leverage our Company-wide technologies and experience to meet customer demands from procurement of requested materials to proposals of alternative options.

**Masahide Wakazono** Project Manager, Kao Vietnam New Warehouse Extension Project (left)

I entered Nishimatsu Construction in February 2016. As I remain constantly aware of safe construction and schedule management, I want to learn Japanese building techniques.

**Tran Thanh Phong** Building Engineer (right)



## Overseas Activities



### Hong Kong

In 2016, the Hong Kong Branch (HKB) completed the construction work for two railway projects to the satisfaction of the client, MTR Corporation Ltd (MTRC).

Kwun Tong Extension Contract 1001 was completed in May 2016 following completion of the Architectural Builders Work and Finishes (ABWF) and electrical and mechanical (E&M) work by other designated contractors, and successful inspections by the Fire Services Department and the Railway Branch of the Electrical and Mechanical Services Department of the Government of the Hong Kong Special Administrative Region (HKSAR). The project team achieved the MTRC's target opening of the Kwun Tong Line Extension, which includes Ho Man Tin Station and tunnels between Yau Ma Tei station and Whampoa Station, in October 2016.



Kwun Tong Line Extension (Contract 1001 – Ho Man Tin Station)

South Island Line (East) Contract 902 was completed in September 2016 and the entire South Island Line (East) commenced operation in December 2016. However, the MTRC continues to order minor additional work but under a separate contractual arrangement.



Hong Kong Subway South Island Line Nam Fung Tunnel and Ventilation Tower Construction

We are targeting the completion of all rectification work, and to receive maintenance certification for both MTRC projects, in order to close our internal accounts by the third quarter of the year ending March 31, 2018.

HKB has received the following Safety and Environmental Awards from MTRC or Government Departments.

Safety / Environmental Awards	Project	Organization
Best Site Condition Award – March & November 2016	KTE 1001	MTR Corporation Limited
Bronze Environmental Award 2016	KTE 1001	MTR Corporation Limited
Stakeholder Engagement Award 2016	KTE 1001	MTR Corporation Limited
Silver Environmental Award 2016	SIL 902	MTR Corporation Limited
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

Some mega infrastructure projects are nearing completion, including the Central-Wan Chai Bypass, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge. In other projects, the HKSAR government has granted approval to expand Hong Kong International Airport into a three-runway system (3RS) and some major 3RS tenders, such as those for deep cement mixing and reclamation works, have been awarded. In addition, due to the aging society and population growth, the building construction market has been steady as building tenders continue to be issued by the Hong Kong Housing Authority and the private sector. However, filibustering in the Legislative Council has continued to delay government funding approval for many infrastructure projects, including the Central Kowloon Route. As a result, Hong Kong's construction market contracted in the previous year, leading to more competition among contractors.

Hong Kong's construction market is still difficult due to political and social problems. However, we believe that the new Chief Executive of the HKSAR government will lead Hong Kong in the right direction and that the situation will improve significantly. Despite the current difficult circumstances, we still believe that building construction related to the living environment and traffic infrastructure and to the Belt and Road Initiative will continue to develop in the coming years. Therefore, in 2017 we will continue to target to new projects that match our capabilities.



## Thailand, Laos

Thailand's economy has continued to grow slowly since 2013. Amid such conditions, Thai Nishimatsu Construction Co., Ltd. has successfully completed the following projects; the Honda Sawadi Project, the Rohm Integrated System Thailand Project, UACJ Canteen Phase 2, the Kato Works Factory, the APC2 Warehouse Expansion Project, and the ANESCO Factory. Additionally, we have also been awarded the tender for the construction of the Gourmet Primo Project (Bangkok Airways), the Maco EC Building and Factory #3 Project (Mitsubishi Heavy Industries), the UACJ Fin Coating Factory, and the UTT & External Project.

Despite an overall economic slowdown over the past few years, the GDP growth rate has recovered from 2.8% in 2015 to 3.2%. The death of King Bhumibol Adulyadej caused concerns about a larger economic slowdown. However, the situation was avoided due to active intervention by the government.

Regarding private investment represented by the automobile industry, annual vehicle production was 1.9 million units due to increased exports, although the domestic market weakened. Annual vehicle production in 2017 is expected to increase to 2 million units due to replacement demand from customers who have enjoyed the tax rebate under the first-time car buyer program.

Furthermore, the Eastern Economic Corridor project, which was adopted at a cabinet meeting in 2016, is expected to attract

300 billion baht in investment and contribute to economic growth.

Cambodia, Laos and Myanmar of the ASEAN Economic Community, which are neighbors of Thailand, have increased trade with Thailand. Moreover, exports from Thailand are expected to increase due to the removal of tariffs within the ASEAN region, creating the need for logistic infrastructure, combining customs as it supersedes domestic business to drive Thailand's economy.

In 2017, we will strive to cultivate new business in areas including advanced factory projects with finance leasing conditions, residential projects in cooperation with new business partners, and maintenance operations for civil structures in addition to a new factory building project and the existing factory expansion project.

To accommodate customer demands for "Thai Plus One," Lao Nishimatsu Construction Co., Ltd. has successfully completed its first project, the Isuzu Truck Service Factory in Savannakhet, Laos and contributed to the customer's expansion. In addition, Pakse-Japan SME SEZ Development Co., Ltd., an equity partner of Nishimatsu Construction Co., Ltd., has completed Phase 1 Area development and started to sell to and fully support clients who invest in Laos.

1. Isuzu  
Project name: Isuzu Truck Service Factory  
Client: Isuzu Motors Indochina Limited  
Completed: January 2017  
Location: Savan-Seno Special Economic Zone,  
Savannakhet Province, Laos



2. Kato  
Project name: Kato Works (Thailand) Factory  
Client: Kato Works (Thailand) Co., Ltd.  
Completed: September 2016  
Location: Amata City Industrial Estate, Rayong,  
Thailand



3. APC  
Project name: APC2 Warehouse Expansion Project  
Client: Asian Honda Motor Co., Ltd.  
Completed: October 2016  
Location: Wellgrow Industrial Estate,  
Chachoengsao, Thailand



4. Best Performance & Safety Award for 2016



## Singapore

The Building and Construction Authority (BCA) of Singapore reported in January 2017 that the projected stronger construction demand in 2017 is due to an anticipated increase in public-sector construction. The public sector is expected to contribute about 70% of the total construction demand, which is S\$28-\$35 billion.

Regarding work on the Land Transport Authority of Singapore (LTA)'s Contract 929A for the construction and completion of mainline tunnels between Ubi and Kaki Bukit stations and reception tunnels, contracts were awarded by the LTA in February 2011 and construction was completed in December 2016. Downtown Line 3, which is part of this

project, will open on October 21, 2017, making it the longest underground and driverless MRT line in Singapore.

The EW3 Contract of the East-West Transmission Cable Tunnel was awarded by Singapore Power Assets (SPPA) to Nishimatsu Construction Co., Ltd. in a joint venture with a local contractor, KTC Civil Engineering & Construction Pte. Ltd. All three tunnel drives on EW3 using tunnel boring machines (TBM) were completed by April 2016. The final M&E fittings and building structural work is currently ongoing.

LTA's T228, for the construction of the Gardens By The Bay station and tunnels for the Thomson Line, was awarded on July 25, 2014 to Nishimatsu Construction Co., Ltd in a joint

venture with Bachy Soletanche Singapore Pte Ltd. Excavation for the station is mostly complete and both structure and bored tunneling works are ongoing. The contract completion date is in December 2020.

Nishimatsu Singapore Office will work to fulfill its contractual obligations while pursuing new opportunities and building up its core professional and supervisory teams to embrace new challenges.



## Vietnam

The real growth rate of the Vietnamese economy has been steadily rising since 2012, when it was 5.3%, and marked 6.7% in 2015, the highest level since 2007. Although the impact of salt damage and droughts depressed consumption in 2016, continued impact is likely to be moderate in 2017. Individual consumption and export recovery are expected to boost the growth rate slightly to 6.2%.

Concerns regarding TPP due to the presidential inauguration of Mr. Trump are turning the tide of foreign direct investment (FDI) overall, which has recently supported the Vietnamese economy. On the other hand, FDI from Japan in 2016 surpassed U.S.\$2 billion for the first time in two years and the number of FDI increased to 594, the highest ever. In another issue related to TPP, President Trump has threatened to impose a punitive tariff as high as 45% on all Chinese products, whether or not TPP is adopted. This would lead to increased exports of Vietnamese products, taking market share away from Chinese products in the U.S. and the floating effect of exports at least for a certain period of time. Therefore, Vietnam's economic growth rate is expected to be at least 5% for the foreseeable future.

Under such circumstances, in June 2016, Nishimatsu Vietnam Office completed the Rodax Vietnam Factory Project of Rodax Vietnam Co., Ltd., which was commissioned in November 2015.

In addition, we are earnestly working on the SD Vietnam Factory Extension Project of SD Vietnam Industries Ltd. contracted in August 2016 for completion in September 2017; the Kao Vietnam New Warehouse Extension Project of Kao Vietnam Co., Ltd. contracted in March 2017 for completion in July 2017; and the Dragon Logistics Warehouse Extension Project of Dragon Logistics Co., Ltd. contracted in July 2017 for completion in December 2017.

We plan to expand operating activities toward receiving more orders from Japanese companies for new factory building projects. We aim to make full use of the rapid mobility of "Nishimatsu Vietnam Co., Ltd.," a Vietnamese subsidiary established in February 2017, to make proposals that always meet customers' needs and provide services that satisfy customers. To do so, we will take advantage of the know-how, human resources and all other possible resources we have cultivated from past construction experience, putting us in a position to capture business opportunities and steadily establish our foundation as a local Japanese company in

Vietnam, where many Japanese companies are also expected to base their factories in the future. We also hope to develop and acquire many more customers by exploring possibilities in new fields such as maintenance construction, renewal construction, building construction of commercial facilities or cooperation on real estate development projects as well as for preparation or infrastructure construction of industrial parks.

Regarding ODA by the Japanese government, the ODA-related construction market is still promising as bids for infrastructure construction, such as city railways, including underground tunnels, and water treatment facilities, are planned in the future.

By thoroughly analyzing the country risk of Vietnam, covering matters such as "opaque approvals and permits, procedures or interpretation of laws," clients capabilities to "expropriate construction sites without delay" or "pay for construction without delay," or contract conditions, we will positively and carefully target only projects in which we can make use of our technology and know-how.



Rodax Vietnam Factory Project



SD Vietnam Factory Extension Project



## Malaysia

In 2016, amid the sluggish and challenging global economy, Malaysia's economy registered a commendable annual growth rate of 4.2%, which is close to the earlier growth forecast. This growth was mainly due to commodity performance and external demand.

Global economic activity is projected to expand at a faster pace in 2017. Premised on the improving global economic conditions and the projected continued positive growth in all local economic sectors, Malaysia's economic growth is projected to be 4.3%-4.8% in 2017.

In Malaysia in 2016, the construction sector grew by 7.4% (RM166 billion) and in 2017, the growth rate is expected to be 8.0% (RM170 billion). Under National Transformation 2050 (TN50), as announced in Malaysia Budget 2017, infrastructure, affordable housing, waterworks and rural connectivity projects are expected to be rolled-out. Of the RM97.9 billion expected to be ear-marked for these project roll-outs, RM62.8 billion will be for railways and roads (e.g. East Coast Rail and the Pan Borneo Highway). In addition to these projects, previous ongoing rail projects such as KVMRT-Line 1 (commenced operation in July 2017), KVMRT-Line 2 and LRT 3

(both targeted for completion by 2020) are progressing smoothly. All the contracts for the civil and structural package were so far won by major local contractors. The Kuala Lumpur-Singapore High Speed Rail (HSR) project has also been launched and it is at the early planning stage with contracts being awarded for Joint Development Partner and Reference Design Consultants. The outlook of successful participation of foreign contractors (i.e. in joint venture with local contractors) in this HSR project is more favorable.

Since being awarded the contract for the Centralized Sewerage for Kuching City Project in March 2016, the reviewing and finalization of contract conditions have been progressing concurrent with the final design on the approved sewer alignment. Finalization and signing of the contract is expected in the third quarter of 2017, after which construction is expected to quickly commence. We are continuing with our efforts and follow-ups with the Japanese companies who have contacted us with interest in building new factories in Malaysia. Based on the outlook of the Japanese Chamber of Trade & Industry, Malaysia for 2017, Japanese investment is expected to increase by 30% if political stability is maintained.



## Myanmar

In Myanmar, as a result of the sweeping victory by the National League for Democracy (NLD) led by Aung San Suu Kyi, in the general election of November 2015 (after the replacement of the military regime by civilian rule in 2011), the new government led by NLD was inaugurated and the President Office appointed the new Cabinet for promoting democratization on March 31, 2016.

Since the transition to civilian rule, the government has enacted various laws, regulations and guidelines not only on foreign investment but on corruption, in an attempt to gradually raise awareness of compliance. Moreover, the U.S. government lifted economic sanctions on Myanmar in October 2016.

As a result, since 2012, Myanmar's economy has grown at a high rate of over 7% for four consecutive years. Going forward, The International Monetary Fund (IMF) is forecasting a growth rate of around 8% until 2018.

However, the construction market has not kept up with the rapid growth, because of a variety of factors, including the weak social infrastructure and legal systems, which hamper the socioeconomic growth of the country.

As for the current situation regarding overseas investment, the number of registered foreign firms and branch offices is over 7,000 (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 350, according to an announcement of the Directorate of Investment and Company Administration, under the Ministry of National Planning and Economic Development.

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

The ASEAN Economic Community (AEC) was established at the end of 2015 and one of its aims is tariff abolition by 2018. The realization of the goals of the AEC will further accelerate the economic development of Myanmar.

Since construction of the Thilawa Industrial Park in the special economic zone was completed in 2015, many Japanese manufacturers have started businesses there. Infrastructure for electricity, water supply and transportation are being enhanced with the ODA from the Japanese government, the distribution system will be improved around the East-West Economic Corridor, where roads are to be improved, and industrialization will progress rapidly.

The Yangon Office will seek business opportunities with Japanese firms that plan to make inroads into the Myanmar market and also with Myanmar construction firms with which we can build cooperative relationships. We will also aim to participate in construction projects supported by Japanese ODA in order to gain a large share of the market, which has been booming since the general election in 2016. At present, we are discussing how to contribute to Myanmar as a builder through technological transfer, amid many constraints such as the immature legal system for business operation, and hope to develop a business environment that will lead to the growth of Myanmar.

# Supply Chain Management

## Achieving Our Vision

Our goal is to build fair CSR supply chains as part of our vision for the kind of company we hope to be in 2020. We have been working on a number of concrete activities aimed at achieving this goal, including revitalizing Nishimatsu Construction Subcontractors' Association (N-NET) and increasing the number of senior foremen. We have achieved positive results, including an improved rate of orders awarded to N-NET members, on a value basis.

Subcontractors in the construction industry are extremely important stakeholders. From a foundation of fair and impartial transactions, we are striving to build win-win relationships through diverse activities.

## Achieving Win-Win Relationships with N-NET

### Revitalizing N-NET

N-NET was launched in January 2011. As of December 31, 2016, a total of 1,050 companies are registered and the scope of the association's activities continues to grow. At each branch, we hold various workshops that include seminars on the problem of non-subscription to social insurance, training sessions on compliance, and seminars on economic trends.

- Priority orders awarded to members
- Building a construction framework and establishing an environment centered on outstanding foremen (Improve special benefits and establish a training system)
- Collaborative community service activities
- Expanding our compensation system for high-caliber technicians (Establishing the Nishimatsu Senior Technician Certification System\*)
- Various seminars/workshops
- Construction site tours

\*A system for certifying high-caliber technicians as senior foremen if they meet certain Nishimatsu Construction criteria. The system applies to foremen and technicians working in job categories that are not registered with construction industry associations that provide training to senior technicians.



### Upgrading the N-NET Website

We upgraded the N-NET website to make it easier to read and simpler to use. We also added new pages that let general users view overview pages for each member company. This helps us support the hiring activities of each member company. Please follow the link below to view the website.

▶ <http://nnet.nishimatsu.co.jp/company/> (Japanese only)

## Focus Items

### Number of certified Nishimatsu Meisters and senior foremen

With a view toward developing outstanding foremen, we are expanding our compensation system for high-caliber technicians. By having outstanding foremen at the heart of construction and safety management at work sites, we anticipate that sites will be even more productive.

Senior foreman training development support: ¥50,000/person  
 Nishimatsu Meister benefits: ¥3,000/day  
 Senior foremen benefits: ¥2,000/day

Title	FY2015 Cumulative Total	No. in FY2016	FY2016 Cumulative Total	FY2020 Target
Nishimatsu Meister	8	13	21	40
Senior foreman	56	61	117	200
Award for technical excellence	290	130	420	
Support for acquiring senior technician certification	41	13	54	
Senior foreman training development support	12	25	37	

### Implementing skill improvement training

Training is mandatory at least every five years for foremen and personnel responsible for health and safety. We offer support by covering part of the training costs for participants and by providing subsidies.



### Inviting experts to technical presentations

We invite experts to attend our technical presentations aimed at boosting technical expertise related to construction.

• Research Results Presentation by the Technology Research Institute (May 31)	No. of participants 105
• Civil Engineering Symposium (September 16)	No. of participants 59
• Building Construction Technology Presentation (November 2)	No. of participants 21

# Human Resources Management

## Achieving Our Vision

As part of our vision for 2020, we are targeting “investing vigorously in human resources to ensure sustainability” and “increasing employee satisfaction in order to retain personnel.” Hiring, training, and retaining excellent human resources is necessary to ensure our sustainability.

We are actively hiring talented human resources able to share our concept of “frontline capabilities” by communicating the appeal of the construction industry through means such as internships and the “science-engineering challenge” program for female students.

In our human resources development, we support the acquisition of basic knowledge and technical skills, help employees gain qualifications corresponding to their age, and offer programs

focusing on reforming attitudes and boosting skills in order to raise productivity.

To help ensure the retention of excellent human resources, we must provide a workplace environment that is easy to work in and that offers benefits, employee programs and new approaches to work styles. In fiscal 2017, we implemented a broad increase in base salaries. Additionally, from 2015, we have been working on measures to achieve work-life balance, such as adopting various programs and minimizing long working hours. We intend to make our basic philosophy on diversity—“to create an environment where all employees can demonstrate their potential to the fullest and work with peace of mind”—a reality.

## Human Resource Development

We believe that human resources development with an eye toward boosting productivity is necessary for furthering our sustainability.

We are committed to career level-specific training so each employee can enhance his/her interpersonal skills to strengthen cross-divisional ties, and can also manage themselves with the aim of broadening their existing knowledge, expanding the scope of their business activities, and playing an active part in various situations.

Additionally, we advance initiatives that form the foundation for becoming a Nishimatsu technician and continually carry out technical and qualification training so that employees—from new hires to senior staff—can systematically acquire basic knowledge and technical skills that correspond to their seniority level and job category.

Without growth in our employees, there will be no growth in the Company.

We believe that it is necessary to constantly improve our human resource development framework while foreseeing future changes in the environment and the market. The result will facilitate both higher skills for employees and sustainable development for the Company.

### Fiscal 2016 Training Results

Training title	Category	Participants	Schedule and duration
New employee training	Career-level-specific	90	4/1-4/13 (10 days)
Introductory management training (newly appointed: SV2)	Career-level-specific	33	10/11-10/14 (4 days)
Intermediate management training (newly appointed: SV1)	Career-level-specific	22	9/6-9/9 (4 days)
Skill level enhancement training (next-generation leaders) Phase 1	Career-level-specific	31	8/23-8/25 (3 days)
Skill level enhancement training (next-generation leaders) Phase 2 (1)			11/15-11/16 (2 days)
Skill level enhancement training (next-generation leaders) Phase 2 (2)			12/6-12/7 (2 days)
Senior management training (new managers) (1)	Career-level-specific	35	6/14-6/16 (3 days)
Senior management training (new managers) (2)	Career-level-specific	38	7/5-7/7 (3 days)
Senior management training	Career-level-specific	23	5/27, 6/30 (2 days)
New employee technical training	Technical	90	4/14-7/1 (52 days)
Civil engineering training, 2nd year	Technical	41	10/3-10/7 (5 days)
Architectural training, 2nd year	Technical	38	1/23-2/3 (10 days)
Architectural training, 4th year	Technical	27	11/7-11/18 (10 days)
First-class architect training (academic courses)	Qualification	26	7/14-7/22 (9 days)
First-class architect training (technical drawing)	Qualification	34	9/26-10/1 (6 days)

Notes: 1. Schedule and duration of new employee technical training varies depending on job category.  
2. Civil engineering training, 6th year was not held in fiscal 2016 as all eligible employees completed the training in fiscal 2015.

## Promotion of Diversity

Our basic philosophy on diversity is to create an environment where all employees can demonstrate their potential to the fullest and work with peace of mind, so that we can be a long-lived company that continuously contributes to society. This entails building workplace environments, frameworks, and programs that allow diverse human resources to work with peace of mind under many different conditions, while truly promoting “work style innovation.”

In order to make this philosophy a reality, starting in 2015 we have been fostering acceptance of diversity among employees, established and enhanced work-life balance programs that allow employees with nursing care and childcare needs to work with peace of mind, and created workplace environments that minimize long working hours.

Going forward, we plan to continue promoting current initiatives while also expanding new measures for achieving work-life balance for employees, expanding the areas in which diverse human resources, including women, people with disabilities and foreign students, can actively participate, and reviewing and implementing frameworks and programs for them to further their careers.

### Major elements of the work-life balance system

Childcare leave	Available until a child's third birthday
Reduced working hours for childcare	Maximum two hours/day reduction available up to child's third year of elementary school
Vacation for child nursing care	Five days available per fiscal year per child not yet in junior high school (10 days for two or more children)
Nursing care leave	Up to 186 days of leave available for each person requiring care

- Number of career-track female employees (As of April 2017) | 78 (including 3 on childcare leave)
- Number of employees using the childcare leave system in fiscal 2016 | 11 (10 female, 1 male)
- Number of employees using the reduced working hour system in fiscal 2016 | 4

# FOCUS

## Initiatives for Improving Frontline Capabilities

### 1 First Year of Work Style Reform Initiatives for Solving the Problem of Long Working Hours

We have decreed 2017 to be our first year of work style reform, and have started concrete initiatives. As part of this, we have been implementing the following initiatives since fiscal 2016 to solve the pressing problem of long

working hours. Upon verifying the series of activities, we identified three issues requiring attention.

We will carry out on-going monitoring of identified issues in the future, and conduct other concrete measures such as promoting the use of ICT devices, in order to make steady progress for improvement.

#### Fiscal 2016 initiatives

1. Articulate a "basic stance"
2. Utilize overtime planning and tracking charts
3. Carry out monitoring

#### Issues identified during verification

- Voluminous work tasks
- Imbalance with regard to task allocation
- Insufficient permeation of Company policies

#### Fiscal 2017 initiatives

1. Carry out on-site inspections by managers
2. Carry out monitoring
3. Encourage the use of ICT devices
  - Distribute tablets to all employees
  - Quickly adopt apps useful for shortening work hours
  - Conduct training support activities by the ICT promotion committee
4. Communicate information on improvement measures

### 2 Initiatives to Ensure Zero Incidents and Injuries

We implement occupational health and safety measures (COHSMS) to uphold the basic principle of respecting human life, to comply with the law, and in consideration of all people related to our company. All people that work at our offices cooperate to achieve a safe, healthy and comfortable workplace environment.

#### Major initiatives

1. Eliminating human error to greatly reduce occupational injuries
2. Improving safe installations and enhancing education on health and safety, with efforts centered on foremen
3. Establishing a standard Company-wide health and safety system

#### Results

##### Record of zero incidents and zero injuries

Occupational injury frequency rate of 0.67% (1.10% in fiscal 2015)

Number of occupational injuries: 16 (25 in fiscal 2015)

Rate of injuries involving slips and falls: 25% (32.0% in fiscal 2015)

Calculated based on 4 or more days off

#### Joshu Umeda Office Received Award for Excellence from the Minister of Health, Labour and Welfare

We received the Award for Excellence from the Minister of Health, Labour and Welfare in 2017 for our new construction at the Joshu Gakuen Educational Foundation Umeda Campus (tentative name). This award is granted to workplaces or companies that are deemed to have health and safety standards that are particularly excellent and a good example to others. Only nine workplaces were selected nationwide.

Cumulative total number of workers: 154,422  
Total working hours: 1,389,798

**Tomoyuki Nakasuji**  
Project Manager, Joshu Umeda Field Office





# 3

## Third CSR Award Recipients

- Opening the Onojo Children's Cafeteria in Mizuhomachi
- Reducing work hours by using the "green (paper-free) website" and tablet devices
- On-going regional contribution activities at the Nakayama Festival

### Making children smile

We run a Children's Cafeteria, which provides a place to spend time and receive a warm meal for local children who are on their own for part of the day. Once a month since August 2016, we have been opening the cafeteria and meeting rooms of our employee dormitory in Onojo, Fukuoka Prefecture to over 50 children on each occasion. More than just providing free space, Company employees take part as organizing staff who set up and run the cafeteria, including using food products provided by private companies and farmers who support the cause. As it was a first-time initiative, we had to learn as we went along; however, we have tried to listen to participants' wishes and enhance the program every month. Furthermore, many local

residents participate as volunteers and the program has provided an opportunity to build positive relationships.

Although Children's Cafeterias are being opened throughout the country, there are few situations where a private company offers its facilities for free and it is rare to have the construction industry, rather than the food products industry, supporting the project, which in this case has been covered by the media and garnered praise as one of Nishimatsu Construction's new community service activities.

When we hear the happy voices of the children and are told that they are looking forward to the next day we are open, it really makes us glad that we are running this project. We will keep providing the Children's Cafeteria in the future.



Children's Cafeteria



Satoshi Tada  
Fukuoka Administrative Office Manager

# 4

## Initiatives at Our Technology Research Institute

### Technology development aiming for high-speed construction of mountain tunnels

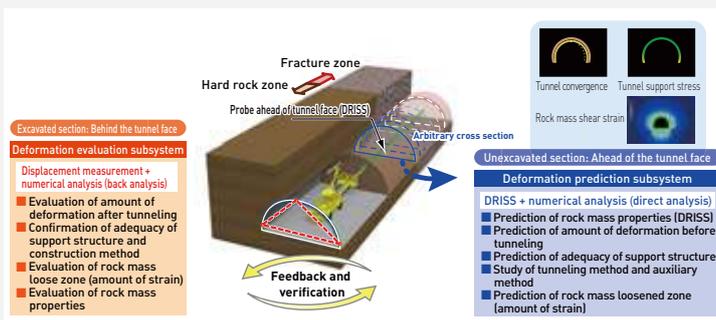
We developed a "portable blast protection balloon" as a technology to aid in high-speed construction of mountain tunnels. The balloon is used to deflect blasted rocks and avoid damage to equipment inside tunnels, thus allowing equipment to be moved closer to the tunnel face and helping reduce the amount of time needed for transporting the excavated rock. Going forward, we are continuing to refine the balloons as we test them in practice at worksites.

### On-site support targeting mountain tunnel safety

Work on mountain tunnels with large amounts of deep excavation always entails the risk of tunnel deformation, so the accuracy of predicting tunnel deformation and the promptness of response are extremely important. It is important to share construction data from workers on site and to discuss the status of the site with them. Additionally, using a Prediction and Analysis System for Tunnel Deformation (PAS-Def), which integrates displacement measurement data, numerical analysis techniques, and a Drilling Survey System (DRISS), which utilizes the rock driller's boring data, we can easily and quickly predict deformation.



Portable blast protection balloon in use



PAS-Def conceptual diagram



Yoshitaka Mitsui  
(Engineering Ph.D.)  
Technology Research Institute

# Stepping up Efforts to Be a Company with

—For the Next Generation and the Future of the Planet—

## Achieving Our Vision

In order to achieve our three goals of stepping up efforts to be a company with advanced environmental management, establishing the foundations to maintain environmental compliance and ensuring they last, and actively engaging in the environmental solutions business, we have been formulating medium-term management plans regarding the environment since fiscal 2015, and vigorously promote CO<sub>2</sub> reduction, biodiversity preservation, and the 3Rs of construction waste materials in our business activities.

On March 30, 2016, we received Eco-First certification from the Minister of the Environment for our initiatives toward becoming an environmentally advanced company within our industry.



## The Four Initiatives of Our Eco-First Mission

### 1 Becoming carbon-free

#### Reducing CO<sub>2</sub> emissions in construction work

The main sources of CO<sub>2</sub> emissions from our construction sites are electrical power consumption for powering construction machinery operated mainly at dams, tunnels and shield tunnels, in addition to consumption of diesel fuel for construction equipment and transportation vehicles.

One of our first efforts to reduce CO<sub>2</sub> emissions was to switch to biodiesel fuel (BDF) for our construction equipment, with approximately 150,000 liters of BDF used in fiscal 2016. Additionally, in the area of electric power, we made progress in switching to LEDs for temporary lighting at construction sites as well as for construction site offices and Company buildings.

With regard to mountain tunnels, we have started a CO<sub>2</sub> Reduction Project for systematically decreasing electric power consumption.

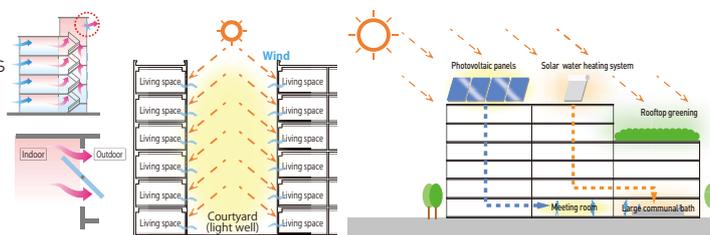
In fiscal 2016, two construction sites adopted a demand monitoring system that provides data allowing us to check the status of electrical power usage accompanying work tasks. Going forward, we will continue to develop the system in order to put it into wider practice in fiscal 2018.



LED lighting inside shield tunnel construction sites

#### Environmentally conscious designs

We are also using environmentally conscious plans in the buildings that we design and construct. The Hiyoshi International Dormitory at Keio University received an "S" ranking from CASBEE, indicating high approval for its overall environmental performance. (Acquired A+ rank from Japan Habitat Evaluation and Certification Program (JHEP).)



#### Reducing CO<sub>2</sub> emissions from work other than construction work

By the end of fiscal 2016, we had converted nearly 100% of lighting used in our offices and buildings to LEDs. In addition, we are also working to cut CO<sub>2</sub> emissions by using hybrid heavy machinery, holding seminars on fuel efficient driving, installing

photovoltaic panels, lowering light levels across the board in the Company, growing "green curtains," and more.



Nishimatsu Construction ECO FIELD is a system for aggregating data on CO<sub>2</sub> emissions from construction sites and partner companies. We started using this system in fiscal 2017. In the future, we will work to visually represent our environmental performance and share information with audiences inside and outside the Company.

# Advanced Environmental Management

## 2 Preserving biodiversity

### Conducting, teaching and raising awareness of biodiversity preservation, and using certified forest products

We use our own Biodiversity Assessment Checklist and identify target areas for consideration at construction sites, then engage in specific activities accordingly. We also published a guide titled, *Biodiversity? What's That!?—Learn All About It* and use it for in-house education.



#### Painting cranes at dam construction sites

Birds and other animals experience significant stress when the scenery of their habitat changes. During construction, we pay particular attention to the animals around the construction site by clearing as few trees as possible and choosing building and equipment colors that match the environment.



#### Activities to eradicate invasive plant species (bur cucumber)

Nishimatsu Construction staff also participate in volunteer activities. In fiscal 2016, staff helped with clean-up activities and invasive plant species eradication in the foothills of Mt. Fuji. (Photo provided by Fujisan Club)

## 3 Zero emissions of waste

### Reducing the percentage of waste sent for final landfill disposal and promoting the adoption of the electronic manifests (e-Manifests)

Construction waste is generated at construction sites. We set an ambitious target of less than 3.0% for the percentage of construction waste sent for final landfill disposal, and we achieved this target in fiscal 2016. In order to maintain this final disposal rate, we formulated our own waste sorting rules and have bolstered our 3R (reduce, reuse, recycle) practices.

Furthermore, we have switched from paper to an electronic format for the industrial waste management form (or “manifest”) used when waste is generated. This switch helps with the efficient use of resources and has virtually a 100% adoption rate as of April 2017.



Waste sorting and segregation following our own sorting rules

## 4 Promoting environmental education

### Promotion of Eco Test certification, activities of “Nishimatsu Eco People,” and environmental seminars/workshops

In order to raise the level of employee environmental awareness, which is the foundation of environmental management, we are offering Eco Test (a certification test for environmental specialists) and environmental seminars and environmental workshops for all employees.

At present, approximately 78% of employees have received Eco Test certification and we received the Environmental Society Certification Test Promoter Award from the Tokyo Chamber of Commerce and Industry at Eco Test Awards 2016.

Additionally, employees who have successfully passed the Eco Test receive the designation of “Nishimatsu Eco People,” and are volunteering in environmental activities such as urban mining and local production for local consumption.



Discussing environmental volunteer activities at the Company-wide Nishimatsu Eco People meeting



Environmental Society Certification Test Promoter Award

## Basic Philosophy

The basic policy of the Company is to improve its corporate governance and maintain good and stable relationships with its stakeholders over the long term, in order to achieve sustainable growth of the Company and increase its corporate value over the medium to long term.

Based on this policy, we will create structures that lead to the acceleration of decision-making and strengthen supervision by the Board of Directors and our business execution systems.

## Our Corporate Governance System

### Company with an Audit and Supervisory Committee

With the goal of increasing the proportion of external directors on the Board of Directors and strengthening management oversight functions, we have chosen to be a company with an Audit and Supervisory Committee.

In addition, we have introduced an executive officer system to accelerate management-related decision-making of the Board of Directors and strengthen our business execution systems.

### External Directors

We believe that the roles and responsibilities of external directors are important for strengthening corporate governance. Consequently, in the Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd., we have stipulated the following roles and responsibilities for our external directors so that the supervising functions of the Board of Directors can be executed to the fullest extent.

- (1) Provide appropriate advice, based on knowledge of and experience in management policies and improvements.
- (2) Provide management supervision by participating in decision-making on appointment/dismissal of managers, in addition to other important matters of the Board of Directors.

- (3) Carry out supervision of conflicts of interest between the Company, Company management and controlling shareholders.
- (4) From a standpoint independent of Company management and controlling shareholders, appropriately represent minority and other shareholder opinions in the Board of Directors deliberations.

In order for external directors to fulfill the above roles and responsibilities, the independence of said directors is very important. Consequently, candidates for external director shall be selected according to Criteria for Determining the Independence of External Directors, and shall be chosen as individuals judged to be independent from the Company and without the potential for conflicts of interest with general shareholders.

Furthermore, in addition to independence, said directors shall be selected for their expected contributions to candid, active and constructive debate on the Board of Directors.

Please see the Corporate Governance section of our website (<https://www.nishimatsu.co.jp/eng/company/business.html>) for information on Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd. and Criteria for Determining the Independence of External Directors.

## Analysis and Review of the Overall Efficacy of the Board of Directors

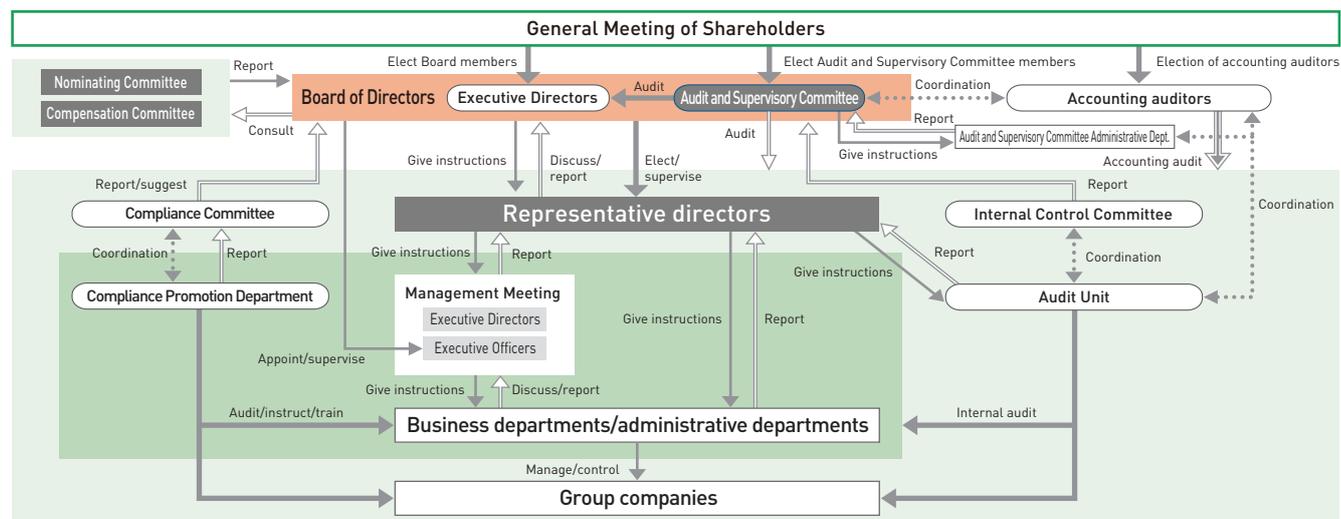
In order to confirm whether the Board of Directors is appropriately fulfilling its duties for promoting sustainable corporate growth and increasing corporate value, we carry out analysis and review of the board's efficacy once a year and strive to strengthen and improve its functions.

An overview of the results of analysis and review of the Board of Directors' efficacy is available in our Corporate Governance Report (Japanese only). Please see "Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd." in the Corporate Governance section of our website (<https://www.nishimatsu.co.jp/eng/company/business.html>) for information on our corporate governance initiatives.

### Changes to Our Corporate Governance Framework

Composition of the Board of Directors	Number of Board of Directors members stipulated in the Articles of Incorporation: No more than 37	June 2006: Revised number of Board of Directors members in the Articles of Incorporation to no more than 10		June 2016: Revised number of directors (excluding Audit and Supervisory Committee members) in the Articles of Incorporation to no more than 8 Revised number of directors (Audit and Supervisory Committee members) to no more than 6
		June 2006: Executive officer system		
External directors			June 2009: External directors: 2	June 2016: External directors (Audit and Supervisory Committee members): 3
External auditors	June 1995: External auditors: 2			
Voluntary meetings	Management Meeting			
Voluntary advisory bodies			June 2009: Nominating Committee	
			June 2009: Compensation Committee	
		June 2006: Introduced the executive officer system	June 2009: Election of external directors	June 2016: Transitioned to a company with an Audit and Supervisory Committee

## Corporate Governance Framework



- Board of Directors**..... Deliberates on matters related to basic policies for management, laws, regulations, the Articles of Incorporation and rules for the Board of Directors, and supervises execution of business by the directors and executive officers
- Audit and Supervisory Committee**..... From a standpoint independent from the Board of Directors, audits and supervises the execution of business by the Board of Directors, based on laws, regulations and the Articles of Incorporation
- Nominating Committee and Compensation Committee**..... As described in Nomination and Compensation Procedures
- Management Meeting**..... Reviews matters related to the execution of business, in addition to matters to be brought up to the Board of Directors
- Internal Control Committee**..... Reviews matters related to internal control, promotes and upholds the processes of internal control, and manages Company-wide risk
- Compliance Committee**..... Responds to various issues related to compliance

## Nomination and Compensation Procedures

### Nominating Committee

To contribute to building an appropriate management structure, we have instituted a Nominating Committee for the nomination of executive directors and executive officers.

The Nominating Committee accepts inquiries from the Board of Directors, and prepares reports on appointing/dismissing directors, selecting representative directors, appointing the president, and appointing/dismissing and promoting/demoting executive officers.

The Board of Directors accepts these reports from the Nominating Committee and makes final decisions.

### Compensation Committee

To ensure transparency and objectivity regarding compensation decisions, we have instituted a Compensation Committee on compensation decisions for executive directors and executive officers.

The Compensation Committee accepts inquiries from the Board of Directors and prepares reports on individual compensation for directors and executive officers. The Board of Directors accepts these reports from the Compensation Committee and makes final decisions.

### Attendance Rate of External Directors at Board of Directors Meetings, Audit and Supervisory Committee Meetings, and Board of Statutory Auditors Meetings (Fiscal 2016)

Classification	Number of meetings held	Average rate of attendance
Board of Directors meetings	22	100%
Audit and Supervisory Committee meetings	11	100%
Board of Statutory Auditors meetings	5	90%

Note: Since the transition to a company with an Audit and Supervisory Committee happened in June 2016, attendance figures are given for both Audit and Supervisory Committee meetings and Board of Statutory Auditors meetings.

### Composition of the Nominating Committee

Committee chairperson	External Director (Audit and Supervisory Committee member)	Koji Mino
Member	Director (Audit and Supervisory Committee member)	Uichi Mizuguchi
Member	External Director (Audit and Supervisory Committee member)	Kiyomi Kikuchi
Member	External Director (Audit and Supervisory Committee member)	Jun Ikeda
Member	Executive Director	Akira Maeda

### Composition of the Compensation Committee

Committee chairperson	External Director (Audit and Supervisory Committee member)	Kiyomi Kikuchi
Member	Director (Audit and Supervisory Committee member)	Uichi Mizuguchi
Member	External Director (Audit and Supervisory Committee member)	Koji Mino
Member	External Director (Audit and Supervisory Committee member)	Jun Ikeda
Member	Executive Director	Yuichi Kono

### Board Members' Remuneration (Fiscal 2016)

Classification	Number of board members receiving remuneration	Total amount of remuneration
Directors (excluding Audit and Supervisory Committee members)	10	¥234 million
Directors (Audit and Supervisory Committee members)	4	¥31 million
Statutory auditors	4	¥12 million

Notes: 1. Number of board members receiving remuneration includes four statutory auditors who retired in June 2016.

2. Remuneration for statutory auditors is for the period prior to the transition to a company with an Audit and Supervisory Committee, while the remuneration for directors (Audit and Supervisory Committee members) is for the period after the transition to a company with an Audit and Supervisory Committee.

# Compliance

## Basic Compliance Policy

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



Compliance card

## Compliance Promotion System

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

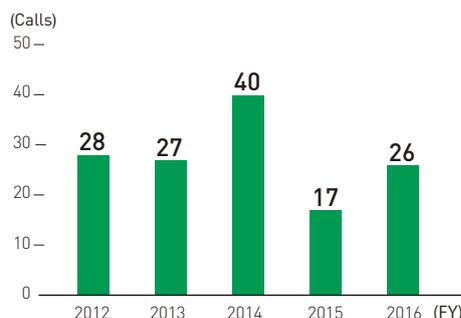
### Whistleblower System and External Consultation Hotline

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

### Compliance Training

Our group training features group discussions about concrete examples in the workplace. We also implement e-training to disseminate information on changes to the law or internal regulations, while conducting tests to check employee understanding, the results of which we then analyze to make improvements.

Calls to the Nishimatsu Hotline



# Risk Management

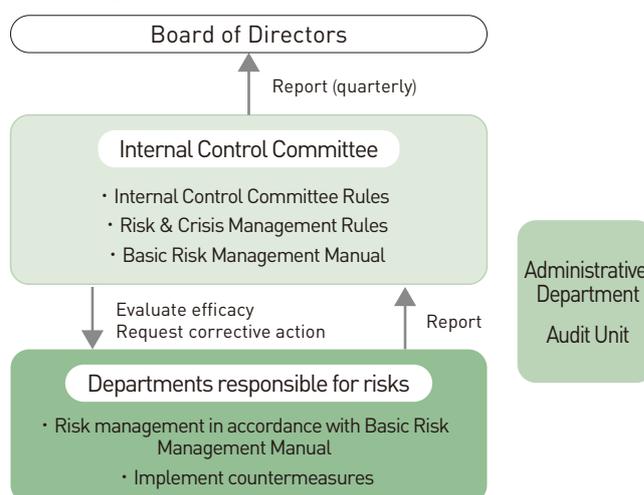
## Basic Philosophy

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

### Company-Wide Risk Management System

Each fiscal quarter, individual risks are assessed by the responsible departments; then the Audit Unit holds hearings with each department to verify these assessments. The Internal Control Committee then judges these assessments from the perspective of efficacy toward establishing and implementing risk management practices. If necessary, the committee has the department in question define risk levels and revise risk evaluation standards. Furthermore, with regard to the manifestation of high risks, concrete countermeasures are devised and monitoring is carried out to verify and follow the progress of said measures. This ensures thorough risk management to minimize the possibility of risk manifestation and reduce the effect such risk has on operations.

### Risk Management System



## Basic Concept

We implement a CSR management policy of building win-win relationships with all of our stakeholders, and work toward the 7 + 1 CSR Action Items in response to social issues in order to achieve N-Vision 2020, our company's vision for the year 2020. We set targets and KPIs for each initiative, and verify the level of achievement to implement CSR management.

### Review of Activities

We conducted a review of our fiscal 2016 CSR activities. We will move forward with activities during fiscal 2017 by taking measures to respond to issues that have emerged from the review and going through the PDCA cycle.

### Fiscal 2016 Review

Self-evaluation: ◎ = Achieved, ○ = Mostly achieved, △ = Not achieved

The 7+1 CSR Action Items (Vision for 2020)	Activity review	Issues emerging from the review	Self-evaluation
<b>I. Construction and Customers</b> <ul style="list-style-type: none"> <li>▶ Providing the highest level of construction work and maximizing the quality of services</li> <li>▶ Ensuring maximum satisfaction for all customers</li> </ul>	<p>We received high evaluations of an average of 80 points or higher in ratings for public works projects under the control of the Ministry of Land, Infrastructure, Transport and Tourism and "A" ratings on surveys from more than 80% of construction customers.</p>	<p>We need to analyze the factors behind the high evaluations and roll them out nationwide to maintain and improve our construction capabilities.</p>	◎
<b>II. Safety and Health</b> <ul style="list-style-type: none"> <li>▶ Achieving the goal of zero occupational injuries</li> <li>▶ Eliminating long working hours and creating comfortable workplaces</li> </ul>	<p>There were nine fewer injuries requiring four or more days of absence from work compared with fiscal 2015. This was one factor in our very good safety score.</p> <p>In order to solve the problem of long working hours, we had employees utilize overtime planning charts indicating expected overtime hours and we carried out monitoring activities at work sites.</p>	<p>We need to work to prevent injuries caused by unsafe facilities and unsafe actions.</p> <p>We need to improve employee awareness of reducing long work hours.</p>	◎
<b>III. Employment and Human Rights</b> <ul style="list-style-type: none"> <li>▶ Investing vigorously in human resources to ensure sustainability</li> <li>▶ Increasing employee satisfaction in order to retain personnel</li> </ul>	<p>We did not meet our target for acquiring certifications, which is one of the indicators of "investing vigorously in human resources."</p> <p>We carried out an employee satisfaction survey in order to understand ways of "increasing employee satisfaction."</p>	<p>We need to raise individual awareness of acquiring professional qualifications.</p>	○
<b>IV. Governance</b> <ul style="list-style-type: none"> <li>▶ Establishing corporate governance to achieve accountability</li> <li>▶ Earning trust by visualizing operations and organization</li> <li>▶ Ensuring thorough compliance</li> <li>▶ Securing business sustainability and becoming a trustworthy company through complete risk control</li> </ul>	<p>We thoroughly conducted screenings to completely shut out any connection with antisocial forces.</p> <p>We conducted effective, practical training to prevent harassment.</p>	<p>We need to be more alert on a daily basis for greater caution.</p> <p>We need to raise awareness of compliance among all employees, including regional headquarters employees and temp staff.</p>	○
<b>V. Environment</b> <ul style="list-style-type: none"> <li>▶ Stepping up efforts to be a company with advanced environmental management</li> <li>▶ Establishing the foundations to maintain environmental compliance and ensuring they last</li> <li>▶ Actively engaging in the environmental solutions business</li> </ul>	<p>We implemented CO<sub>2</sub> reduction measures by promoting LED temporary lighting and encouraging the adoption of biodiesel fuel (BDF).</p> <p>At each construction site, we carried out 3R activities (minimizing mixed waste, waste plastic and ceramic glass) based on Nishimatsu Construction's waste sorting rules.</p>	<p>There were some cases of waste sorting that fell below standard levels of practice in sorting rules.</p>	◎
<b>VI. Local Communities and Society</b> <ul style="list-style-type: none"> <li>▶ Taking an active part in society as a corporate citizen</li> <li>▶ Making contributions by capitalizing on business skills</li> </ul>	<p>We established business continuity plans (BCPs) at each regional headquarters.</p> <p>We carried out BCP training assuming an earthquake directly below the Tokyo metropolitan area or in the Nankai trough.</p>	<p>Training only covering first response is inadequate.</p> <p>We need disaster simulation drills at the Head Office.</p>	△
<b>VII. Industry and Supply Chains</b> <ul style="list-style-type: none"> <li>▶ Building fair CSR supply chains</li> </ul>	<p>By implementing our annual order plan and receiving orders at an early date, we met our target rate of orders to N-NET members.</p>	<p>Awareness of merits of strengthening ties with N-NET members is not sufficiently widespread.</p>	◎
<b>Communication</b> <ul style="list-style-type: none"> <li>▶ Actively expanding CSR activities</li> <li>▶ Maintaining appropriate CSR activities</li> </ul>	<p>We carried out our second CSR Awards program and issued awards for seven activities chosen through a points system.</p>	<p>We have not established a way of raising awareness and knowledge of our CSR activities through our awards.</p>	○

See our website for more details on our fiscal 2017 activities. (<https://www.nishimatsu.co.jp/eng/csr/>)



Representative Director and President

Harusada Kondo

- Apr. 1978 Joined the Company
- Apr. 2005 Deputy General Manager of Kanto Branch
- Jun. 2005 Director, Deputy General Manager of Kanto Branch
- Jun. 2006 Executive Officer, Deputy General Manager of Kanto Branch
- Jun. 2008 Director, Managing Officer, General Manager of Kanto Branch
- Jun. 2009 Representative Director and President (to present), President and Chief Executive Officer (to present)
- May 2014 Chairman of National General Contractors Association of Japan (to present)



Representative Director

Akira Maeda

- Apr. 1975 Joined the Company
- Jun. 2005 Director, General Manager of Higashi Kanto Branch
- Jun. 2006 Executive Officer, General Manager of Higashi Kanto Branch
- Jun. 2007 Director, Managing Officer, General Manager of Yokohama Branch
- Jun. 2008 Director, Senior Managing Officer, General Manager of Yokohama Branch
- Jun. 2009 Retired from the position of Director Senior Managing Officer, General Manager of Kansai Branch
- Jul. 2010 Senior Managing Officer, General Manager of West Japan Regional Headquarters
- Apr. 2012 Senior Managing Officer, General Manager of Building Division
- Jun. 2012 Executive Vice President and Representative Director, General Manager of Building Division
- Apr. 2016 Executive Vice President and Representative Director, General Manager of Building Division, and in charge of Safety, Environment & Quality
- Apr. 2017 Executive Vice President and Representative Director, General Manager of Building Division and Safety, Environment & Quality Division (to present)



Director

Makoto Isshiki

- Apr. 1984 Joined the Company
- Jan. 2003 General Manager of Building Marketing Department I
- Apr. 2005 General Manager of Civil Engineering, Higashi Kanto Branch
- Apr. 2007 General Manager of Building Marketing Department I
- Apr. 2010 General Manager of Building Marketing Department III
- Jul. 2011 General Manager of Chubu Branch, West Japan Regional Headquarters
- Apr. 2014 Executive Officer, Deputy General Manager of Civil Engineering Division, General Manager of Civil Engineering Business Strategy Department
- Apr. 2016 Senior Managing Officer, General Manager of Civil Engineering Division
- Jun. 2016 Director, Senior Managing Officer, General Manager of Civil Engineering Division (to present)



Director

Nobutoshi Takase

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



Director

Yoshiyuki Sawai

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



Director

Akira Matsumoto

- Apr. 1977 Joined the Company
- Jan. 2002 General Manager of Civil Engineering, Kyushu Branch
- Apr. 2004 Deputy General Manager, Kyushu Branch
- May 2005 General Manager of Civil Engineering Headquarters
- Apr. 2008 Deputy General Manager, Overseas Branch
- Jun. 2009 General Manager, Overseas Branch
- Apr. 2011 Executive Officer, General Manager of International Headquarters
- Apr. 2013 Managing Officer, General Manager of International Headquarters
- Apr. 2014 Managing Officer, General Manager of International Division
- Jun. 2014 Director, Managing Officer, General Manager of International Division (to present)



Director

Yuichi Kono

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



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

Uichi Mizuguchi

- Apr. 1972 Joined the Company
- Jun. 2006 Executive Officer, General Manager of Civil Engineering Marketing Department
- Jun. 2007 Managing Officer, General Manager of Civil Engineering Marketing Department
- Jun. 2009 Senior Managing Officer, Deputy General Manager of Marketing Division
- Apr. 2010 Senior Managing Officer, General Manager of Civil Engineering Headquarters
- Jun. 2010 Director, Senior Managing Officer, General Manager of Civil Engineering Headquarters
- Apr. 2012 Director, Senior Managing Officer, General Manager of Civil Engineering Division
- Jun. 2012 Executive Vice President and Representative Director, General Manager of Civil Engineering Division
- Apr. 2015 Executive Vice President and Representative Director, General Manager of Civil Engineering Division and Safety, Environment & Quality Division
- Apr. 2016 Representative Director
- Apr. 2016 Director (Audit and Supervisory Committee Member) (to present)



External Director (Audit and Supervisory Committee Member)

Koji Mino

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



External Director (Audit and Supervisory Committee Member)

Kiyomi Kikuchi

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



External Director (Audit and Supervisory Committee Member)

Jun Ikeda

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

# Financial section

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# Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 6)	
	2016	2017	2017	
<b>Assets</b>				
<b>Current assets:</b>				
Cash and time deposits (Notes 2 and 16).....	¥ 27,904	¥ 39,027	\$ 347,863	
Marketable securities.....	39	61	540	
Notes and accounts receivable, trade:				
Notes (Notes 12 and 16).....	4,990	2,350	20,943	
Accounts (Note 16).....	138,924	155,225	1,383,591	
Allowance for doubtful accounts (Note 2).....	(167)	(168)	(1,497)	
Inventories (Note 2).....	9,512	7,751	69,090	
Deferred income taxes (Notes 2 and 10).....	3,924	2,705	24,114	
Advance paid.....	14,757	16,455	146,670	
Other current assets.....	5,118	4,562	40,668	
Total current assets.....	205,000	227,968	2,031,982	
<b>Investments and other assets:</b>				
Investment securities (Notes 2, 7, 12 and 16).....	64,930	65,599	584,714	
Investments in subsidiaries and affiliates (Note 12).....	831	796	7,096	
Others.....	5,142	6,335	56,466	
Allowance for doubtful accounts (Note 2).....	(108)	(104)	(929)	
Total investments and other assets.....	70,795	72,626	647,347	
<b>Property and equipment (Notes 2 and 12):</b>				
Land.....	46,179	48,403	431,438	
Buildings.....	54,649	62,433	556,493	
Machinery and equipment.....	8,918	9,071	80,854	
Accumulated depreciation.....	(34,207)	(34,827)	(310,427)	
Total property and equipment.....	75,539	85,080	758,358	
Total assets.....	¥351,334	¥385,674	\$3,437,687	

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 6)	
	2016	2017	2017	
<b>Liabilities and Net assets</b>				
<b>Current liabilities:</b>				
Short-term debt (Notes 8 and 16).....	¥ 11,889	¥ 17,114	\$ 152,542	
Current portion of long-term debt (Notes 8 and 16) .....	15,634	631	5,623	
Notes and accounts payable, trade:				
Notes (Note 16) .....	36,194	47,188	420,609	
Accounts (Note 16).....	45,637	47,003	418,961	
Advances received on uncompleted contracts .....	7,691	15,044	134,090	
Provision for warranties for completed construction (Note 2).....	1,064	2,101	18,728	
Provision for bonuses (Note 2).....	2,524	2,845	25,359	
Provision for loss on construction contracts (Note 2) .....	1,680	805	7,175	
Accrued income taxes.....	1,716	5,963	53,147	
Employees' deposits .....	6,307	7,227	64,418	
Provision for loss on real estate business and other (Note 2) .....	17	7	62	
Deposits received.....	15,050	20,277	180,734	
Other current liabilities .....	3,757	4,363	38,897	
Total current liabilities.....	149,160	170,568	1,520,345	
<b>Long-term liabilities:</b>				
Long-term debt (Notes 8 and 16).....	25,653	25,100	223,728	
Net defined benefit liability .....	11,206	9,744	86,857	
Deferred income taxes (Notes 2 and 10).....	4,983	5,528	49,272	
Provision for environmental measures (Note 2).....	227	309	2,757	
Asset retirement obligations (Note 18).....	236	389	3,468	
Other long-term liabilities .....	3,715	4,248	37,860	
Total long-term liabilities .....	46,020	45,318	403,942	
Total liabilities .....	195,180	215,886	1,924,287	
<b>Net assets:</b>				
Common stock:				
Authorized - 800,000,000 shares .....				
Issued and outstanding - 277,957,513 shares.....	23,514	23,514	209,588	
Capital surplus.....	20,780	20,780	185,225	
Retained earnings.....	90,202	104,982	935,749	
Treasury stock, at cost.....	(306)	(1,578)	(14,067)	
Unrealized gain on available-for-sale securities .....	21,205	20,727	184,753	
Equity adjustment from foreign currency translation.....	84	(47)	(415)	
Remeasurements of defined benefit plans .....	(1,762)	(575)	(5,122)	
Non-controlling interests .....	2,437	1,985	17,689	
Total net assets .....	156,154	169,788	1,513,400	
Total liabilities and net assets .....	¥351,334	¥385,674	\$3,437,687	



# Consolidated Statement of Comprehensive Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of
	2016	2017	U.S. dollars (Note 6)
<b>Profit</b> .....	¥15,476	<b>¥18,849</b>	<b>\$168,006</b>
<b>Other comprehensive income:</b>			
Unrealized gain on available-for-sale securities.....	(6,555)	<b>(478)</b>	<b>(4,257)</b>
Equity adjustment from foreign currency translation.....	(289)	<b>(217)</b>	<b>(1,932)</b>
Remeasurements of defined benefit plans.....	743	<b>1,187</b>	<b>10,581</b>
	(6,101)	<b>492</b>	<b>4,392</b>
<b>Comprehensive income</b> .....	¥ 9,375	<b>¥19,341</b>	<b>\$172,398</b>
<b>Comprehensive income attributable to:</b>			
Comprehensive income attributable to owners of parent.....	¥ 8,646	<b>¥19,790</b>	<b>\$176,396</b>
Comprehensive income attributable to non-controlling interests.....	729	<b>(449)</b>	<b>(3,998)</b>

The accompanying notes are an integral part of these statements.

## Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2016 and 2017

	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 translation	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
<b>Balance at April 1, 2015</b> .....	¥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)
<b>Balance at April 1, 2016</b> .....	¥23,514	¥20,780	¥ 90,202	¥ (306)	¥21,205	¥ 84	¥(1,762)	¥2,437	¥156,154
Dividends declared .....			(4,431)						(4,431)
Profit attributable to owners of parent .....			19,211						19,211
Purchase of treasury stock .....				(1,272)					(1,272)
Net changes of items other than shareholder's equity .....					(478)	(131)	1,187	(452)	126
<b>Balance at March 31, 2017</b> .....	<b>¥23,514</b>	<b>¥20,780</b>	<b>¥104,982</b>	<b>¥(1,578)</b>	<b>¥20,727</b>	<b>¥ (47)</b>	<b>¥ (575)</b>	<b>¥1,985</b>	<b>¥169,788</b>

	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 translation	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
<b>Balance at April 1, 2016</b> .....	\$209,588	\$185,225	\$804,009	\$ (2,726)	\$189,010	\$ 748	\$(15,703)	\$21,724	\$1,391,875
Dividends declared .....			(39,495)						(39,495)
Profit attributable to owners of parent .....			171,235						171,235
Purchase of treasury stock .....				(11,341)					(11,341)
Net changes of items other than shareholder's equity .....					(4,257)	(1,163)	10,581	(4,035)	1,126
<b>Balance at March 31, 2017</b> .....	<b>\$209,588</b>	<b>\$185,225</b>	<b>\$935,749</b>	<b>\$(14,067)</b>	<b>\$184,753</b>	<b>\$ (415)</b>	<b>\$ (5,122)</b>	<b>\$17,689</b>	<b>\$1,513,400</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statement of Cash Flows

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 6)	
	2016	2017	2017	
<b>Cash flows from operating activities:</b>				
Profit before income taxes.....	¥14,208	¥26,922	\$239,964	
Adjustment for:				
Depreciation and amortization.....	1,862	1,825	16,268	
Loss on impairment of long-live assets.....	496	—	—	
Increase (decrease) in allowance for doubtful accounts.....	(82)	(4)	(35)	
Increase (decrease) in provision for loss on construction contracts...	(4,352)	(875)	(7,799)	
Increase (decrease) in net defined benefit liability.....	120	251	2,239	
Loss (gain) on sales of investment securities.....	(1)	(1,705)	(15,197)	
Loss (gain) on sales of property and equipment.....	853	(4)	(33)	
Interest and dividend income.....	(1,041)	(1,098)	(9,786)	
Interest expenses.....	547	456	4,066	
Decrease (increase) in notes and accounts receivable.....	8,273	(13,702)	(122,132)	
Decrease (increase) in inventories.....	10,832	2,481	22,118	
Increase (decrease) in notes and accounts payable.....	(20,466)	12,400	110,529	
Increase (decrease) in advances received on uncompleted contracts...	(7,436)	7,376	65,742	
Others.....	2,654	9,003	80,244	
Sub-total.....	6,467	43,326	386,188	
Interest and dividend received.....	1,031	1,096	9,770	
Interest paid.....	(553)	(496)	(4,423)	
Income taxes paid.....	(2,824)	(3,163)	(28,192)	
<b>Net cash provided by (used in) operating activities.....</b>	<b>4,121</b>	<b>40,763</b>	<b>363,343</b>	
<b>Cash flows from investing activities:</b>				
Payment for purchases of marketable and investment securities....	(1,181)	(3,449)	(30,742)	
Proceeds from sale of marketable and investment securities.....	179	2,923	26,050	
Purchase of shares of subsidiaries resulting change in scope of consolidation.....	—	(862)	(7,683)	
Acquisition of property and equipment.....	(9,828)	(11,180)	(99,651)	
Proceeds from sale of property and equipment.....	1,080	4	40	
Payments of loans receivable.....	(15)	(1,651)	(14,714)	
Proceeds from collection of loans.....	53	323	2,875	
Net decrease (increase) in time deposits.....	150	—	—	
Others.....	(126)	(54)	(481)	
<b>Net cash provided by (used in) investing activities.....</b>	<b>(9,688)</b>	<b>(13,946)</b>	<b>(124,306)</b>	
<b>Cash flows from financing activities:</b>				
Net increase (decrease) in short-term loans.....	188	5,292	47,166	
Borrowing of long-term debt.....	—	100	891	
Repayment of long-term debt.....	(25,107)	(5,611)	(50,012)	
Proceeds from issuance of bonds.....	25,000	—	—	
Redemption of bonds.....	(825)	(10,000)	(89,135)	
Cash dividends paid.....	(2,764)	(4,420)	(39,398)	
Proceeds from share issuance to non-controlling shareholders.....	6	—	—	
Dividends paid to non-controlling interests.....	(4)	(4)	(36)	
Others.....	545	(396)	(3,531)	
<b>Net cash provided by (used in) financing activities.....</b>	<b>(2,961)</b>	<b>(15,039)</b>	<b>(134,055)</b>	
Effect of exchange rate changes on cash and cash equivalents.....	(991)	(655)	(5,840)	
<b>Net increase (decrease) of cash and cash equivalents.....</b>	<b>(9,519)</b>	<b>11,123</b>	<b>99,142</b>	
Cash and cash equivalents at beginning of year (Note 2).....	37,423	27,904	248,721	
<b>Cash and cash equivalents at end of year (Note 2).....</b>	<b>¥27,904</b>	<b>¥39,027</b>	<b>\$347,863</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 that is more familiar to readers outside Japan.

### **(b) Scope of consolidation**

The Company, its fourteen subsidiaries (of which nine are included in the scope of consolidation), and ten affiliates constitute the Nishimatsu Construction Group (the "Group"). Yoshitomi Shouji Co., Ltd., which had acquired shares, and Nishimatsu Vietnam Co., Ltd., which was established in the consolidated fiscal year ended March 31, 2017 have been included in the scope of consolidation.

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

Major non-consolidated subsidiaries are Shimashizu Corporation Co., Ltd., 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 a material impact on the consolidated financial statements.

### **(c) Application of the equity method**

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

Major non-consolidated subsidiaries 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 Co., Ltd.

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

### **(d) Fiscal year end of consolidated subsidiaries**

The fiscal year end of consolidated subsidiaries Thai Nishimatsu Construction Co., Ltd., Lao Nishimatsu Construction Co., Ltd., Nishimatsu Investment, Ltd., and Nishimatsu Vietnam Co., Ltd. is December 31.

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

## 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.

The cash and cash equivalent balance of ¥39,027 million (\$347,863 thousand) is in the balance sheet as of March 31, 2017.

### **(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 cost and the carrying value of other securities, including unrealized gains and losses, is recognized as a component of net assets and is reflected as "Unrealized gain on available-for-sale securities held for sale."

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

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

Derivatives:

Mark-to-market method

Inventories:

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

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

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

### **(c) Depreciation and amortization**

Property, plant and equipment (excluding lease assets):

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

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

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

Depreciation is computed generally by the declining balance method at rates based on the useful lives which is determined under 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 and facilities attached to buildings and structures after April 1, 2016. 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 the 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 ¥296,440 million (\$2,642,307 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 ¥309 million (\$2,757 thousand) 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 fiscal year ended March 31, 2017, The company applied the Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32, June 17, 2016) following the revision of the Corporation Tax Act, and changed the method of depreciation for facilities attached to

buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on profit (loss) for the fiscal year ended March 31, 2017, is immaterial.

### **4. Changes in presentation**

Notes to consolidated statement of income

"Settlement package" 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 quantitative materiality.

The consolidated financial statement of the previous fiscal year have

been reclassified to reflect this change in presentation. As a result, ¥95 million presented in "Other-net" under "Other income (expenses)" in the consolidated statements of income of the previous fiscal year has been reclassified as ¥11 million of "Settlement package" and ¥84 million of "Other-net".

### **5. Additional Information**

The company has been applying the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28,

2016) from the beginning of the fiscal year ended March 31, 2017.

### **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 ¥112.19 = US\$1, which was the exchange rate prevailing as of March

31, 2017.

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, 2016 and 2017, 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		
	2016			2017			2017		
	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.....	¥200	¥216	¥16	¥192	¥197	¥5	\$1,712	\$1,760	\$48
Sub-total.....	200	216	16	192	197	5	1,712	1,760	48
Held-to-maturity securities whose market values do not exceed the amounts recorded in the balance sheet:									
Debt securities.....	—	—	—	—	—	—	—	—	—
Sub-total.....	—	—	—	—	—	—	—	—	—
Total.....	¥200	¥216	¥16	¥192	¥197	¥5	\$1,712	\$1,760	\$48

### Other securities with quoted market prices

	Millions of yen						Thousands of U.S. dollars		
	2016			2017			2017		
	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.....	¥22,931	¥53,939	¥31,008	¥24,089	¥54,422	¥30,333	\$214,722	\$485,092	\$270,370
Sub-total.....	22,931	53,939	31,008	24,089	54,422	30,333	214,722	485,092	270,370
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:									
Equity securities.....	1,745	1,292	(453)	2,692	2,217	(475)	23,992	19,764	(4,228)
Sub-total.....	1,745	1,292	(453)	2,692	2,217	(475)	23,992	19,764	(4,228)
Total.....	¥24,676	¥55,231	¥30,555	¥26,781	¥56,639	¥29,858	\$238,714	\$504,856	\$266,142

### Available-for-sale securities sold during the fiscal year ended March 31, 2016 and 2017

	Millions of yen						Thousands of U.S. dollars		
	2016			2017			2017		
	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.....	1	¥1	—	¥2,877	¥1,703	—	\$25,643	\$15,184	—

### Loss on valuation of investment securities

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

As of March 31, 2016, An impairment loss is recognized ¥37 million of securities (other securities of unlisted stocks)

FY2016 (April 1, 2016 to March 31, 2017)

As of March 31, 2017, An impairment loss is recognized ¥51 million of securities (¥18 million of other securities, and of ¥33 million of affiliate securities)

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

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

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

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

(a) The weighted average interest rates on short-term debt outstanding as of March 31, 2017 was approximately 0.392 per cent.

(b) Long-term debt comprised the following:

	Issuer	Type	Date of issue	Millions of yen		Thousands of U.S. dollars
				2016	2017	2017
Due 2018 to 2021 with weighted-average interest rate of 5.120 per cent.....	—	—	—	¥ 6,286	¥ 730	\$ 6,514
0.740 per cent Unsecured Japanese Yen bond due December 19, 2016 .....	Nishimatsu construction Co., Ltd	The 5th unsecured Japanese Yen bonds	December 19, 2013	10,000	—	—
0.500 per cent Unsecured Japanese Yen bond due Jul 24, 2020 .....	Nishimatsu construction Co., Ltd	The 6th unsecured Japanese Yen bonds	July 24, 2015	15,000	15,000	133,702
0.810 per cent Unsecured Japanese Yen bond due Jul 22, 2022 .....	Nishimatsu construction Co., Ltd	The 7th unsecured Japanese Yen bonds	July 24, 2015	10,000	10,000	89,135
Less: Portion due within 1 year ...				41,286	25,730	229,351
				5,633	630	5,623
				¥46,919	¥26,360	\$234,974

The aggregate annual maturities of long-term debt on March 31, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
2018.....	¥ —	\$ —
2019.....	100	891
2020.....	—	—
2021 and thereafter .....	—	—

The aggregate annual maturities of lease on March 31, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
2018.....	¥35	\$312
2019.....	23	208
2020.....	12	109
2021 and thereafter .....	1	12

## 9. Retirement benefit and pension plan

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

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

(a) Retirement benefit obligation

Recognition of retirement benefit obligation:

	Millions of yen
	2016
Retirement benefit obligation as of April 1, 2015.....	¥24,482
Service cost .....	1,136
Interest cost .....	170
Actuarial gain or loss .....	281
Retirement benefits paid .....	(1,520)
Other.....	(6)
Retirement benefit obligation as of March 31, 2016 .....	¥24,543

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

(b) Reconciliation of plan assets

	Millions of yen
	2016
Plan assets as of April 1, 2015.....	¥13,424
Expected return on plan assets .....	210
Actuarial gain or loss .....	(693)
Contribution by the Company .....	1,607
Retirement benefits paid .....	(1,212)
Plan assets as of March 31, 2016 .....	¥13,337

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

	Millions of yen
	2016
Funded retirement benefit obligation.....	¥24,431
Plan assets.....	(13,337)
	11,094
Unfunded retirement benefit obligation.....	112
Net liabilities for retirement benefit in the Consolidated Balance Sheet ...	11,206
	11,206
Net defined benefit liability.....	11,206
Net liabilities for retirement benefit in the Consolidated Balance Sheet ...	¥11,206

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

	Millions of yen
	2016
Service cost.....	¥1,136
Interest cost .....	170
Expected return on plan assets.....	(210)
Amortization of actuarial gain or loss .....	1,031
Unrecognized past service cost.....	(91)
Others.....	0
Total.....	¥2,035

Service cost includes the retirement benefit obligation applying Straight-line basis.

(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
	2016
Past service cost.....	¥(91)
Actuarial gain or loss.....	57
Total.....	¥(34)

#### (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
	2016
Unrecognized past service cost.....	¥ (365)
Unrecognized actuarial gain or loss.....	2,904
Total.....	¥2,539

#### (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%
Others.....	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 the company and 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 was summarized as follows:

##### (1) Funded status

Multi-employer pension funds

	Millions of yen
	2016
Plan assets.....	¥270,328
Total amount of legal reserve and actuarial obligation of the pension finance calculation.....	260,102
Net amount.....	¥ 10,226

(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 ¥99 million (\$881 thousand) as costs for the year ended March 31, 2016.

#### FY2016 (April 1, 2016 to March 31, 2017)

##### (a) Retirement benefits obligation

Recognition of retirement benefit obligation:

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Retirement benefit obligation as of April 1, 2016.....	¥24,543	\$218,764
Service cost.....	1,112	9,914
Interest cost.....	169	1,511
Actuarial gain or loss.....	49	440
Retirement benefits paid.....	(958)	(8,545)
Others.....	(2)	(20)
Retirement benefit obligation as of March 31, 2017.....	¥24,913	\$222,064

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
	2017	2017
Plan assets as of April 1, 2016.....	¥13,337	\$118,879
Expected return on plan assets.....	219	1,952
Actuarial gain or loss.....	511	4,558
Contribution by the Company.....	1,880	16,757
Retirement benefits paid.....	(778)	(6,939)
Plan assets as of March 31, 2017.....	¥15,169	\$135,207

##### (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
	2017	2017
Funded retirement benefit obligation.....	¥24,795	\$221,016
Plan assets.....	(15,169)	(135,207)
	9,626	85,809
Unfunded retirement benefit obligation.....	118	1,048
Net liability for retirement benefit in the Consolidated Balance Sheet.....	9,744	86,857
Net defined benefit liability.....	9,744	86,857
Net liability for retirement benefit in the Consolidated Balance Sheet.....	¥ 9,744	\$ 86,857

##### (d) Components of net periodic pension cost for the year ended March 31, 2017

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Service cost.....	¥1,112	\$ 9,914
Interest cost.....	169	1,511
Expected return on plan assets.....	(219)	(1,952)
Amortization of actuarial gain or loss.....	1,340	11,942
Unrecognized past service cost.....	(91)	(814)
Others.....	—	—
Total.....	¥2,311	\$20,601

Service cost includes the retirement benefit obligation applying Straight-line basis.

### (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		Thousands of U.S. dollars	
	2017	2017	2017	2017
Past service cost .....	¥ (91)		\$ (814)	
Actuarial gain or loss .....	1,802		16,060	
Total .....	¥1,711		\$15,246	

### (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	
	2017	2017	2017	2017
Unrecognized past service cost .....	¥ (274)		\$(2,441)	
Unrecognized actuarial gain or loss .....	1,102		9,822	
Total .....	¥ 828		\$ 7,381	

### (g) Pension assets

#### Details of plan assets

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

	2017
Bonds .....	34%
Securities .....	31%
General accounts .....	18%
Other .....	17%
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

	2017
Discount rate .....	0.7%
Expected return on plan assets	
Except pension trust .....	2.5%
Expected return on pension trust .....	0.0%

### (i) Defined contribution

Amount payable for defined contribution of the company and consolidated subsidiary was ¥91 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 was summarized as follows:

#### (1) Funded status

Multi-employer pension funds

	Millions of yen		Thousands of U.S. dollars	
	2017	2017	2017	2017
Plan assets .....	¥252,968		\$2,254,818	
Total amount of legal reserve and actuarial obligation of the pension finance calculation .....	242,429		2,160,881	
Net amount .....	¥ 10,539		\$ 93,937	

(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.

	2017
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 ¥50 million (\$446 thousand) as costs for the year ended March 31, 2017.

## 10. Income taxes

### Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities at March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2016	2017	2016	2017
Deferred tax assets:				
Net defined benefit liability .....	¥ 5,319	¥ 4,588	\$ 40,899	
Impairment loss of long-lived assets .....	2,999	2,861	25,498	
Allowance for doubtful accounts .....	1,413	1,411	12,581	
Provision for bonuses .....	780	879	7,836	
Carry forwards .....	2,585	845	7,534	
Provision for warranties for completed construction .....	329	649	5,782	
Loss on valuation of real estate .....	316	316	2,818	
Valuation Loss on investment securities .....	381	273	2,437	
Provision for allowance for loss on construction projects .....	515	247	2,199	
Others .....	2,225	2,697	24,035	
Subtotal deferred tax assets .....	16,862	14,766	131,619	
Valuation allowance .....	(7,051)	(7,015)	(62,530)	
Gross deferred tax assets .....	¥ 9,811	¥ 7,751	\$ 69,089	
Deferred tax liabilities:				
Unrealized gain on available-for-sale securities ...	¥ (9,350)	¥ (9,138)	\$ (81,448)	
Reserve for reduction entry of replaced property ...	(491)	(489)	(4,359)	
Resignation payment trust .....	(597)	(278)	(2,479)	
Others .....	(306)	(636)	(5,669)	
Gross deferred tax liabilities .....	¥(10,744)	¥(10,541)	\$ (93,955)	
Net deferred tax assets (liabilities) .....	¥ (933)	¥ (2,790)	\$ (24,866)	

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

	2016	2017
Statutory tax rate .....	33.1%	30.9%
(Adjustment)		
Permanent non-deductible items .....	2.6%	1.7%
Permanent non-taxable items .....	(0.5)%	(0.2)%
Inhabitant taxes on per capita levy .....	1.0%	0.5%
Difference of tax rate of foreign subsidiaries .....	(2.5)%	(0.3)%
Valuation allowance .....	(52.4)%	(0.1)%
Reduction of deferred taxes in effect of enacted future tax ..	2.6%	0.0%
Difference of the tax base of enterprise tax on corporation ..	5.0%	0.3%
Tax credit .....	(1.1)%	(1.8)%
Others .....	3.3%	(1.0)%
Effective tax rate .....	(8.9)%	30.0%

## 11. Lease transactions

### Finance lease transactions that do not transfer ownership

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

## 12. Notes to Consolidated Balance Sheet

### (a) Investments in non-consolidated subsidiaries and affiliates as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Investment securities .....	¥831	¥796	\$7,096

### (b) Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligation as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
<b>Pledged assets:</b>			
Building and structures .....	¥ 926	¥878	\$7,832
Land.....	95	95	844
Total.....	¥1,021	¥973	\$8,676
<b>Secured liabilities:</b>			
Deposit received.....	¥ 82	¥ 82	\$ 732
Other long term liabilities.....	472	390	3,476
Total.....	¥ 554	¥472	4,208
<b>Pledged assets for loans on subsidiaries and affiliates:</b>			
Building and structures .....	¥ 316	¥305	\$2,724
Land.....	37	37	328
Investment securities .....	184	187	1,663
Total.....	¥ 537	¥529	\$4,715
<b>Pledged assets for construction:</b>			
Securities .....	¥ —	¥ 50	\$ 446
Investment securities .....	50	—	—
Total.....	¥ 50	¥ 50	\$ 446
<b>Pledged assets for housing latent defects:</b>			
Securities .....	¥ 9	¥ 11	\$ 94
Investment securities .....	141	131	1,172
Total.....	¥ 150	¥142	\$1,266

### (c) Contingent liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
	¥77	¥56	\$500

### (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
	2016	2017	2017
Total amount of loan commitment .....	¥25,311	¥25,225	\$224,844
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
	2016	2017	2017
Building and structures .....	¥ 859	¥379	\$3,376
Land .....	167	183	1,630
Total.....	¥1,026	¥562	\$5,006

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Building.....	¥—	¥199	\$1,775

## 13. Notes to Consolidated Statement 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
	2016	2017	2017
	¥209	¥—	\$—

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
	¥834	¥730	\$6,507

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Employees' salary and allowances.....	¥7,269	¥8,358	\$74,498
Retirement benefit expenses.....	760	906	8,080
Provision for bournuses.....	376	505	4,500

### (d) Research and development expenses for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
	¥1,254	¥1,298	\$11,571

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Machinery.....	¥ 6	¥ 4	\$37
Land .....	71	—	—
Total.....	¥77	¥ 4	\$37

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Buildings and structures .....	¥250	¥—	\$—
Land .....	680	—	—
Other .....	0	0	4
Total .....	¥930	¥ 0	\$ 4

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Buildings and structures .....	¥221	¥34	\$304
Machinery and equipment .....	1	0	1
Other .....	0	0	3
Total .....	¥222	¥34	\$308

**(h) Loss on Impairment of long-lived assets  
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
			2016
Hiroshima	For rent	Land, Building	¥253
Kagawa	For business	Land, Building	¥119
Kanagawa	For business	Facilities attached to buildings, machinery and equipment other	¥ 66
Hyogo	For rent	Land, Building	¥ 28
Tokyo	For rent	Land	¥ 16
Kanagawa	For rent	Land, Building	¥ 15

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.

**FY2016 (April 1, 2016 to March 31, 2017)**

Not Applicable.

**14. Notes to Consolidated Comprehensive Income**

Other comprehensive income for the year ended March 31, 2016 and 2017 was as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrealized gain on available for sale securities			
Amount arising during the year .....	¥(10,448)	¥ 997	\$ 8,886
Reclassification adjustments .....	(1)	(1,687)	(15,034)
Equity adjustment from foreign currency translation			
Amount arising during the year .....	(289)	(217)	(1,932)
Remeasurements of defined benefit plans			
Amount arising during the year .....	(973)	462	4,118
Reclassification adjustments .....	939	1,248	11,128
Amount before income tax effect .....	(10,772)	803	7,166
Income tax effect .....	4,671	(311)	(2,774)
Total .....	¥ (6,101)	¥ 492	\$ 4,392

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrealized gain on available for sale securities			
Amount before income tax effect .....	¥(10,449)	¥ (690)	\$ (6,148)
Income tax effect .....	3,895	212	1,891
Amount after adjustment of income tax effect .....	(6,554)	(478)	(4,257)
Foreign currency translation adjustment			
Amount before income tax effect .....	(289)	(217)	(1,932)
Income tax effect .....	—	—	—
Amount after adjustment of income tax effect .....	(289)	(217)	(1,932)
Remeasurements of defined benefit plans			
Amount before income tax effect .....	(34)	1,710	15,246
Income tax effect .....	777	(523)	(4,665)
Amount after adjustment of income tax effect .....	743	1,187	10,581
Other comprehensive income			
Amount total of othe comprehensive income .....	(10,772)	803	7,166
Income tax effect .....	4,671	(311)	(2,774)
Amount after adjustment of income tax effect .....	¥ (6,101)	¥ 492	\$ 4,392

**15. Notes to Consolidated Statement of Changes in Net Assets**

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

	Thousand shares	
	2016	2017
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

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

	Thousand shares	
	2016	2017
Common stock		
Number of shares at the beginning of year .....	1,006	1,020
Number of shares increased .....	14	2,509
Number of shares decreased .....	—	—
Number of shares at the end of year .....	1,020	3,529

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

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

b) FY2016 (April 1, 2016 to March 31, 2017)

1. The increase of shares was due to the acquisition of the resolution by the Board of Directors' meeting, and the purchase of shares below one unit.

## (c) Dividends

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

#### 1. Dividends paid

Resolution	Class of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
		Total dividend		Dividend per shares			
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	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
			Total dividend		Dividend per shares			
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

### FY2016 (April 1, 2016 to March 31, 2017)

#### 1. Dividends paid

Resolution	Class of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
		Total dividend		Dividend per shares			
Ordinary general meeting of shareholders on June 29, 2016	Common stock	¥4,431	\$39,495	¥16.00	\$0.142	March 31, 2016	June 30, 2016

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

Resolution	Class of shares	Source of dividend	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
			Total dividend		Dividend per shares			
Ordinary general meeting of shareholders on June 29, 2017	Common stock	Retained earnings	¥5,763	\$51,368	¥21.00	\$0.186	March 31, 2017	June 30, 2017

## 16. Financial Instruments

### (a) Disclosure on financial instruments

#### (1) Policy on financial instruments

Funds are limited to short-term deposits, and methods of rising funds are debt from banks 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 customer credit risk.

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

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

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

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

The Group evaluates each customer's credit in advance.

The Group monitors due dates and outstanding balances, and 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, 2016 and 2017 were as follows.

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

	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	-
Liabilities .....	¥135,006	¥135,350	¥344
Derivative .....	-	-	-

	Millions of yen		
	2017		
	Book value	Fair value	Difference
Cash and deposits.....	¥ 39,027	¥ 39,027	¥ -
Notes receivable, accounts receivable from completed construction contracts and other.....	157,575	157,549	(26)
Investment in securities .....	56,832	56,837	5
Long-term loans .....	1,309	-	-
Allowance for doubtful accounts * .....	(96)	-	-
	1,213	1,203	10
Assets .....	¥254,647	¥254,616	¥ (31)
Notes payable, accounts payable for construction contracts and other.....	¥ 94,191	¥ 94,191	¥ -
Short-term debt.....	17,745	17,745	-
Current portion of bond .....	-	-	-
Bond .....	25,000	25,143	143
Long term debt .....	100	100	0
Liabilities .....	¥137,036	¥137,179	¥143
Derivative .....	-	-	-

	Thousands of U.S. dollars		
	2017		
	Book value	Fair value	Difference
Cash and deposits.....	\$ 347,863	\$ 347,863	\$ -
Notes receivable, accounts receivable from completed construction contracts and other.....	1,404,534	1,404,306	(228)
Investment in securities .....	506,568	506,615	47
Long-term loans .....	11,671	-	-
Allowance for doubtful accounts * .....	(855)	-	-
	10,816	10,719	(97)
Assets .....	\$2,269,781	\$2,269,503	\$ (278)
Notes payable, accounts payable for construction contracts and other.....	\$ 839,569	\$ 839,569	-
Short-term debt.....	158,165	158,165	-
Current portion of bond .....	-	-	-
Bond .....	222,836	224,113	1,277
Long term debt .....	891	891	-
Liabilities .....	\$1,221,461	\$1,222,738	\$1,277
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, 2016 and 2017 were as follows:

Classification	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
	Book value	Book value	Book value
Unlisted receivables.....	¥ 30	¥ —	\$ —
Unlisted securities.....	8,223	7,386	65,835
Investment in anonymous association .....	1,286	1,442	12,851
Stock for non-consolidated subsidiaries and affiliates.....	¥ 831	¥ 796	\$ 7,096

3. Redemption schedule for receivable and securities to maturity at March 31, 2016 and 2017

	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
Total.....	¥170,430	¥1,678	¥26	¥55

	Millions of yen			
	2017			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	¥ 39,027	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other.....	154,352	3,222	—	—
Investment in securities				
Debt security held to maturity (government bonds) .....	61	131	—	—
Debt security held to maturity (other).....	—	—	—	—
Long-term loan.....	—	1,233	26	50
Total.....	¥193,440	¥4,586	¥26	¥50

	Thousands of U.S. dollars			
	2017			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	\$ 347,863	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other.....	1,375,811	28,723	—	—
Investment in securities				
Debt security held to maturity (government bonds) .....	540	1,172	—	—
Debt security held to maturity (other).....	—	—	—	—
Long-term loan.....	—	10,992	236	443
Total.....	\$1,724,214	\$40,887	\$236	\$443

4. Redemption schedule for bond, long-term debt, and lease liability as of March 31, 2016 and 2017.

	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	—
Total.....	¥15,674	¥691	¥31	¥19	¥15,008	¥10,000

	Millions of yen					
	2017					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond.....	¥ —	¥—	¥ —	¥15,000	¥—	¥10,000
Long-term debt.....	631	—	100	—	—	—
Lease liability.....	42	35	23	12	1	—
Total.....	¥673	¥35	¥123	¥15,012	¥ 1	¥10,000

	Thousands of U.S. dollars					
	2017					
	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.....	\$ —	\$ —	\$ —	\$133,702	\$—	\$89,135
Long-term debt.....	5,623	—	891	—	—	—
Lease liability.....	370	312	208	109	12	—
Total.....	\$5,993	\$312	\$1,099	\$133,811	\$12	\$89,135

## 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 2016 was ¥2,041 million, in 2017 was ¥1,931 million (\$17,211 thousand).

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

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

Millions of yen			
Carrying amount		Fair value	
April 1, 2016	Increased (Decreased)	March 31, 2017	March 31, 2017
¥49,454	¥6,019	¥55,473	¥60,070

Thousands of U.S. dollars			
Carrying amount		Fair value	
April 1, 2016	Increased (Decreased)	March 31, 2017	March 31, 2017
\$440,809	\$53,647	\$494,456	\$535,427

1. Carrying amount is net of accumulated depreciation and accumulated impairment losses from acquisition cost.
2. The main reason of increase in 2016 were the purchase, ¥2,470 million, and the transfer from business use ¥523 million, those of decrease were transfer to sales of real estate ¥971 million, the selling ¥869 million, Depreciation ¥795 million and loss on impairment of long-lived assets ¥414 million.

The main reason of increase in 2017 were the purchase, ¥10,002

million (\$89,152 thousand), those of decrease were transfer to sales of real estate ¥3,228 million (\$28,773 thousand), and Depreciation ¥829 million (\$7,387 thousand).

3. 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, 2016 and 2017 were as follows:

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

1. Obligation to remove asbestos based on 'Act on Asbestos Health Damage Relief'  
The estimated period of service of the building is 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%.
2. 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%.
3. Rationally estimated cost of obligation to restore to original state based on real estate rental contract  
The estimated period of service of rental stores owned by the Group is 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 1 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 0.000% to 0.889%.

### (b) Increase (decrease) of asset retirement obligations as of March 31, 2016 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at beginning of year .....	¥207	¥236	\$2,100
New obligations by acquisition of fixed assets.....	21	129	1,153
Increase because of reasonable estimate can be made..	28	22	198
Adjustment for time's passage.....	2	2	17
Decrease because of executed obligation.....	(22)	—	—
Balance at end of year .....	¥236	¥389	\$3,468

## 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 Development and Real Estate, and develop their domestic and overseas business.

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

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

Notice of the change in reportable segments

The name of reportable segments has changed "Real estate and others" to "Development and Real Estate".

Additionally, the change of the name does not affect segment information.

The changed name is displayed in segment information of the last fiscal year.

### (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, 2016 and 2017.

	Millions of yen				
	2016				
	Civil Engineering	Building Construction	Development and Real Estate	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

1. Operating income (loss) matches income from operations which is described in consolidated statements of income.
2. Assets of each segment are not mentioned because of not distribution to the business segment.

	Millions of yen				
	2017				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers.....	¥113,224	¥193,197	¥ 8,808	¥ —	¥315,229
Intersegment or transfer .....	—	45	3,967	(4,012)	—
Total.....	¥113,224	¥193,242	¥12,775	¥(4,012)	¥315,229
Operating income (loss) .....	10,984	12,365	1,913	(3)	25,260
Depreciation and amortization	429	577	819	—	1,825

1. "Adjustments" of negative 3 million yen in "Operating income" is due to the deletion with which segments transact.
2. Assets of each segment are not mentioned because of not distribution to the business segment.

	Thousands of U.S. dollars				
	2017				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers.....	\$1,009,212	\$1,722,053	\$ 78,505	\$ —	\$2,809,770
Intersegment or transfer .....	—	222	35,363	(35,765)	—
Total.....	\$1,009,212	\$1,722,275	\$113,868	\$(35,765)	\$2,809,770
Operating income (loss) .....	97,909	110,219	17,054	(30)	225,152
Depreciation and amortization	3,828	5,144	7,296	—	16,268

## 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, 2016 and 2017.

### (2) Geographical areas

Information by geographical segment for the year ended March 31, 2016 and 2017 were summarized as follows:

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

	Millions of yen			
	2017			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	¥285,994	¥28,583	¥652	¥315,229

	Thousand of U.S. dollars			
	2017			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	\$2,549,193	\$254,769	\$5,808	\$2,809,770

## 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, 2016 and 2017 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, 2017.

The detail for the year ended March 31, 2016 was as follow:

	Millions of yen				
	2016				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Loss on impairment of long-lived assets.....	¥—	¥—	¥496	¥—	¥496

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

Not Applicable.

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

This item is omitted because of not importance

### (7) Information on Related Parties

Not Applicable.

## 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, 2016 and 2017

### (a) Per share information

	Yen		U.S. dollars
	2016	2017	2017
Net income:			
Basic.....	¥ 52.71	¥ 69.63	\$0.621
Net assets:.....	555.06	611.47	5.450

1. Diluted net income per share for the year March 31, 2016 and 2017 were not presented because the Company had no shares with dilutive effects.

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Profit attributable to owners of parent.....	¥ 14,599	¥ 19,211	\$171,235
Amount that does not belong to general shareholders.....	—	—	—
Profit attributable to owners of parent.....	14,599	19,211	171,235
Average number of shares of common stock during the year (Unit:1000).....	276,944	275,892	

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Total amount under net assets.....	¥156,154	¥169,788	\$1,513,400
Amount deducted from the total amount under net assets.....	2,437	1,985	17,689
(Of which non controlling interests).....	(2,437)	(1,985)	(17,689)
Net assets at the end of the year related to common stock.....	153,717	167,803	1,495,711
Number of shares of common stock at the end of the year used in the calculation of net assets per share (Unit:1000).....	276,937	274,428	

## 21. Quarterly information for FY2016 (April 1, 2016 to March 31, 2017)

### (a) Accumulated period

	Millions of yen			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr. 1, 2016 Jun. 30, 2016	Jul. 1, 2016 Sep. 30, 2016	Oct. 1, 2016 Dec. 31, 2016	Jan. 1, 2017 Mar. 31, 2017
Net sales.....	¥74,334	¥150,913	¥232,590	¥315,228
Profit before income taxes.....	3,543	11,054	23,469	26,922
Profit attributable to owners of parent.....	2,205	7,254	16,401	19,211
Per share of net income (Yen).....	7.96	26.19	59.34	69.63

	Thousands of U.S. dollars			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr. 1, 2016 Jun. 30, 2016	Jul. 1, 2016 Sep. 30, 2016	Oct. 1, 2016 Dec. 31, 2016	Jan. 1, 2017 Mar. 31, 2017
Net sales.....	\$662,574	\$1,345,156	\$2,073,180	\$2,809,771
Profit before income taxes.....	31,580	98,529	209,190	239,964
Profit attributable to owners of parent.....	19,657	64,660	146,193	171,235
Per share of net income (U.S. dollars).....	0.071	0.233	0.529	0.621

## (b) Each period

	Yen			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr. 1, 2016 Jun. 30, 2016	Jul. 1, 2016 Sep. 30, 2016	Oct. 1, 2016 Dec. 31, 2016	Jan. 1, 2017 Mar. 31, 2017
Per share of net income .....	<b>7.96</b>	<b>18.23</b>	<b>33.23</b>	<b>10.24</b>

	U.S. dollars			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr. 1, 2016 Jun. 30, 2016	Jul. 1, 2016 Sep. 30, 2016	Oct. 1, 2016 Dec. 31, 2016	Jan. 1, 2017 Mar. 31, 2017
Per share of net income .....	<b>0.071</b>	<b>0.162</b>	<b>0.296</b>	<b>0.091</b>

## 22. Subsequent Events

Change in the Number of Shares per Share Unit and Consolidation of Shares

The company resolved to partial change the articles of association including the number of shares per share unit, based on the provisions of Articles 195 paragraph 1 of the Companies Act of Japan.

The company also resolved to submit the proposal for the consolidation of shares, and this proposal was approved and adopted at the 80th ordinary general meeting of shareholders to be held on June 29 2017.

### (a) Purpose of change in the number of shares per share unit and consolidation of shares

All Japanese securities exchanges announced and are promoting the "Action Plan for Consolidating Trading Units" under which the trading units of common shares for domestically listed companies are uniformly set at 100 shares until October 1st, 2018.

In the light of the intent of this action plan, the Company, whose shares are listed on the Tokyo Stock Exchange, will change the share unit number from the current 1,000 shares to 100 shares.

Along with the change in the share unit, the Company will also carry out a consolidation of the Company's shares in order to adjust the appropriate standard of per trading unit, considered stock price change over a mid-to-long term.

### (b) Details of changes in number of shares per share unit

The company will change the number of shares per share unit for common stock from 1,000 to 100 on October 1st, 2017.

### (c) Details of consolidation of shares

(1) Class of shares to be consolidated  
Common stock

(2) Consolidation method and ratio

The company will consolidate every 5 shares into one share on October 1st, 2017 based on the number of shares held by shareholders listed in the final shareholders' register as of September 30th, 2017

(3) Decrease in number of shares due to consolidation

Number of outstanding shares before consolidation (as of March 31, 2017).....	277,957,513	shares
Decrease in number of shares due to consolidation .....	222,366,011	shares
Number of outstanding shares after consolidation.....	55,591,502	shares

Note: The "Decrease in number of shares due to consolidation" and "Number of outstanding shares before consolidation" are theoretical value calculated by multiplying the number of outstanding shares before consolidation by the consolidation ratio.

(4) Handling of fractional shares of less than one share

If any fractional shares arise as a result of the consolidation of shares, pursuant to the provisions of Article 235 of the Companies Act, The company will sell all such fractional shares and distribute the proceeds to shareholders having fractional shares in proportion to their respective fractions.

(5) Total number of authorized shares after consolidation

The number of authorized shares will be decreased from 800 million shares to 160 million shares, the effective date for the consolidation of shares on October 1st, 2017.

Pursuant to Article 182, paragraph 2 of the Companies Act, The Article of Incorporation, prescribed total number of authorized shares, shall be deemed to be changed from the same date.

### (d) Dates for consolidation of shares and change in number of shares per share unit

Resolution at the board of directors meeting	May 18, 2017
Resolution at the general meeting of shareholders	June 29, 2017
Effective date of consolidation of shares and change in number of shares per share unit	October 1, 2017

### (e) Effect on per share information

Per share information for the years ended March 31, 2017 and 2016 on assumption that the consolidation of shares had been implemented as of April 1, 2015 is as follows:

	Yen		U.S. dollars
	2016	2017	2017
Net assets per share .....	¥2,775.31	<b>¥3,057.34</b>	<b>\$27.25</b>
Net income (loss) per share.....	¥ 263.57	<b>¥ 348.16</b>	<b>\$ 3.10</b>

Note: Diluted net income per share was not disclosed because there were no dilutive shares.

### 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, 2017, 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.

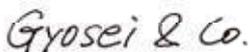
#### *Opinion*

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, 2017, 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 Note 6.

Tokyo, Japan  
June 29, 2017

  
GYOSEI & Co.  
Certified Public Accountants

## Non-Consolidated Five-Year Summary

Nishimatsu Construction Co., Ltd.

	Millions of yen				
	2013	2014	2015	2016	2017
Orders received .....	¥244,674	¥299,056	¥339,095	¥298,758	<b>¥355,488</b>
Orders received from overseas.....	24,724	34,624	25,764	11,160	<b>18,317</b>
Percentage of orders received from overseas.....	10.1%	11.6%	7.6%	3.7%	<b>5.2%</b>
Net sales .....	239,980	299,610	325,464	297,850	<b>307,045</b>
Cost of sales.....	226,280	283,860	306,186	269,494	<b>266,004</b>
Selling, general and administrative expenses.....	12,449	12,725	13,506	14,381	<b>16,186</b>
Profit before income taxes.....	3,330	2,165	9,201	12,706	<b>27,283</b>
Profit.....	2,848	5,453	8,624	14,618	<b>19,336</b>
Percentage of income against net sales .....	1.2%	1.8%	2.6%	4.9%	<b>6.3%</b>
Total assets.....	328,229	359,090	370,622	337,242	<b>373,539</b>
Net assets.....	124,978	133,499	145,127	150,410	<b>163,564</b>
Percentage of net assets against total assets.....	38.1%	37.2%	39.2%	44.6%	<b>43.8%</b>
Common stock.....	23,514	23,514	23,514	23,514	<b>23,514</b>
Per share of common stock (in yen):					
Profit *.....	¥ 10.28	¥ 19.68	¥ 31.14	¥ 52.78	<b>¥ 70.08</b>
Cash dividends applicable to the year.....	4.00	6.00	10.00	16.00	<b>21.00</b>
Net assets.....	450.99	481.98	524.02	543.12	<b>596.02</b>
Number of shareholders.....	26,915	20,049	30,009	23,290	<b>18,599</b>
Number of employees.....	2,309	2,648	2,424	2,467	<b>2,504</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 Sheet

Nishimatsu Construction Co., Ltd.  
March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 6)	
	2016	2017	2017	
<b>Assets</b>				
<b>Current assets:</b>				
Cash and time deposits (Note 15).....	¥ 19,901	¥ 30,671	\$ 273,385	
Marketable securities (Note 12).....	39	61	540	
Notes and accounts receivable, trade:				
Notes (Notes 10 and 15).....	4,984	2,346	20,907	
Accounts (Note 15).....	137,512	155,068	1,382,191	
Allowance for doubtful accounts (Notes 2 and 14).....	(167)	(168)	(1,497)	
Inventories (Notes 2 and 7).....	9,051	7,570	67,472	
Short-term loans to subsidiaries and affiliates (Note 15).....	30	362	3,223	
Deferred income taxes (Note 9).....	4,103	2,832	25,241	
Advance paid.....	14,783	16,479	146,889	
Other current assets.....	4,917	4,286	38,214	
Total current assets.....	195,153	219,507	1,956,565	
<b>Investments and other assets:</b>				
Investment securities (Notes 2 and 12).....	60,758	62,264	554,983	
Investments in subsidiaries and affiliates (Notes 2 and 10).....	2,274	3,319	29,583	
Long-term loans to subsidiaries and affiliates (Note 10).....	36	14	121	
Others.....	4,706	5,984	53,352	
Allowance for doubtful accounts (Notes 2, 9 and 14).....	(109)	(104)	(929)	
Total investments and other assets.....	67,665	71,477	637,110	
<b>Property and equipment (Notes 2 and 13):</b>				
Land.....	45,491	47,194	420,657	
Buildings.....	53,468	60,388	538,264	
Machinery and equipment.....	8,731	8,877	79,122	
Accumulated depreciation.....	(33,266)	(33,904)	(302,198)	
Total property and equipment.....	74,424	82,555	735,845	
Total assets.....	¥337,242	¥373,539	\$3,329,520	

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 6)	
	2016	2017	2017	
<b>Liabilities and Net assets</b>				
<b>Current liabilities:</b>				
Short-term debt from banks (Note 15).....	¥ 9,439	¥ 14,358	\$ 127,981	
Short-term debt from subsidiaries and affiliates.....	460	—	—	
Current portion of long-term debt (Note 15).....	4,950	631	5,623	
Notes and accounts payable, trade:				
Notes (Note 15).....	36,533	47,438	422,841	
Accounts (Note 15).....	43,849	45,515	405,699	
Advances received on uncompleted contracts (Note 15).....	6,924	14,913	132,928	
Provision for warranties for completed construction (Notes 2 and 14)....	1,064	2,101	18,728	
Provision for bonuses (Notes 2 and 14).....	2,483	2,792	24,890	
Provision for loss on construction contracts (Notes 2 and 14).....	1,639	805	7,175	
Accrued income taxes.....	1,554	5,960	53,123	
Employees' deposits.....	6,237	7,149	63,724	
Provision for loss on real estate business and other (Notes 2 and 14)....	17	7	62	
Deposits received.....	15,023	20,265	180,632	
Other current liabilities.....	13,445	4,071	36,275	
Total current liabilities.....	143,617	166,005	1,479,681	
<b>Long-term liabilities:</b>				
Long-term debt (Note 15).....	25,000	25,100	223,728	
Accrued retirement benefits.....	8,555	8,799	78,428	
Deferred income taxes (Notes 2 and 9).....	5,789	5,490	48,936	
Provision for environmental measures (Notes 2 and 14).....	227	309	2,757	
Asset retirement obligations.....	228	381	3,397	
Other long-term liabilities.....	3,416	3,891	34,675	
Total long-term liabilities.....	43,215	43,970	391,921	
Total liabilities.....	186,832	209,975	1,871,602	
<b>Net assets:</b>				
Common stock:				
Authorized - 800,000,000 shares				
Issued and outstanding - 277,957,513 shares.....	23,514	23,514	209,588	
Capital surplus.....	20,780	20,780	185,225	
Legal reserve.....	5,878	5,878	52,396	
Retained earnings.....	79,357	94,262	840,199	
Treasury stock, at cost.....	(306)	(1,578)	(14,067)	
Unrealized gain on available-for-sale securities.....	21,187	20,708	184,577	
Total net assets.....	150,410	163,564	1,457,918	
Total liabilities and net assets.....	¥337,242	¥373,539	\$3,329,520	



## Non-Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd.  
For the years ended March 31, 2016 and 2017

	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
<b>Balance at April 1, 2015</b> .....	¥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)
Disposal of treasury stock .....						(6,558)	(6,558)
<b>Balance at April 1, 2016</b> .....	¥23,514	¥20,780	¥5,878	¥79,357	¥ (306)	¥21,187	¥150,410
Dividends declared .....				(4,431)			(4,431)
Profit .....				19,336			19,336
Purchase of treasury stock .....					(1,272)		(1,272)
Disposal of treasury stock .....						(479)	(479)
<b>Balance at March 31, 2017</b> .....	<b>¥23,514</b>	<b>¥20,780</b>	<b>¥5,878</b>	<b>¥94,262</b>	<b>¥(1,578)</b>	<b>¥20,708</b>	<b>¥163,564</b>

	Thousands of U.S. dollars (Note 6)						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Total net assets
<b>Balance at April 1, 2016</b> .....	\$209,588	\$185,225	\$52,396	\$707,348	\$ (2,726)	\$188,841	\$1,340,672
Dividends declared .....				(39,496)			(39,496)
Profit .....				172,347			172,347
Purchase of treasury stock .....					(11,341)		(11,341)
Disposal of treasury stock .....						(4,264)	(4,264)
<b>Balance at March 31, 2017</b> .....	<b>\$209,588</b>	<b>\$185,225</b>	<b>\$52,396</b>	<b>\$840,199</b>	<b>\$(14,067)</b>	<b>\$184,577</b>	<b>\$1,457,918</b>

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 devalued.

### (d) Depreciation and amortization

Property and equipment (excluding lease assets):

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

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

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

Depreciation is computed generally by the declining balance method at rates based on the useful lives which is determined under 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 and facilities attached to buildings and structures acquired on and after April 1, 2016.

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 ¥290,648 million (\$2,591,675 thousand).

### (h) Income taxes

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

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

### (i) Hedge accounting

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 remeasured at market value but the net amount to be paid or received under the interest rate swap contracts are recognized and included in interest expense and income as incurred.

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

### (j) Appropriations of retained earnings

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

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

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

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

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

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

**(m) Allowance for doubtful accounts**

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

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

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

**(o) Provision for bonuses**

Provision for 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 ¥309 million (\$2,757 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 accounting policy**

In the fiscal year ended March 31, 2017, The company applied the Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32, June 17, 2016) following the revision of the Corporation Tax Act, and changed the method of depreciation for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on profit (loss) for the fiscal year ended March 31, 2017, is immaterial.

**4. Changes in presentation**

Notes to non-consolidated statement of income

"Settlement package" 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 quantitative materiality.

The non-consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation. As a result, ¥145 million presented in "Other-net" under "Other income (expenses)" in the consolidated statement of income of the previous fiscal year has been reclassified as ¥11 million of "Settlement package" and ¥134 million of "Other-net".

**5. Additional Informations**

The company has been applying the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016) from the beginning of the fiscal year ended March 31, 2017.

**6. 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 ¥112.19 = US\$1, which was the exchange rate prevailing as of March 31, 2017.

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. Inventories**

Inventories comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Costs on uncompleted construction contracts .....	¥4,960	<b>¥3,416</b>	<b>\$30,445</b>
Real estate for sale .....	3,916	<b>3,762</b>	<b>33,531</b>
Raw materials and supplies .....	175	<b>392</b>	<b>3,496</b>
Total .....	¥9,051	<b>¥7,570</b>	<b>\$67,472</b>

**8. 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
	2016	2017	2017
Stocks of subsidiaries .....	¥2,106	<b>¥3,175</b>	<b>\$28,298</b>
Stocks of affiliates .....	168	<b>144</b>	<b>1,285</b>
Total .....	¥2,274	<b>¥3,319</b>	<b>\$29,583</b>

## 9. Income taxes

Composition of deferred tax assets and liabilities

### (a) Deferred tax assets and liabilities as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets:			
Accrued retirement obligations .....	¥ 4,516	¥ 4,308	\$ 38,395
Carry forwards .....	1,820	0	0
Impairment loss of long-lived assets .....	2,598	2,560	22,820
Provision for allowance for loss on construction projects ...	506	247	2,199
Allowance for doubtful accounts.....	1,413	1,411	12,581
Portion for bonus.....	767	863	7,691
Provision for warranties for completed construction ..	329	649	5,782
Valuation loss on investment securities .....	381	270	2,405
Loss on valuation of real estate .....	316	316	2,818
Other.....	1,904	2,372	21,144
Subtotal deferred tax assets .....	¥14,550	¥12,996	\$115,835
Valuation allowance.....	(5,768)	(5,687)	(50,686)
Gross deferred tax assets.....	¥8,782	¥ 7,309	\$ 65,149
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities ...	(9,341)	(9,129)	(81,370)
Resignation payment trust.....	(597)	(278)	(2,479)
Reserve for reduction entry of replaced property...	(491)	(489)	(4,359)
Others.....	(40)	(71)	(636)
Gross deferred tax liabilities .....	(10,469)	(9,967)	(88,844)
Net deferred tax assets (liabilities).....	¥ (1,687)	¥ (2,658)	\$ (23,695)

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

	2016	2017
Statutory tax rate .....	33.1%	30.9%
(Adjustment)		
Permanent non-deductible items.....	3.4%	1.7%
Permanent non-taxable items.....	(0.6)%	(1.3)%
Inhabitant taxes on per capita levy .....	1.0%	0.5%
Valuation allowance .....	(60.4)%	(0.3)%
Reduction of deferred taxes in effect of enacted future tax...	2.9%	—
Difference of base of enterprise tax on corporation .....	5.6%	0.3%
Tax credit .....	(1.3)%	(1.8)%
Other.....	1.3%	(0.9)%
Effective tax rate .....	(15.0)%	(29.1)%

## 10. Notes to non-consolidated balance sheet

### (a) Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligation as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Pledged assets:			
Buildings.....	¥ 920	¥873	\$7,785
Structures.....	6	5	47
Land.....	95	95	844
Total .....	¥1,021	¥973	\$8,676
Secured liabilities:			
Deposit received.....	¥ 82	¥ 82	\$ 732
Other long-term liabilities .....	472	390	3,476
Total .....	¥ 554	¥472	\$4,208
Pledged assets for loans on subsidiaries and affiliates:			
Buildings.....	¥ 316	¥306	\$2,725
Land.....	37	37	328
Investment securities.....	177	179	1,596
Total .....	¥ 530	¥522	\$4,649
Pledged assets for construction:			
Marketable securities .....	¥ 0	¥ 50	\$ 446
Investment securities.....	¥ 50	¥ 0	\$ 0
Pledged assets for housing latent defects:			
Marketable securities .....	¥ 9	¥ 11	\$ 94
Investment securities.....	141	131	1,172
Total .....	¥ 150	¥142	\$1,266

### (b) Contingent liabilities

The Company provides guarantee for banks loans of the following.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Nishimatsu Investments., Ltd .....	¥930	¥289	\$2,574
Total.....	¥930	¥289	\$2,574

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
	¥77	¥56	\$500

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Total amount of loan commitment .....	¥25,000	¥25,000	\$222,836
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
	2016	2017	2017
Buildings and structures .....	¥728	¥379	\$3,376
Land .....	22	183	1,630
Total .....	¥750	¥562	\$5,006

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Building .....	¥—	¥199	\$1,775

## 11. Notes to non-consolidated statement of income

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Machinery .....	¥6	¥4	\$37

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Buildings and structures .....	¥152	¥—	\$—
Land .....	61	—	—
Other .....	0	0	4
Total .....	¥213	¥0	\$4

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Buildings and structures .....	¥219	¥33	\$298
Land .....	0	0	1
Other .....	2	1	2
Total .....	¥220	¥34	\$301

## 12. 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, 2017 on balance sheets	
SUMITOMO REALTY & DEVELOPMENT CO., LTD.	4,000,000	¥11,544	\$102,896
SHOCHIKU CO., LTD.	3,288,000	4,311	38,422
TOKYO TATEMONO CO., LTD.	2,037,699	2,991	26,663
MITSUI FUDOSAN CO., LTD.	1,098,354	2,607	23,241
CENTRAL JAPAN RAILWAY COMPANY	137,500	2,494	22,232
MIZUHO FINANCIAL GROUP, INC.	11,055,481	2,255	20,103
KEIKYU CORPORATION	1,574,989	1,925	17,155
ASAHI KASEI CORPORATION	1,557,759	1,682	14,996
HULIC CO., LTD.	1,405,500	1,472	13,117
EAST JAPAN RAILWAY COMPANY	150,000	1,454	12,961
KYUSHU FINANCIAL GROUP, INC.	1,983,999	1,351	12,043
TEIKOKU SEN-I CO., LTD.	800,000	1,315	11,723
KOBE STEEL, LTD.	1,224,125	1,244	11,086
HANKYU HANSHIN HOLDINGS, INC.	334,994	1,213	10,809
KEIHAN HOLDINGS, CO., LTD.	1,710,849	1,165	10,385
SAPPORO HOLDINGS LIMITED	373,774	1,125	10,028
TSURUYA DEPARTMENT STORE INC.	12,000	1,104	9,840
KYUSHU RAILWAY COMPANY	271,100	929	8,276
SOMPO JAPAN NIPPONKOA HOLDINGS, INC.	221,122	902	8,040
SHIKOKU ELECTRIC POWER CO., INC.	625,055	764	6,814
WEST JAPAN RAILWAY COMPANY	100,000	724	6,454
JFE HOLDINGS, INC.	375,786	717	6,393
FUKUYAMA TRANSPORTING CO., LTD.	1,000,000	668	5,954
JAPAN NUCLEAR FUEL LIMITED	66,664	667	5,942
KANSAI ELECTRIC POWER CO., INC.	467,107	639	5,692
ELECTRIC POWER DEVELOPMENT CO., LTD.	236,000	615	5,480
KYUSHU ELECTRIC POWER COMPANY, INC.	437,788	519	4,628
TOKYO ELECTRIC POWER COMPANY HOLDINGS, INC.	1,159,375	505	4,506
TAIHEIYO CEMENT CORPORATION	1,335,625	497	4,429
JSR CORPORATION	251,416	472	4,206
MITSUBOSHI BELTING LTD.	400,000	414	3,687
DAIWA HOUSE INDUSTRY CO., LTD.	118,595	379	3,378
CHUBU ELECTRIC POWER COMPANY, INC.	243,154	363	3,232
KUBOTA CORPORATION	200,000	334	2,979
OKAMOTO INDUSTRIES, INC.	280,400	334	2,977
TOKIO MARINE HOLDINGS, INC.	69,000	324	2,888
KANSAI INTERNATIONAL AIRPORT LAND COMPANY, LTD.	6,300	315	2,808
METROPOLITAN INTERCITY RAILWAY COMPANY	6,000	300	2,674
NANKAI ELECTRIC RAILWAY CO., LTD.	500,000	271	2,416
THE CHUGOKU ELECTRIC POWER COMPANY, INC.	217,898	268	2,393
TPR CO., LTD.	73,036	267	3,271
THE OGAKI KYORITSU BANK, LTD.	795,750	263	2,348
MS & AD INSURANCE GROUP HOLDINGS, INC.	73,041	259	2,305
FUJI KYUKO CO., LTD.	250,000	247	2,199
SUMITOMO OSAKA CEMENT CO., LTD.	530,000	245	2,187
FURUKAWA CO., LTD.	1,190,000	244	2,174
KAWASAKI HEAVY INDUSTRIES, LTD.	700,000	237	2,109
OTHER (117 ISSUES)	7,113,471	5,757	50,421
Total	52,058,706	¥60,691	\$540,961

### (b) Bonds

#### Marketable Securities-Held-to-maturity securities

Issuer	Total face value		Figure on balance sheet	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Government bond (3 issues) .....	¥61	\$540	¥61	\$540
Total .....	¥61	\$540	¥61	\$540

#### Investment securities-Held-to-maturity securities

Issuer	Total face value		Figure on balance sheet	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Government bond (3 issues) .....	¥136	\$1,212	¥131	\$1,172
Total .....	¥136	\$1,212	¥131	\$1,172

### (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 Godogaisha) .....	¥ —	¥ 750	\$ 6,685
Mitsui Fudosan Private REIT Inc. ....	300	300	2,674
Investment in limited investment association (one issue) .....	3	292	2,600
Investment in anonymous association (one issue) .....	—	100	891
Total .....	¥303	¥1,442	\$12,850

### 13. Details of property and equipment

Type of assets	Millions of yen						
	Balance at April 1, 2016	Increase during the year	Decrease during the year	Balance at March 31, 2017	Accumulated depreciation or accumulated amortization at March 31, 2017	Depreciation for the year	Net balance at March 31, 2017
<b>Tangible assets</b>							
Buildings.....	¥ 45,171	¥ 5,261	¥1,134	¥ 49,298	¥24,329	¥1,240	¥24,969
Structures.....	2,009	377	8	2,378	1,662	45	716
Machinery and equipment.....	6,350	270	178	6,442	5,834	168	608
Vehicles.....	448	4	16	436	391	24	45
Tools, furniture, and fixtures.....	1,560	90	41	1,609	1,406	88	203
Land.....	45,491	2,980	1,277	47,194	—	—	47,194
Lease assets.....	372	18	—	390	282	40	108
Construction in progress.....	6,289	6,016	3,593	8,712	—	—	8,712
Total tangible assets.....	¥107,690	¥15,016	¥6,247	¥116,459	¥33,904	¥1,605	¥82,555
<b>Intangible assets</b>							
Software.....	—	—	—	2,433	2,004	168	429
Other.....	—	—	—	460	270	—	190
Total intangible assets.....	—	—	—	2,893	2,274	168	619
Long-term prepaid expenses.....	35	0	11	24	15	5	9
Deferred assets.....	—	—	—	—	—	—	—
Total deferred assets.....	—	—	—	—	—	—	—

Type of assets	Thousands of U.S. dollars						
	Balance at April 1, 2016	Increase during the year	Decrease during the year	Balance at March 31, 2017	Accumulated depreciation or accumulated amortization at March 31, 2017	Depreciation for the year	Net balance at March 31, 2017
<b>Tangible assets</b>							
Buildings.....	\$402,629	\$ 46,892	\$10,108	\$ 439,413	\$216,851	\$11,053	\$222,562
Structures.....	17,904	3,364	67	21,201	14,811	401	6,390
Machinery and equipment.....	56,605	2,410	1,598	57,417	52,001	1,496	5,416
Vehicles.....	3,997	33	141	3,889	3,485	214	404
Tools, furniture, and fixtures.....	13,908	800	365	14,343	12,534	788	1,809
Land.....	405,481	26,557	11,381	420,657	—	—	420,657
Lease assets.....	3,312	161	—	3,473	2,516	360	957
Construction in progress.....	56,053	53,624	32,027	77,650	—	—	77,650
Total deferred assets.....	\$959,889	\$133,841	\$55,687	\$1,038,043	\$302,198	\$14,312	\$735,845
<b>Intangible assets</b>							
Software.....	—	—	—	21,687	17,865	1,501	3,823
Other.....	—	—	—	4,101	2,409	1	1,692
Total intangible assets.....	—	—	—	25,788	20,274	1,502	5,514
Long-term prepaid expenses.....	312	3	96	219	142	44	77
Deferred assets.....	—	—	—	—	—	—	—
Total deferred assets.....	—	—	—	—	—	—	—

#### (a) Major increase during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Building	Yokohama-shi, Kanagawa	For rent	¥1,464	\$13,050
Building	Saitama-shi, Saitama	For rent	1,594	14,208
Land	Choufu-shi, Tokyo	For rent	1,416	12,624
Construction in progress	Minato-ku, Tokyo	For rent	1,064	9,481

## (b) Major decrease during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Building	Toyokawa-shi, Aichi	For business	¥816	\$7,273

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

## 14. Details of provision

	Millions of yen				
	Balance at April 1, 2016	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2017
Allowance for doubtful accounts.....	¥ 276	¥ 18	¥ —	¥ 22	¥ 272
Provision for warranties for completed construction.....	1,064	1,728	687	4	2,101
Provision for bonus.....	2,483	2,792	2,483	—	2,792
Provision for loss on construction contracts.....	1,639	730	362	1,202	805
Provision for loss on real estate business and other.....	17	2	12	—	7
Provision for environmental measures.....	227	82	—	—	309

	Thousands of U.S. dollars				
	Balance at April 1, 2016	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2017
Allowance for doubtful accounts.....	\$ 2,460	\$ 158	\$ —	\$ 192	\$ 2,426
Provision for warranties for completed construction.....	9,481	15,405	6,126	32	18,728
Provision for bonus.....	22,129	24,890	22,129	—	24,890
Provision for loss on construction contracts.....	14,613	6,506	3,227	10,717	7,175
Provision for loss on real estate business and other.....	153	18	109	—	62
Provision for environmental measures.....	2,022	735	—	—	2,757

(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 ¥16 million and collect of loans receivable of ¥6 million.

(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.

## 15. Major assets and liabilities

### (Assets)

#### 1. Cash and deposits

	Millions of yen	Thousands of U.S. dollars
Cash and deposits		
Cash.....	¥ 49	\$ 436
Deposits		
Current deposits.....	20,167	179,757
Saving deposits.....	9,940	88,600
Time deposits.....	515	4,592
Total.....	¥30,671	\$273,285

#### 2. Notes receivable

##### (a) Breakdown by payer

Payer	Millions of yen	Thousands of U.S. dollars
Chiyoda Corporation.....	¥ 652	\$ 5,812
Bunka Shutter Co., Ltd.....	463	4,128
Chiyoda TechnoAce Co., Ltd.....	228	2,029
Tsuruya Department Store Co., Ltd.....	203	1,813
Aeon Mall Co., Ltd.....	193	1,718
Other.....	607	5,407
Total.....	¥2,346	\$20,907

##### (b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2017, April.....	¥ 966	\$ 8,609
May.....	615	5,484
June.....	587	5,228
July.....	77	686
August.....	101	900
September and beyond.....	—	—
Total.....	¥2,346	\$20,907

The figure for May includes items unsettled as of April 30 (worth ¥37 million) as April 30, 2017 were bank holiday.

#### 3. Accounts receivable from completed construction contracts

##### (a) Breakdown by payer

Payer	Millions of yen	Thousands of U.S. dollars
Aeon Mall Co., Ltd.....	¥ 17,792	\$ 158,591
The Organization of the Ministry of Land, Infrastructure, Transport and Tourism.....	17,331	154,477
Urban Renaissance Agency.....	8,367	74,576
Peoples Democratic Republic of Algeria, Ministry of Public Works.....	6,211	55,363
MTR Corporation Ltd.....	4,954	44,159
Other.....	100,413	895,025
Total.....	¥155,068	\$1,382,191

## (b) Stagnation

	Millions of yen	Thousands of U.S. dollars
Posted in fiscal year 2017 .....	¥153,673	\$1,369,757
Posted in fiscal year 2016 or before .....	1,395	12,434
Total .....	¥155,068	\$1,382,191

## 4. Real estate for sale

Item	Millions of yen	Thousands of U.S. dollars
Land for sale .....	¥1,363	\$12,148
Building for sale.....	826	7,363
Total .....	¥2,189	\$19,511

Breakdown of land is as follows:

Region	Square meters	Millions of yen	Thousands of U.S. dollars
Tohoku region .....	38,690.34	¥1,325	\$11,810
Other region.....	1,493.00	38	338
Total.....	40,183.34	¥1,363	\$12,148

## 5. Cost on uncompleted construction contracts

Millions of yen			
Balance at April 1, 2016	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2017
¥4,960	¥259,455	¥260,999	¥3,416

Thousands of U.S. dollars			
Balance at April 1, 2016	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2017
\$44,209	\$2,312,633	\$2,326,397	\$30,445

Breakdown of the balance at March 31, 2017 is as follows:

Item	Millions of yen	Thousands of U.S. dollars
Materials cost .....	¥2,532	\$22,568
Labor cost .....	27	238
Subcontracts cost .....	468	4,172
Other region .....	389	3,467
Total .....	¥3,416	\$30,445

## 6. Payment on estate trade

Item	Millions of yen	Thousands of U.S. dollars
Operation cost payment.....	¥ 437	\$ 3,896
Others.....	1,136	10,124
Total.....	¥1,573	\$14,020

## 7. Raw materials & supplies

Item	Millions of yen	Thousands of U.S. dollars
Raw materials & supplies .....	¥ 51	\$ 455
Materials for sale.....	309	2,754
Others.....	32	287
Total .....	¥392	\$3,496

## (Liabilities)

### 1. Notes payable

#### (a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
Kitagawa Iron Works Co., Ltd. ....	¥ 1,491	\$ 13,294
Marubeni-Itochu Techno Steel Inc. ....	1,234	10,997
GECOSS CORPORATION .....	296	2,635
FUJIPASSC Co., Ltd.....	293	2,616
Kagasan Co., Ltd.....	284	2,532
Other .....	11,143	99,323
Total.....	¥14,741	\$131,397

#### (b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2017, April.....	¥ 3,845	\$ 34,274
May .....	3,798	33,854
June.....	3,524	31,413
July .....	3,574	31,856
Total.....	¥14,741	\$131,397

### 2. Electrically recorded obligation

#### (a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
Kinden Corporation.....	¥ 3,661	\$ 32,632
CONCHEM Co., Ltd. ....	1,269	11,313
ASAHI KOGYOUSHA CO., LTD. ....	1,125	10,027
Kyudenko Corporation.....	724	6,450
Rokko & Associates, Inc. ....	712	6,344
Other .....	25,206	224,678
Total.....	¥32,697	\$291,444

#### (b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2017, April.....	¥ 7,756	\$ 69,135
May .....	9,550	85,121
June.....	6,997	62,369
July .....	8,394	74,819
Total.....	¥32,697	\$291,444

### 3. Accounts for payable for construction

Recipient	Millions of yen	Thousands of U.S. dollars
GECOSS CORPORATION .....	¥ 3,301	\$ 29,433
CONCHEM Co., Ltd. ....	1,769	15,767
Kinden Corporation.....	1,509	13,453
TAKEHARA STEEL CONSTRUCTION CO., LTD. ....	927	8,259
Marubeni-Itochu Techno Steel Inc. ....	643	5,729
Other .....	37,366	333,058
Total.....	¥45,515	\$405,699

#### 4. Short-term debt

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Bank, Ltd. ....	¥ 7,000	\$ 62,394
Higo Bank, Ltd. ....	870	7,755
Mizuho Trust & Banking Co., Ltd. ....	867	7,728
Resona Bank, Ltd. ....	858	7,648
Sumitomo Mitsui Banking Corporation.....	850	7,576
The Ogaki Kyoritsu Bank, Ltd. ....	500	4,457
The Hyaku Jushi Bank, Ltd. ....	500	4,457
North Pacific Bank, Ltd. ....	500	4,457
The Norinchukin Bank.....	500	4,456
Other .....	2,544	22,676
Long-term debt due within one year.....	—	—
Total.....	¥14,989	\$133,604

#### 5. Advances received on uncompleted construction

Millions of yen			
Balance at April 1, 2016	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2017
¥6,924	¥164,298	¥156,309	¥14,913

Thousands of U.S. dollars			
Balance at April 1, 2016	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2017
\$61,716	\$1,464,463	\$1,393,251	\$132,928

The difference of ¥150,736 million between total sales of ¥307,045 million on the non-consolidated statements of income and the amount of transferred to net sales of ¥156,309 million indicated above is equal to the sum of accounts receivable from completed construction contracts of ¥150,499 million for fiscal 2017 and the increase of ¥237 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 dollar U.S. dollars
Corporation (6th unsecured straight bond).....	¥15,000	\$133,702
Corporation (7th unsecured straight bond).....	10,000	89,134
Total.....	¥25,000	\$222,836

More details mentioned at FINANCIAL SECTION, 1 CONSOLIDATED FINANCIAL STATEMENTS ⑤CONSOLIDATED FINANCIAL SPECIFICATIONS, "CORPORATE BOND SPECIFICATION"

## 16. Cost of completed construction

### 1. Cost of completed construction

Item	2016		2017		Thousands of U.S. dollars
	Millions of yen	% to Total	Millions of yen	% to Total	
Raw materials.....	¥ 47,438	18.0%	¥ 44,700	17.1%	\$ 398,428
Labor.....	16,281	6.1%	13,198	5.1%	117,642
(of which, outsourced labor cost).....	(16,281)	(6.1)%	(13,198)	(5.1)%	(117,642)
Outsourcing cost.....	157,667	59.7%	162,272	62.2%	1,446,403
Expenses.....	42,761	16.2%	40,829	15.6%	363,924
(of which personnel expenses)...	(17,255)	(6.5)%	(17,752)	(6.8)%	(158,231)
Total.....	¥264,147	100.0%	¥260,999	100.0%	¥2,326,397

Cost is calculated under the job-order cost method.

### 2. Cost of sales on estate business and other

Item	2016		2017		Thousands of U.S. dollars
	Millions of yen	% to total	Millions of yen	% to total	
Land.....	¥ 371	7.0%	¥ 66	1.4%	\$ 587
Buildings.....	1,034	19.3%	837	16.7%	7,464
Expenses.....	2,556	47.8%	2,830	56.5%	25,227
Sub-Total.....	3,961	74.1%	3,733	74.6%	33,278
Other.....	1,386	25.9%	1,272	25.4%	11,338
Total.....	¥5,347	100.0%	¥5,005	100.0%	¥44,616

Cost is calculated under the job-order cost method.

## 17. Subsequent Events

### Change in number of shares per share unit and consolidation of shares

For details, Refer to the "Note to Consolidated Financial Statements, 22. Subsequent Events"

Per share information for the years ended March 31, 2017 and 2016 on the assumption that the consolidation of shares had been implemented as of April 1, 2015 is as follows:

	Yen		U.S. dollars
	2016	2017	2017
Net assets per share.....	¥2,715.60	¥2,980.09	\$26.56
Net income (loss) per share.....	263.92	350.42	3.12

Note: Diluted net income per share was not disclosed because there were no dilutive shares.

## 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, 2017, 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.

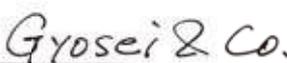
### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nishimatsu Construction Co., Ltd. as of March 31, 2017, 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, 2017

  
GYOSEI & Co.  
Certified Public Accountants

Registered Name Nishimatsu Construction Co., Ltd.  
 Head Office 10th Floor Toranomon Hills Mori Tower,  
 23-1, Toranomon 1-chome, Minato-ku, Tokyo,  
 105-6310 Japan  
 Representative Harusada Kondo, Representative Director  
 and President

Founded 1874  
 Established September 20, 1937  
 Paid-up Capital ¥23,513,643,819  
 Number of Employees 2,504 (As of March 31, 2017)

## Regional Headquarters & Branch Offices

### Domestic Offices

**North Japan Regional Headquarters**  
 8-33, Omachi 2-chome, Aoba-ku, Sendai,  
 980-0804 Japan  
 Phone: 81-22-261-8161

**Sapporo Branch**  
 20 2-chome, Kita 7-jo Nishi, Kita-ku, Sapporo,  
 060-8575 Japan  
 Phone: 81-11-728-0211

**Tohoku Branch**  
 8-33, Omachi 2-chome, Aoba-ku, Sendai,  
 980-0804 Japan  
 Phone: 81-22-261-8958

**Kanto Civil Engineering Regional Headquarters**  
 1-18, Toranomon 1-chome, Minato-ku, Tokyo,  
 105-0001 Japan  
 Phone: 81-3-3502-7558

**Hokuriku Branch**  
 16-8, Kamitokorokami 1-chome, Chuo-ku,  
 Niigata, 950-0992 Japan  
 Phone: 81-25-285-0661

**Kanto Architectural Regional Headquarters**  
 17-21 Shinbashi 6-chome, Minato-ku, Tokyo,  
 105-0004 Japan  
 Phone: 81-3-3502-0287

**West Japan Regional Headquarters**  
 4-7, Tsurigane-cho 2-chome, Chuo-ku, Osaka,  
 540-8515 Japan  
 Phone: 81-6-6942-1173

**Chubu Branch**  
 27-14, Izumi 2-chome, Higashi-ku, Nagoya,  
 461-8558 Japan  
 Phone: 81-52-931-8471

**Kansai Branch**  
 4-7, Tsurigane-cho 2-chome, Chuo-ku, Osaka,  
 540-8515 Japan  
 Phone: 81-6-6942-1298

**Chugoku Branch**  
 2-28, Kokutaijimachi 2-chome, Naka-ku,  
 Hiroshima, 730-8589 Japan  
 Phone: 81-82-247-9281

**Shikoku Branch**  
 8-11, Ban-cho 3-chome, Takamatsu,  
 760-8503 Japan  
 Phone: 81-87-831-1471

**Kyushu Regional Headquarters**  
 14-5, Yakuin 1-chome, Chuo-ku, Fukuoka,  
 810-0022 Japan  
 Phone: 81-92-771-3120

### Overseas Offices

**Hong Kong Branch**  
 Room 508, Star House, Salisbury Road, Kowloon  
 Phone: 852-2736-6461-5  
 Fax: 852-2730-1512

**Bangkok Office**  
**Great Mekong Sub-region Office**  
 19th Floor, Sino-Thai Tower 32/48 Sukhumvit  
 21 (Soi Asoke), Klongtoey-Nua, Wattana,  
 Bangkok 10110 Thailand  
 Phone: 66-2258-9590-7  
 Fax: 66-2258-9599

**Singapore Office**  
 70 Bendemeer Road  
 #05-04 Luzerne, Singapore 339940  
 Phone: 65-6298-0566  
 Fax: 65-6291-1449

**Malaysia Office**  
 Unit 23.02 Menara Haw Par, Jalan Sultan  
 Ismail, 50250 Kuala Lumpur  
 Phone: 60-3-2070-9911  
 Fax: 60-3-2078-9911

**Vietnam Offices**  
**Hanoi Office**  
 #402, D10 Giang Vo, Ba Dinh District, Hanoi,  
 Vietnam  
 Phone: 84-24-3772-3034-6  
 Fax: 84-24-3772-3032

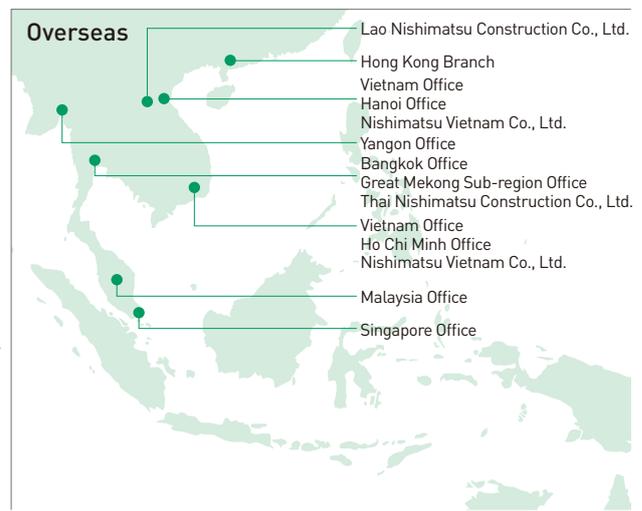
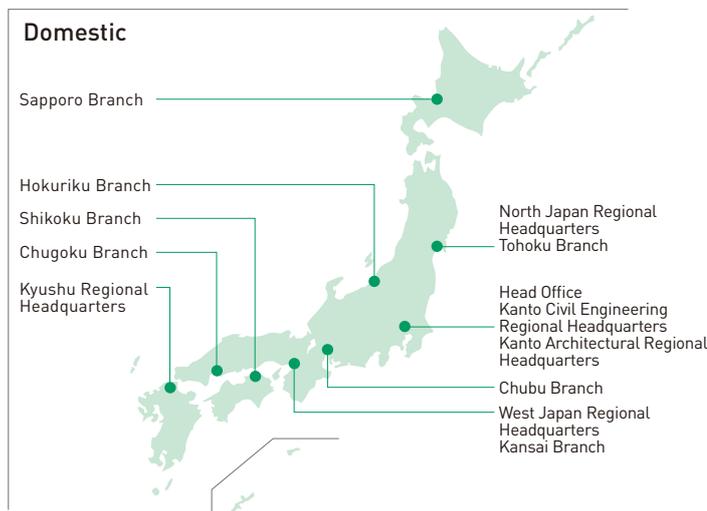
**Ho Chi Minh Office**  
 8 Floor, Thien Phuoc 2 Building, 110 CMT  
 8 Street, Ward 7, District 3, Ho Chi Minh City, Vietnam  
 Phone: 84-28-6263-8380  
 Fax: 84-28-6298-3716

**Yangon Office**  
 No. 70, Yaw Min Gyi Condominium Rm. 408, Yaw  
 Min Gyi Street, Dagon Township, Yangon, Myanmar  
 Phone: 95-1-379-697

**Thai Nishimatsu Construction Co., Ltd.**  
 Note: Location and other information is the  
 same as the Bangkok Office of Nishimatsu  
 Construction Co., Ltd.

**Lao Nishimatsu Construction Co., Ltd.**  
 1st Floor Savan-SENO Special Economic Zone  
 Authority's Office, No. 9 Phetsalad Road, Nakea  
 Village, Kaisone Phomvihanh District,  
 Savannakhet Province, Lao PDR, P.O. Box 200  
 Phone: 85-6-41-219-044  
 Fax: 85-6-41-219-049

**Nishimatsu Vietnam Co., Ltd.**  
 Note: Location and other information is the  
 same as the Hanoi and Ho Chi Minh offices of  
 Nishimatsu Construction Co., Ltd.



## Stock Status (As of March 31, 2017)

Total number of authorized shares: 800,000,000

Total number of issued shares: 277,957,513 (including 3,529,441 shares of treasury stock)

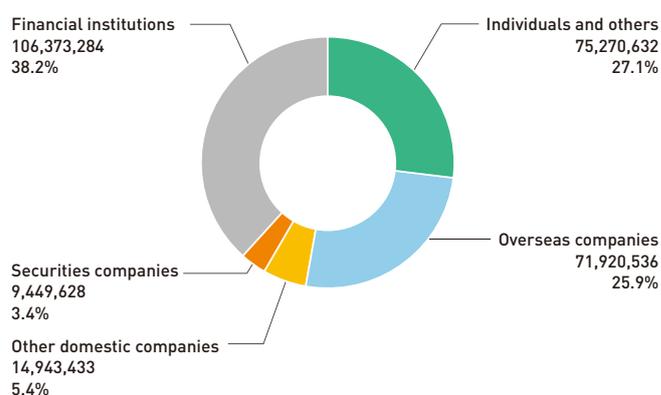
Number of shareholders: 21,524

### Major Shareholders

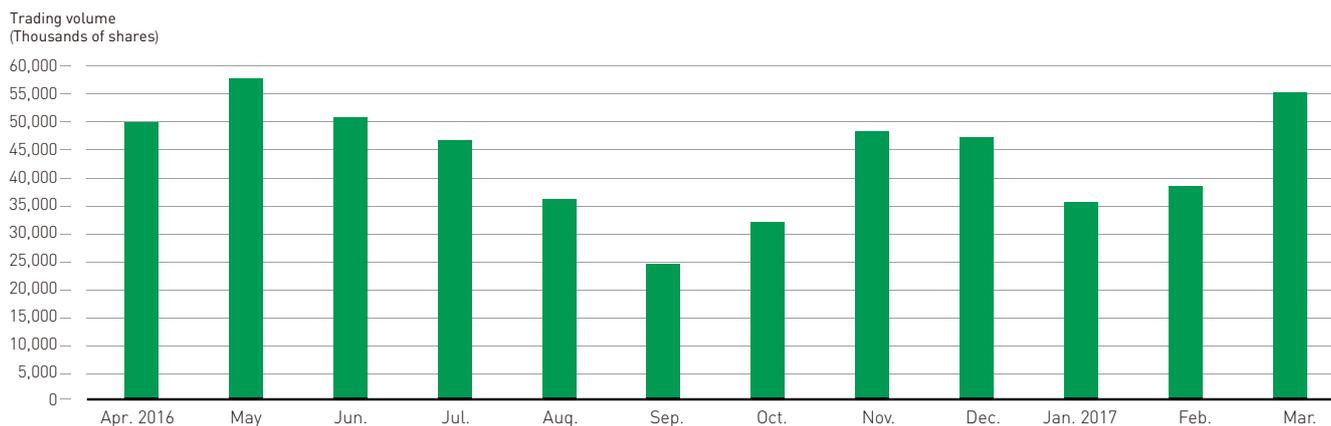
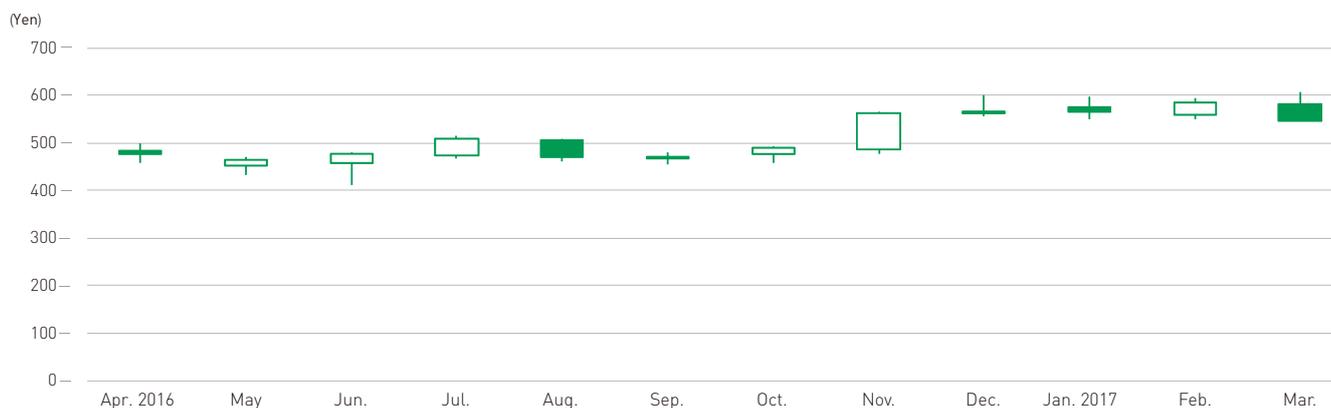
Shareholders	Shares held (Thousands)	Shareholding ratio (%)
Japan Trustee Services Bank Ltd. (Trust account)	20,398	7.43
The Master Trust Bank of Japan Ltd. (Trust account)	19,395	7.07
Japan Trustee Services Bank Ltd. (Trust account 4)	9,728	3.54
Trust & Custody Services Bank Ltd. (Securities investment trust account)	6,267	2.28
Japan Trustee Services Bank Ltd. (Trust account 9)	5,141	1.87
Japan Trustee Services Bank Ltd. (Trust account 5)	4,758	1.73
Meiji Yasuda Life Insurance Company	4,577	1.67
Japan Trustee Services Bank Ltd. (Trust account 2)	3,478	1.27
Japan Trustee Services Bank Ltd. (Trust account 1)	3,438	1.25
Nishimatsu Construction Employees Shareholders' Association	3,237	1.18

Note: Our treasury stock of 3,529,441 shares is excluded from the above list.  
The shareholding ratio is calculated excluding treasury stock.

### Shareholder Distribution



### Stock Performance





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**Inquiries:**

Nishimatsu Construction Co., Ltd.  
CSR Planning Section, Corporate Planning Department  
10th Floor Toranomon Hills Mori Tower,  
23-1, Toranomon 1-chome, Minato-ku, Tokyo,  
105-6310 Japan  
Phone: 81-3-3502-7554 Fax: 81-3-3502-7593



Certified as an  
Eco-First Company  
by the Minister of  
the Environment



Nishimatsu Construction  
supports COOL CHOICE