

Corporate Report
2018



Successfully Building a Better Future.

Corporate Philosophy

Company
Motto

Courage, Courtesy, and Justice

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

Corporate
Philosophy

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

CSR
Management
Policy

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

Five Steps
for CSR
Management

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

Editorial Policy

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

Coverage

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

Applicable Period

In principle, the applicable period for this report is the financial reporting period from April 1, 2017 to March 31, 2018, although it also covers some activities conducted in fiscal 2018, due to the importance of presenting the most current information.

Topics Covered

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

For CSR information, we referenced the Environmental Reporting Guidelines (2012 Version) of Japan's Ministry of the Environment and the GRI Standards (launched in 2016) of the Global Reporting Initiative (GRI). Third party assurances have been adopted for some environmental data and HR data to ensure reliability.

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

Referenced Guidelines

We refer to the International Integrated Reporting Council's (IIRC)* international framework for Integrated Reporting (IR) and report on Nishimatsu Construction's value provision. IR is based on the seven basic principles below and strives for reporting that covers a company's short-, medium- and long-term value provision, which we believe is aligned with Nishimatsu Construction's basic aspirations and aims for integrated reporting.

A) Strategic focus and future orientation, B) Connectivity of information, C) Stakeholder relationships, D) Materiality, E) Conciseness, F) Reliability and completeness, G) Consistency and comparability

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

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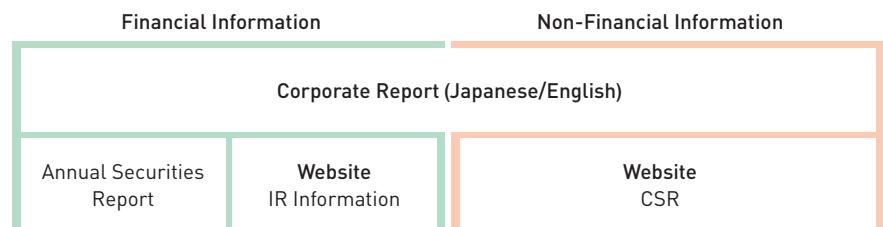


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Information Disclosure

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 2017, while our website offers more detailed information.

Important
↑
↓ Details (Inclusive)



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



Becoming a Company with Overall Capabilities That Provides Better Value





In order to respond with precision to social changes and achieve sustainable growth,
Nishimatsu Construction formulated a long-term vision describing
the kind of company it wants to be in 10 years.

We aim to become a company with overall capabilities that enable us to provide
stakeholders with better value through superior environmental technologies,
diverse services and appealing work styles.



Nishimatsu-Vision 2027

Becoming a Company with Overall Capabilities That Provides Better Value

In order to respond with precision to social changes and achieve sustainable growth, we formulated Nishimatsu-Vision 2027, which describes the kind of company we want to be in 10 years. By expanding our business areas and evolving our Construction Business, we are striving to transform into a company with overall capabilities as we continue to provide stakeholders with better value through our business activities.

Further Realize Our Corporate Philosophy
We will help establish a sustainable society and environment by providing better value.

Corporate Philosophy

Providing society with using the technologies and help establish a sustainable people can live with peace

Provide Better Value to Stakeholders
We will provide better value from superior environmental technologies, diverse services and appealing work styles through our business activities.

Better Value

Superior Environmental Technologies



Environment
and Society

Transform into a Company with Overall Capabilities
We will invest in growth to expand our business areas and evolve our Construction Business to become a company with overall capabilities.

Company with Overall Capabilities

Financing/
Project Start-up



important structures and services
experiences we have acquired to
society and environment where
of mind.

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

Diverse Services

Appealing Work Styles



Customers



Employees



Partner Companies



Shareholders

Evolve Our Construction Business

Project Planning/
Development

Design

Technology

Construction
Management

Operation

Management/
Maintenance

Providing
Further
Value

Expand Our Business Areas ▶ One-Stop Solutions

Achieving the Strategies of Vision 2027

The fundamental mindset for realizing Nishimatsu-Vision 2027 is to develop businesses to become a company with overall capabilities. Within our organization, we will strengthen respective businesses and linkages among businesses, and, as individuals, broaden the scope of our respective activities. This will allow us to create diverse ties between our four domains of civil engineering, building construction, development and real estate, and new businesses to provide better value. Furthermore, since the International Business will connect these four domains, we will be able to deliver a type of value that differs from our offerings to date.

Business Development to Become a Company with Overall Capabilities

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



Overall Capabilities

Best proportion between “flow business” and “stock business”

In addition to the conventional built-to-order business, strengthen businesses that make efficient use of valuable buildings created through one-stop solutions

Flow business: Built-to-order business

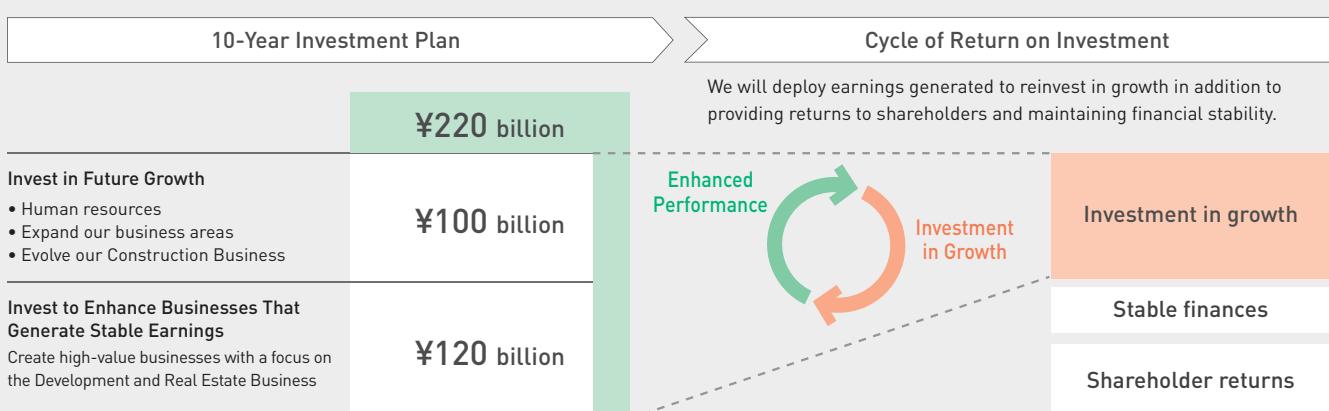
Stock Business: Facility/property management business that enhances long-term relationships with customers

Getting out of the simple built-to-order business

Accurately identify various needs and quickly provide differentiated services to customers

Investment in Growth to Become a Company with Overall Capabilities

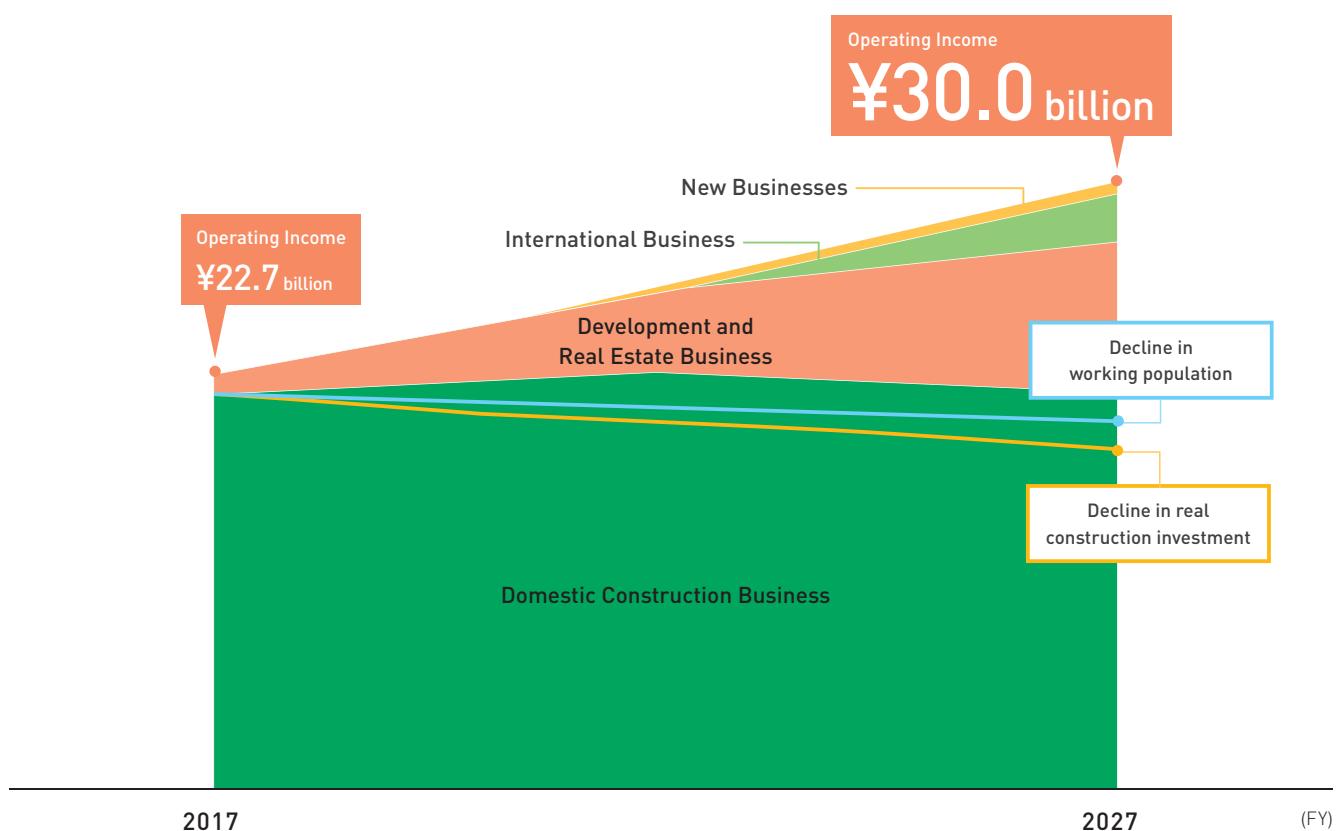
We will enhance our business performance through investment in future growth, and deploy earnings to reinvest in growth.





Business Portfolio Evolution

Our goal is operating income of ¥30.0 billion or more for fiscal 2027 through sustained growth of over 30% over 10 years.

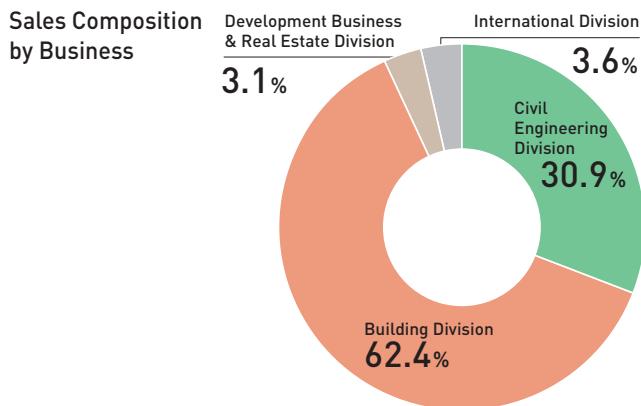


We will generate growth primarily in the Domestic Construction Business during the first five years of the plan. We will generate sustainable growth by building a portfolio with emphasis on the Development and Real Estate Business and the International Business during the remaining five years of the plan.

Domestic Construction Business	While we expect a decline in construction investment, we will maintain a certain scale and target a 10% market share increase by enhancing our technological capabilities and expanding our business areas.
Development and Real Estate Business	We will actively create high-value businesses that are linked to our Construction Business. We will complete the business start-up process during the first five years, then expand our new businesses during the remaining five years.
International Business	We will transition from business development centered on large-scale civil engineering projects to businesses that provide valuable services while addressing the needs of the countries we serve in collaboration with our domestic businesses.
New Businesses	We will expand our business areas to support the creation of businesses that will become new strengths. We will focus on and deepen specific projects during the first five years, then develop them during the remaining five years.

Financial and Non-Financial Highlights

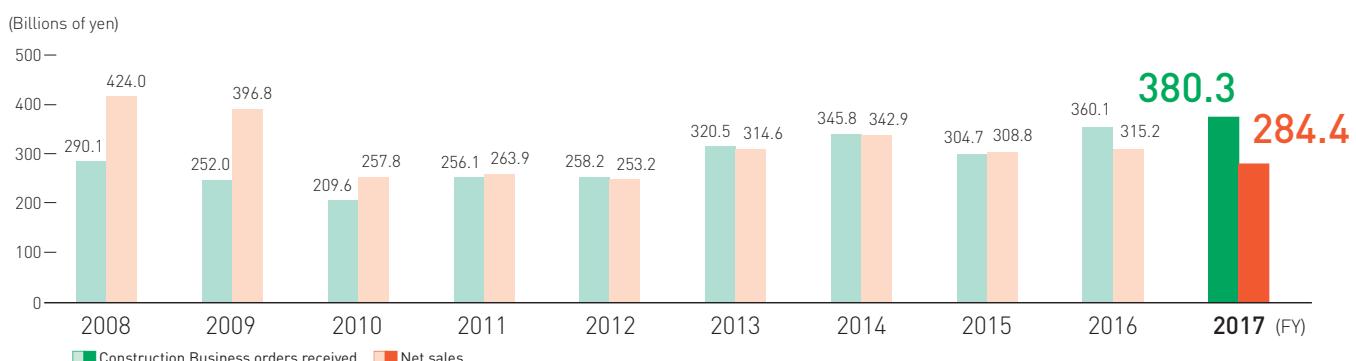
Business Portfolio (Non-consolidated basis)



Description of Businesses

Business	Orders received (Non-consolidated basis)
Civil Engineering Division	¥118.2 billion
Building Division	¥213.8 billion
Development Business & Real Estate Division	—
International Division	¥37.9 billion

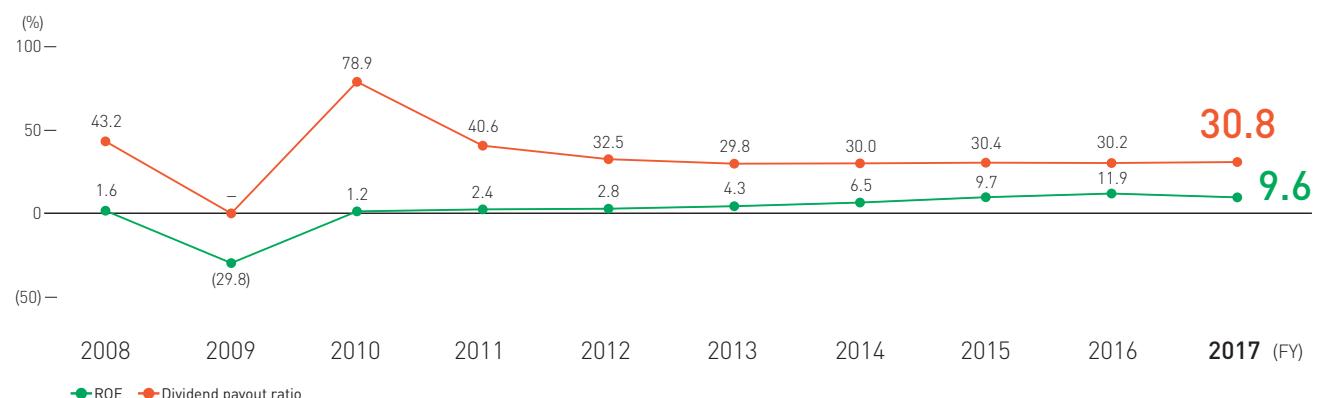
Construction Business Orders Received, Net Sales (Consolidated basis)



Income from Operations, Operating Margin (Consolidated basis)

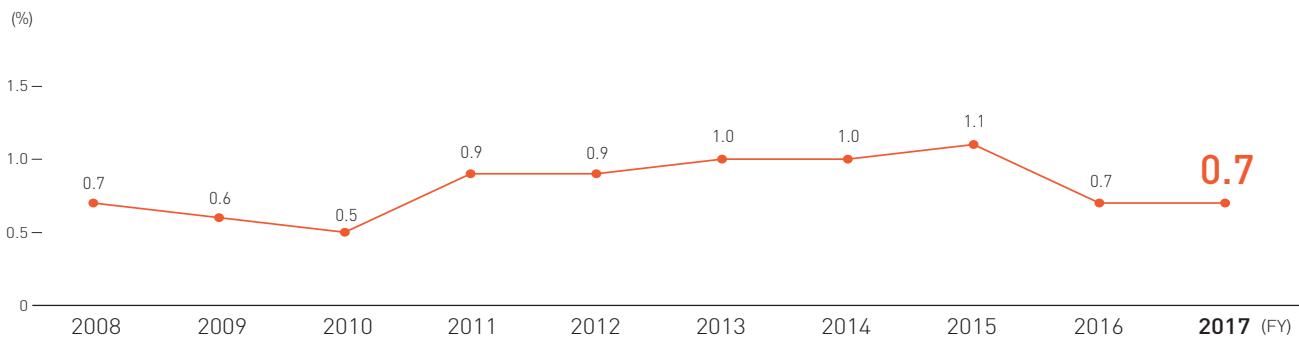


ROE, Dividend Payout Ratio (Consolidated basis)

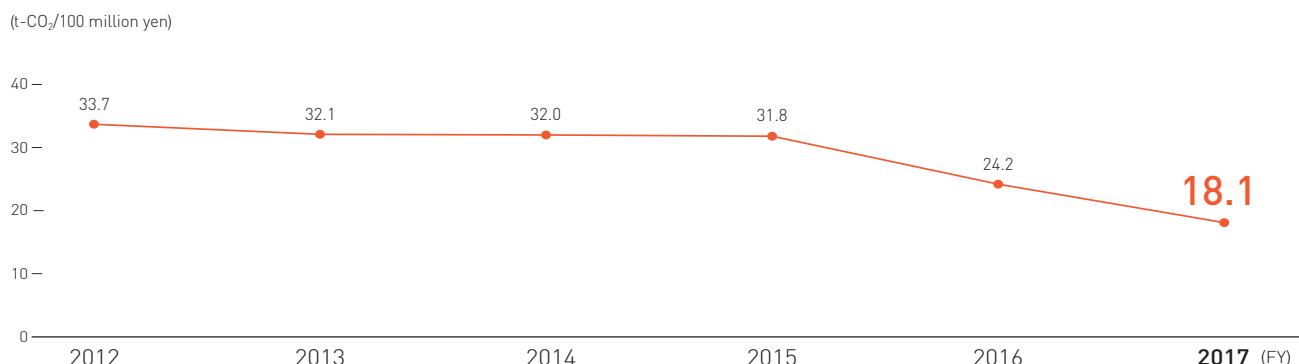


Net sales (Non-consolidated basis)	Business activities
¥85.3 billion	Through the construction of social infrastructure such as roads, railways, dams and electrical power, we support people's lifestyles and socioeconomic activities. Leveraging the technical capabilities and on-site experience that we have accumulated over many years, we are responding to social demands for safe and secure national land development.
¥172.4 billion	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 deliver services throughout the lifespan of buildings as we take a hand in the planning and design stages, then continuing through the operation and maintenance phases of projects.
¥8.4 billion	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 and other businesses that support companies seeking to efficiently manage their real estate holdings.
¥9.8 billion	Nishimatsu Construction's International Business has spread to Hong Kong, Thailand, Singapore, Malaysia, Vietnam, Myanmar, and Laos. We leverage the many years of experience we have accumulated overseas with our robust customer relationships as we engage in civil engineering projects involving 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.

Occupational Injury Frequency Rate



CO₂ Emission Intensity



Market Capitalization (At fiscal year-end)

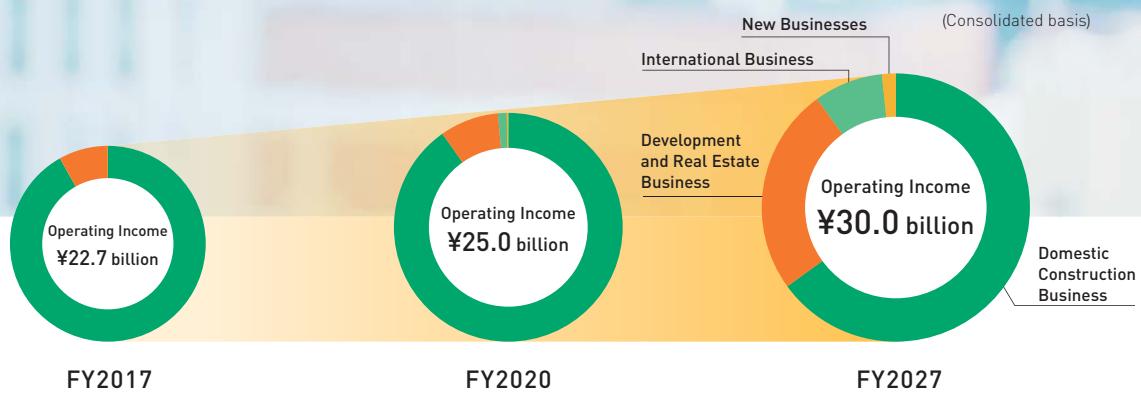


The Next Step toward Our 10-Year Goal

Background to Formulating Nishimatsu–Vision 2027 and Business Development for Sustainable Growth

Nobutoshi Takase

Representative Director and President



Basic policies	<ul style="list-style-type: none"> · Nurture the Human Resources Necessary for Continuous Expansion · Establish a Highly Profitable Core Business · Develop New Business to Achieve Continuous Expansion 	<p>Build the Foundation for Becoming a Company with Overall Capabilities</p> <ul style="list-style-type: none"> · Expand our business areas: <u>Start providing one-stop solutions</u> · Evolve our Construction Business: <u>Improve productivity</u> <p>Goal: Provide Better Value</p>	<p>Overall Capabilities</p> <ul style="list-style-type: none"> · Best proportion between “flow business” and “stock business” · Getting out of the simple built-to-order business <p>Better Value</p> <ul style="list-style-type: none"> · Superior environmental technologies · Diverse services · Appealing work styles
	FY2017 Actual	FY2020	FY2027
Net sales	¥284.4 billion	¥380.0 billion	¥400.0 billion
Operating income	¥22.7 billion	¥25.0 billion	¥30.0 billion or higher
ROE	9.6%	8.0% or higher	Sustained at 8.0% or higher
Equity ratio	47.7%	Approx. 50.0%	50% or higher
Debt-to-equity ratio	0.24 times	Approx. 0.3 times	0.3 times or lower
Dividend payout ratio	30.8%	30% or higher, and ¥100 or more per share	



Why we formulated a long-term vision for the next decade in our 145th year of business

Currently, the Japanese economy is enjoying a positive cycle on the back of steady implementation of economic policies, strong demand related to the 2020 Tokyo Olympic and Paralympic Games, and other factors. The Nishimatsu Construction Group is also posting favorable results, mainly in the Domestic Construction Business.

At the same time, however, the scale of the market is gradually contracting, social infrastructure is aging, technologies for automation and information communication are advancing, and the working population is decreasing. These and other factors are expected to significantly change the structure of the construction market over the medium to long term. In order for the Group to maintain growth while responding to these environmental changes, we came to believe that we needed to establish operating

targets with a longer time frame than that used in the past, and to transform the way we provide value to customers. For these reasons, we formulated Nishimatsu-Vision 2027, launched in May 2018, to define the kind of company we want to be in 10 years, and the measures for realizing this vision.

The management team's intention in formulating the long-term management vision was to work out policies for the Company's sustainable growth during this period of favorable operating conditions, stipulating appropriate amounts to invest in each of these policies. Furthermore, the Group will join efforts currently underway to achieve the global targets of the United Nations Sustainable Development Goals (SDGs). Through our businesses, we would like to fulfill our responsibilities as a member of society, by making ongoing contributions to building a

foundation for industry and technological innovation, creating sustainable cities, and preserving the global environment. Moreover, achieving the sustainable, harmonious society targeted by the SDGs is linked with Nishimatsu Construction's Corporate Philosophy, which is a clear statement of our essence and reason for being. Going forward, no matter how the structure of the construction industry might change, we will implement our Corporate Philosophy with unwavering commitment.

We have defined the kind of company we want to be in 10 years: a company with overall capabilities that provides better value. There are three ways in which we will provide this value to stakeholders. The first way is by providing diverse services based on an organizational structure that

enables us to support construction projects with a one-stop approach. The second way is through superior environmental technologies in our Construction Business, which is currently our core business, to protect Japan's rich natural environment and high standard of living. The third way is through the appealing work styles that we will offer to our employees and partner companies.

To provide better value in these ways, we will expand our business areas and evolve our Construction Business, transforming Nishimatsu Construction into a company with overall capabilities. By doing so, we will build a good balance of earnings from the best proportion between "flow business" and "stock business," thereby developing new businesses that are not simply build-to-order.

Promoting two strategies for achieving Nishimatsu-Vision 2027

To become a company with overall capabilities that provides better value, we are focusing on two strategies: expanding our business areas and evolving our Construction Business.

Within the value chain of the construction industry, our Group has operated in the midstream area, which mainly involves the construction of buildings. Going forward, however, we will expand our business areas by making a full-fledged entry into the upstream areas of project planning and design, and the downstream areas of management and maintenance. By being involved along the entire construction value chain, we believe that we can truly help customers find solutions to their problems, and bring greater value to society. This is our first strategy for becoming a company with overall capabilities.

Our second strategy, evolving our Construction Business, means a bold transformation and evolution of our conventional approach to construction in order to respond to labor shortages in the construction industry, work-style reforms, and increasingly stringent quality requirements. Specifically, we will work to boost productivity by utilizing information and communications technology (ICT) and robots, developing labor-saving construction methods and standardizing work flows. These and other measures are the driving force behind appealing work styles, the third way of providing better value.

In pursuing these two strategies, we intend to deliver new upstream and downstream services, increase the proportion of profit from our Development and Real Estate Business, which is a stock business, to achieve the best

proportion between flow business and stock business. At the same time, we will strive to increase business models in which we develop projects alongside clients from the project planning stage, thus getting out of simple built-to-order business. In carrying out our mission to "provide society with important structures," we will provide combinations of new, construction-related services as a strategic business partner for our customers. This is also part of our vision to become a company with overall capabilities that provides better value.

To achieve this vision, we will aggressively nurture human resources and carry out investments. With regard to human resource development, we will promote more active employee exchange through cross-organizational interaction to further strengthen ties among business divisions. Likewise, on the individual level, to optimally deploy human resources we will build a framework that develops multi-skilled workers and increases the breadth of career paths to broaden the scope of work that each employee can participate in.

We are planning ¥220 billion in investment over the coming 10 years. A total of ¥100 billion will be allocated to human resource strategies, expansion of our business areas and evolution of our Construction Business, while ¥120 billion will be deployed to grow our stock business, mainly in the Development and Real Estate Business. Human resource strategies are the chief priority among these investments because the most pressing challenge faced by the construction industry is a lack of successors

due to Japan's aging society and low birthrate. Site managers and technical supervisors who have a wealth of knowledge and expertise are aging and the number reaching retirement age is increasing. In order to maintain vital worksites and ensure that we can achieve sustainable growth, we will allocate as much investment as possible to recruiting and training personnel.

At the same time, we will continue to create a worksite environment that ensures safety, while establishing highly productive work flows utilizing ICT and labor-saving technologies, and adopting employment systems that allow a diverse labor force to work with vibrancy.



Objective for the next three years: Build the foundation for becoming a company with overall capabilities

Medium-Term Management Plan 2020, which was launched at the same time as Nishimatsu-Vision 2027, positions the three years through 2020 as the phase for building the foundation for becoming a company with overall capabilities. The plan outlines the initial steps we will take toward realizing our long-term vision.

First, while providing one-stop solutions that cover upstream to downstream needs and tying those solutions to earnings growth, we will develop tools and systems to improve productivity. Furthermore, in each business division, we will strengthen initiatives for stock business, after-sales service, and new services, creating close ties among divisions over the next three years. By implementing these initial steps Company-wide, we will accelerate our three strategies of nurturing human resources, expanding

our business areas and evolving our Construction Business. Over the subsequent seven years, we will ensure that our stock business is well on track to achieve the best proportion compared with our flow business.

Our performance targets for fiscal 2020 are net sales of ¥380 billion, ROE of 8% or higher, an equity ratio of approximately 50%, and a debt-to-equity ratio of approximately 0.3 times. We will improve performance by leveraging growth investments and will allocate a portion of the resulting returns to further growth investments. With regard to returns to shareholders, while keeping an overall perspective of the business environment and our performance, we plan for a dividend payout ratio of 30% or more of profit, and a stable dividend of ¥100 or more per share.

The new culture we would like to foster alongside the Company assets that we must pass on to the next generation

It was with some surprise that I received the unofficial announcement of my appointment as president in January 2018. After assuming the position, I realized anew the weight of responsibility in passing on 145 years of history and Company assets to the next generation. I am keenly aware of the role we must fulfill for customers, investors, employees and other stakeholders.

I have the frequent pleasure of hearing from outside

sources that Nishimatsu Construction has a warm personality and pays attention to fine details at the frontlines. In order for us to pass on these strengths and further evolve, I would like to foster a culture that encourages spirited discussion transcending differences in position or department.

We look forward to meeting your expectations as we take our next step toward our 10-year goal.

Value Delivered by Business Segments

Civil Engineering Division

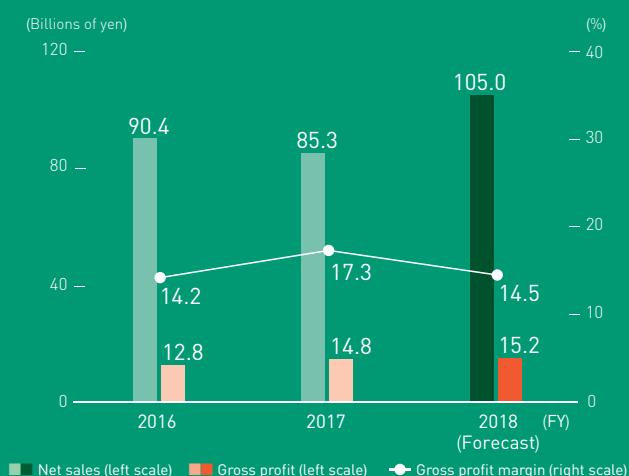
Through the construction of social infrastructure such as roads, railways, dams and electrical power, we support people's lifestyles and socioeconomic activities. Leveraging the technical capabilities and on-site experience that we have accumulated over many years, we are responding to social demands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



Strengths

- Frontline capabilities exercised through the integration of branches, worksites and the Head Office
- Top-class general contractor technical capabilities

Net Sales, Gross Profit, Gross Profit Margin (Unconsolidated basis)



Main Construction Projects in Fiscal 2017

1. National Route 45 Yamada-Kita Road Improvement Work

Client: Tohoku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism
Location: Yamada-machi, Shimohei-gun, Iwate Prefecture

2. Kohoku Water Station (tentative name) Water Supply Reservoir and Pump House Construction Project

Client: Tokyo Metropolitan Government Bureau of Waterworks
Location: Adachi Ward, Tokyo

3. Kobushinokawa Tunnel Construction, 2014-2016

Client: Shikoku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism
Location: Kuroshio-cho, Hata-gun, Kochi Prefecture

4. Fukuoka No. 322 Hatchotoge Highway (Asakura side) New Tunnel Construction

Client: Kyushu Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism
Location: Asakura City, Fukuoka Prefecture

► STRATEGY

Aim for an organization that delivers optimal technologies for all manner of needs by refining overall capabilities, from project planning to operational management

As public investment gradually declines going forward, to achieve Medium-Term Management Plan 2020 and Nishimatsu-Vision 2027, it is paramount for us to grow our share of construction investment by evolving our Construction Business and expanding our business areas.

To evolve our Construction Business, we must leverage ICT to develop labor-saving technologies, especially NATM,¹ and fully automated shield tunneling techniques, secure large government-sector projects that offer high productivity, and brush up on our approach to handling the current Comprehensive Evaluation Bidding System. To expand our business areas, we will work to increase our technical capabilities for proposing and carrying out projects, from the design and planning stages to the operation and management stages, and proceed with aggressive proposal-type sales to expand orders for private-sector construction such as railways and electrical power projects. Along with this, we will secure stable sources of

Key Points

Evolve our Construction Business

- Develop labor-saving technology
- Secure large government-sector projects that offer high productivity
- Brush up our approach to handling the current Comprehensive Evaluation Bidding System

Expand our business areas

- Initiatives for design and construction projects
- Initiatives for maintenance and management projects
- Initiatives for infrastructure stock business

earnings by working aggressively to acquire infrastructure stock business such as PFI² and PPP.³

To expand our business areas into domains where we have little experience and to promote infrastructure stock business, we will put effort into hiring and fostering human resources and forming alliances with outside businesses. The success of these initiatives rests on each employee keenly understanding the current limits of growth from public works projects alone, as well as the necessity for responding flexibly to changes in the environment, and maintaining a strong commitment to achieving our goals. All employees will be united as they continue to move forward.

1. NATM: New Austrian Tunneling Method. A tunneling method mainly for use in mountains.

2. PFI: Private Finance Initiative. The use of private funding and expertise in the design, construction, maintenance, operation and other aspects of public facilities.

3. PPP: Public-Private Partnerships. Projects where the public and private sectors cooperate to provide public services. PFI is a representative example of a PPP.



Makoto Isshiki

General Manager of
Civil Engineering Division

► TOPIC

Improving productivity using a large partial-face machine

This project involves constructing a 1,728-meter tunnel to mitigate chronic traffic congestion and allow for emergency and disaster response on the section of the national route connecting the cities of Nagasaki and Sasebo.

Over the length of the tunnel, plans called for blasting excavation for the half of the tunnel from the point of origin and mechanical excavation for the second half to the point of termination. However, the fact that a large number of residents live in the vicinity of the point of origin required a change of plans in favor of mechanical excavation for the entire length of the tunnel in order to mitigate the effects of noise and vibration.

By using a large partial-face excavation machine (RH-10J-SS), it was possible to excavate a full cross-section, with debris removal work carried out in parallel with the excavation. This helped reduce time requirements and boost productivity.

Furthermore, we collaborated with the manufacturer of the partial-face machine to create a fully welded, fortified pick cutter, the use of which reduced the need for replacing parts (longer pick cutter lifespan) and re-welding the holders and drum as with a conventional pick cutter. The result contributed to less need for machine maintenance.

Project name: Okunohira-Togitsu Prefectural Road Improvement Construction (tentative name: Kururi Tunnel)

Location: Togitsu-cho, Nishisonogi-gun, Nagasaki Prefecture



Shunji Matsuoka

Kururi Tunnel
Field Office



We utilized a large partial-face excavation machine and an upgraded pick cutter (left) allowing full cross-section excavation and the ability to safely handle changes in bedrock as we proceeded, which helped to boost productivity on the worksite. The staff and partner companies banded together to ensure project completion with zero accidents and zero injuries.

Building Division

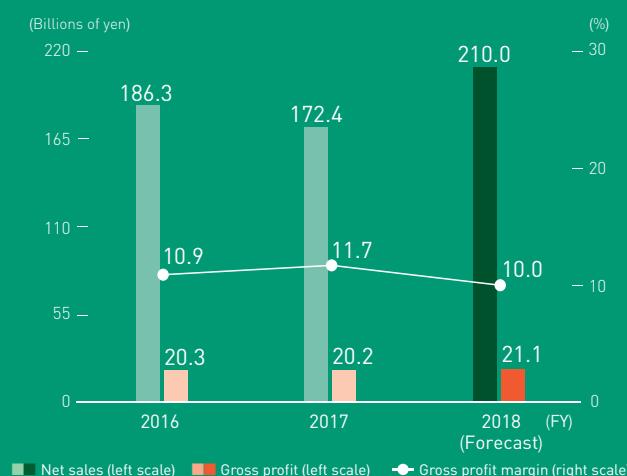
While making full use of advanced technical capabilities, we handle diverse building construction projects, from office buildings to cultural, educational, commercial, and medical facilities. At the same time, we deliver services throughout the lifespan of buildings as we take a hand in the planning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



Strengths

- Dynamism from the integration of sales and worksite staff to deliver the highest level of satisfaction to customers
- Overall capabilities to work side by side with customers as a strategic partner to solve their problems

Net Sales, Gross Profit, Gross Profit Margin (Unconsolidated basis)



Main Construction Projects in Fiscal 2017

1. Aeon Mall Tokushima (tentative name)
New Construction

Client: Aeon Mall Co., Ltd.
Location: Tokushima City, Tokushima Prefecture

2. DPL Amikasumigaura (tentative name)
New Construction

Client: Ami Facilities Development Special Purpose Company
Location: Inashiki-gun, Ibaraki Prefecture

3. Yokohama Kitako Building (tentative name)
Development Plan and New Construction

Client: Toshin Development Co., Ltd.; Tokyu Land Corporation
Location: Yokohama City, Kanagawa Prefecture

4. Prologis Park Ichikawa 3 Project

Client: Ichikawa 3 Special Purpose Company
Location: Ichikawa City, Chiba Prefecture

► STRATEGY

Work to integrate production and support to deliver maximum satisfaction to customers as a division where everyone thinks, and everyone acts

Over the six years since its establishment, the Building Division has worked from a basic strategy of transitioning from a subcontracting company to one that is a partner for its customers. Consequently, by exercising the strength of a structure that integrates sales with worksite operations, not only have we raised our profit margin, we have been able to produce significant results.

Going forward, in order to earn further trust from customers, we will strive for integration among our departments. We will work to further strengthen both sales and worksite operations, which may be regarded as the "production department" and the "engine" of our building construction business. Also, to increase productivity and achieve sustainability, all associated departments will cooperate in supporting planning and project implementation. Through this approach, in addition to delivering the highest level of satisfaction to

customers, we will also work to build a resilient structure that is not swayed by market fluctuations, while securing sustainable, stable profit.

In order to drive sustainable growth from a long-term perspective, we aim to integrate production and support throughout our business to create an organization that can optimally place and fully utilize management resources. Additionally, we would like all employees to have flexible minds and sound bodies able to respond to changes of any sort. We intend to move forward as a division where everyone has a sense of ownership, everyone thinks, and everyone acts, with the aim of delivering value to customers.

Key Points

Strengthen technology and create new value

- Strengthen comprehensive capabilities of the organization, including the supply chain
- Invest for sustainable growth and to build strategies for the future

Establish a base for new growth

- Establish dedicated departments focused on the future
- Promote organizational cooperation and hiring free from sectionalism
- Develop new fields by collaborating with companies in other industries



Akira Maeda

General Manager of
Building Division

► TOPIC

Gaining a sense of achievement by continuing to take on challenges with the power of organizational solidarity

This project broke ground in September 2017 under the tentative name of Kojimachi 5-chome Project, Planning and New Construction. A 21-story office building over 120 meters high, it is located in Kojimachi, Chiyoda Ward, Tokyo, not far from the National Diet Building and the Supreme Court.

With as much as a 13-meter variation in site elevation across the property, as well as the challenge of demolishing residual structures on-site and shoring and underpinning work, we had countless meetings leading up to the construction plan proposal, including much trepidation and many occasions where it was hard to reach a conclusion. I feel that the construction plan we worked out through incremental improvements was the result of confronting the challenges with the organizational solidarity we shared with Head Office and branches. Everyone involved had a common commitment to continuing undeterred, while leveraging Nishimatsu Construction's frontline capabilities to reach solutions.

Some of the various works that are now getting fully underway are unprecedented for us. However, in order to enjoy the sense of achievement that lies beyond, I hope for solidarity among Nishimatsu Construction employees and partner companies as I myself strive to hone my skills and contribute to future building projects.

Project name: Kojimachi 5-chome Project (tentative name)
Planning and New Construction

Location: Chiyoda Ward, Tokyo



Source: Sumitomo Realty & Development Co., Ltd. (general supervision), Nikken Sekkei Ltd. (design management)

Seiji Koyanagi

Chief
Kojimachi 5-chome
Construction
Office



Development Business & Real Estate Division

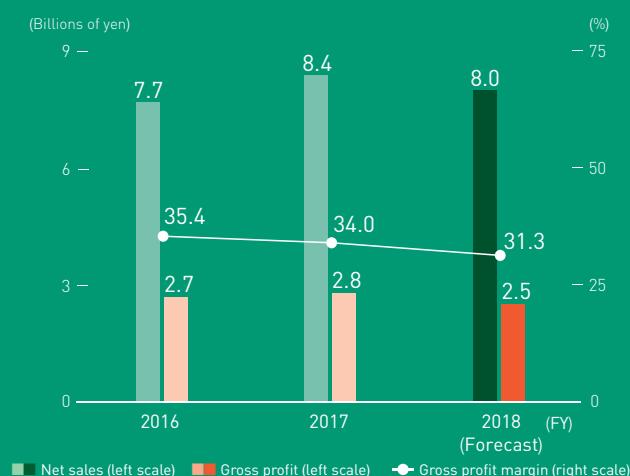
We provide one-stop real estate solutions with high added value through redevelopment projects that lead to attractive urban development and revitalization of local economies, in addition to commercial facility and office building development and management projects. To these, we add corporate real estate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



Strengths

- Creation of high-value business in domains expected to yield growth
- One-stop Group coverage of all aspects of the real estate cycle

Net Sales, Gross Profit, Gross Profit Margin (Unconsolidated basis)



Main Projects

1. Elderly Care Facility

Alpha Living Hiroshima Furue Station Area (left)

Location: 1-3 Furue Shinmachi, Nishi-ku, Hiroshima City, Hiroshima Prefecture
Building use: 47-room living facility for the elderly, with services

2. Hakodate Station, Wakamatsu Area Category 1 Urban Redevelopment Project (upper right)

Location: 20-1 Wakamatsu-cho, Hakodate City, Hokkaido Prefecture
Building overview: Includes commercial facilities, public welfare facilities (Hakodate Mirai-kan and Hakodate Kids Plaza) and 84 apartments

3. Student Dormitory Management

Keio University Hiyoshi International Dormitory (lower right)

Location: 5-11-18, Hiyoshi, Kohoku Ward, Yokohama City, Kanagawa Prefecture
Building use: Dormitory with 200 rooms (50 four-person units), one manager's apartment and 2 guest rooms, for a total of 203 rooms

► STRATEGY

Strive to be an outstanding customer support expert able to meet the diverse needs of communities and customers

To help make Nishimatsu Construction a company with overall capabilities that provides better value, the Development Business & Real Estate Division formulated a plan called “Triangle Innovation 2027 – Triple Jump Strategy.” By proceeding with this plan at full steam, we aim to grow into a division that delivers future sources of revenue both in Japan and overseas.

There are three key points to pursuing this plan. The first is identifying, as a company with overall capabilities, issues customers and society are struggling with and quickly delivering value by addressing those struggles with distinctive solutions that other companies do not offer.

The second is growing into a division that is based on stock business, and fulfills the role of third pillar of Nishimatsu Construction, and contributes to achieving the best proportion

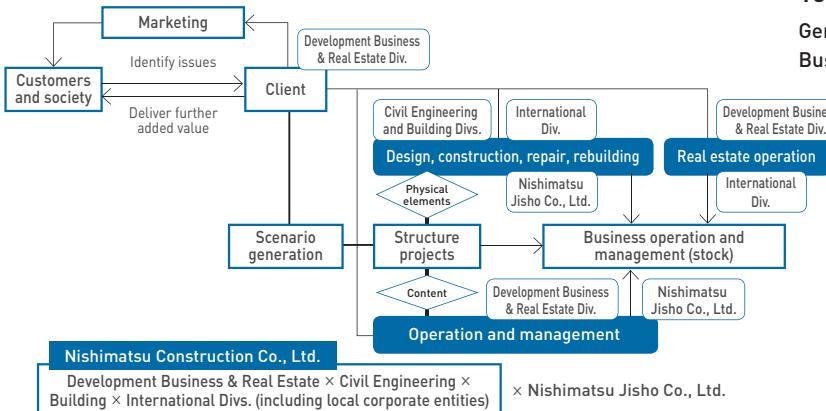
between flow business and stock business.

The third key point is building a highly efficient, highly productive and lean asset portfolio by continuing to make investments for growth (project start-up investments and investments in human resources) necessary for creating high-value businesses.

We will concentrate the combined knowledge of Nishimatsu Construction as each employee becomes able to respond to the diversifying needs of clients and society in general under our slogan “experts that win the overwhelming support of our customers.” Doing so will provide better value – targeting markets expected to yield new growth* – by rolling out businesses that can solve the problems of customers and society.

* Foreign nationals, women, senior citizens, companies in their growth stages, and others.

A Business Model That Leverages Overall Capabilities



Yoshiyuki Sawai

General Manager of Development Business & Real Estate Division



► TOPIC

Creating a high-performance business hub directly connected to Kamiyacho Station on the Tokyo Metro Hibiya Line

This project involves the integrated development of a property owned by the Nishimatsu Construction Group and adjoining properties owned by Tokyo Metro Co., Ltd., including land around the subway station entrances and exits, and the joint development of an office building, which will be directly connected to Kamiyacho Station on the Tokyo Metro Hibiya Line. This office development project, one of the Nishimatsu Construction Group's complete-package projects involving a one-stop solution from planning to operation and management, is scheduled to be completed in November 2018.

In addition to constructing an advanced office building with the rare feature of being directly connected to the station, the project will introduce enhanced functions for the station, including making it barrier free. Some of the building's specific top-class safety features are an earthquake damping structure, redundant emergency electrical lines (each line running from a different transformer substation), and a 72-hour emergency generator. Despite being a medium-size building, it has specifications on the level of a large-scale facility. Additionally, the building design takes ease of use into consideration. In terms of environmental features, it meets ZEB Ready¹ status with energy-saving features that enable it to operate at 50% or below standard energy levels and under the BELS² evaluation system for the intrinsic energy conservation performance of buildings, it has received five stars,³ the highest designation.

Building name: NCO Metro Kamiyacho

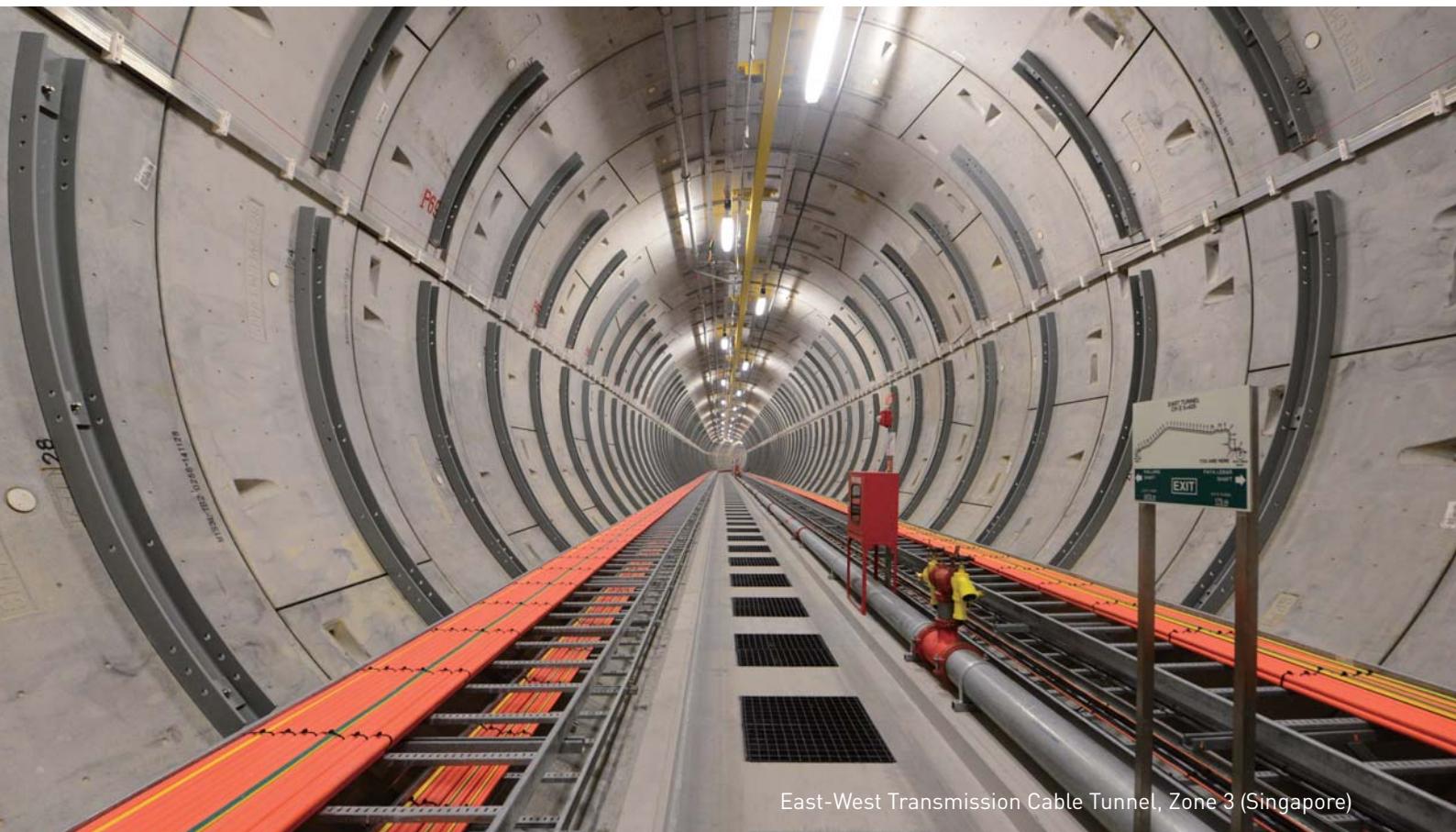
Building overview: S structure (earthquake damping structure), 8 floors above ground, 2 floors under ground, total floor area 6,350.73 m²



1. Zero Energy Building Ready. Indicates a building that operates at 50% or below standard energy levels with energy-saving features that do not include power generation.
2. Building-Housing Energy-Efficiency Labeling System. A certification system under which third-party, registered energy-saving assessment institutions evaluate and label the energy-saving performance of non-residential buildings.
3. Five stars for an office building indicates a structure that operates at 60% or below standard energy levels. Approximately 0.1% of annual non-residential building starts meet this level.

International Division

Nishimatsu Construction's International Business has spread to Hong Kong, Thailand, Singapore, Malaysia, Vietnam, Myanmar, and Laos. We leverage the many years of experience we have accumulated overseas with our robust customer relationships as we engage in civil engineering projects involving 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.

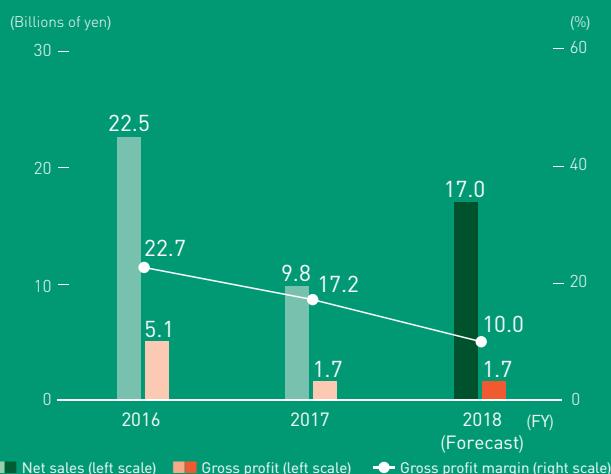


East-West Transmission Cable Tunnel, Zone 3 (Singapore)

Strengths

- Track record of building safe, high-quality infrastructure and facilities
- Partnerships with local companies in each Asian country

Net Sales, Gross Profit, Gross Profit Margin (Unconsolidated basis)



Receipt of Award at the BCA Awards 2018

At the BCA Awards 2018, organized by the Building and Construction Authority of Singapore on May 22, 2018, Nishimatsu Construction received three awards: one for the Nishimatsu Singapore Office and two for Contract 929A for the construction of part of the Downtown Line 3 of the Singapore Subway.

The awards recognized our initiatives to date targeting productivity enhancements on construction sites as well as worksite management that takes the environment into account.



▶ STRATEGY

Flexibly select projects and approaches that recognize the character of local regions and develop businesses that balance Japanese values with local considerations

Nishimatsu Construction has been involved in overseas business for nearly 60 years. Since the return of Hong Kong to China in 1997, however, overseas business results have been inconsistent. Going forward, we will work to move beyond an approach where large-scale civil engineering projects sway the profit and loss of our overall business in order to achieve stable overseas operations.

In Asia, where we are currently rolling out our overseas business, there is great infrastructure demand potential, and Japanese companies are still actively making inroads. With a view to 10 years in the future, we are pursuing business underpinned by our three pillars of building construction, civil engineering, and development and real estate, while carrying out projects centered on the key concepts of "expansion," "stability," and "dependability." In addition to conventional infrastructure development projects, we will strive to increase construction project orders by expanding our scope to include local public- and private-sector construction projects and by significantly enhancing the range of services offered to Japanese companies. Doing so will expand our

Key Points

Building construction business: Expansion

- In addition to conventional infrastructure development projects, expand scope to include local public- and private-sector construction projects
- Enhance range of services for Japanese companies

Civil engineering business: Stability

- Carry out stable business operations by being sure to secure change orders

Development and real estate business: Dependability

- Pinpoint local needs and carry out steady business expansion with partners

building construction business from about ¥10 billion in Japanese private-sector construction projects (primarily from companies' local subsidiaries) to around ¥30 billion in comprehensive building construction projects. Combined with our civil engineering business, which is roughly of the same scope, we are aiming for about ¥60 billion 10 years from now.

The highest priority challenges for realizing our three pillars and their key concepts (expansion in building construction; stability in civil engineering; and dependability in development and real estate) are to strengthen our sales capabilities in the building construction business, strengthen bidding and construction management capabilities in the civil engineering business, and to leverage our expertise and market adaptability in the development and real estate business. It is not possible to meet these challenges solely through the efforts of the International Division. We must collaborate closely with other business divisions and determine the individual needs of each country in which we operate. I would like to steadily move forward step by step by working through our overseas bases to gather information and by assessing markets in cooperation with our local partners.



Kensuke Hayashi

General Manager of
International Division

▶ TOPIC

Development and operation of an industrial park for Japanese companies in Laos

In March 2015, we established Lao Nishimatsu Construction Co., Ltd., the first Japanese joint-venture general construction company in Laos. Additionally, in December 2015, we participated in the establishment of a company to manage the development of the Pakse-Japan Small and Medium Enterprise Special Economic Zone (industrial park) near Pakse, located in the southern province of Champasak. Development has started in this zone dedicated to Japanese small and medium enterprises (SMEs).

With a total development area of 195 hectares, the zone is approximately the size of 41 Tokyo Domes. The Phase 1 development area covers some 66 hectares, approximately 13 of which were finished in August 2017, and sale of land use rights is currently underway.

The factory of the first Japanese company to move into the park has already been completed. Meanwhile, rental factories have also been constructed in the park to accommodate SMEs that would like to enter Laos but are unable to build their own facilities. Also, to recruit local employees, we have formed ties with vocational training schools in the area and are working to develop human resources.

We will continue to develop an environment that will allow Japanese SMEs desiring to move into the Pakse Industrial Park to enjoy long-term, stable operations.

Project name: Pakse-Japan Small and Medium Enterprise Special Economic Zone (industrial park)

Location: Near the city of Pakse, province of Champasak (Laos)



First Japanese company factory in the park

Overseas Activities



Hong Kong

In December 2017, Hong Kong Branch (HKB) was awarded Contract No. HY/2017/09-Ho Man Tin Access Shaft by the Highways Department. This is the first works contract for the Central Kowloon Route, a civil engineering mega project, and it mainly involves using the diaphragm wall method to construct a vertical circular access shaft of 21 m internal diameter and approximately 100 m deep, together with the coring of 3 nos. horizontal directional holes with a total length of approximately 3,615 m.

For both completed MTR Corporation contracts, rectifications of all defects were accepted by the client, and the Defects Correction Certificate for South Island Line (SIL) Contract 902 was received on December 4, 2017. A similar certificate for Kwun Tong Extension Contract 1001 was issued in late January 2018.

Additional road junction improvement works in the Wong Chuk Hang area, stipulated in SIL Contract 902 to be conducted upon completion of the contract, were targeted to be finished in the third quarter of 2018 in order to facilitate the client's property development there.

Several infrastructure mega projects will be completed in late 2018, including Central-Wan Chai Bypass, Guangzhou-Shenzhen-Hong Kong Express Rail Link and Hong Kong-Zhuhai-Macau Bridge. Apart from deep cement mixing and reclamation works, Airport Authority Hong Kong awarded several major works contracts in 2017 to modify the existing two-runway system to suit the implementation of a three-runway system. Furthermore, in 2018 there will be calls for tender for at least five major civil/building works projects.



Location Plan for Ho Man Tin Access Shaft

In 2017, the new Chief Executive of the Government of the Hong Kong Special Administration was elected. However, executive-legislative relations have not significantly improved in terms of the construction business. Moreover, filibustering by legislators has continued to delay government funding approval of many infrastructure projects and intense competition among contractors still exists in tendering for public works contracts.

Building tenders were issued steadily by the Hong Kong Housing Authority and private sector, but the number of tenders decreased slightly, probably due to the lack of land available for building public and private housing. In order to resolve this problem, the government set up a "Task Force on Land Supply" in September 2017, but it may take more than one year to initiate, discuss and finalize a report prioritizing land supply options for further consideration by the government.

In 2017, China decided to combine Hong Kong, Macau and the cities of Guangdong's Pearl River Delta to create an economic region, the Greater Bay Area, comparable to the San Francisco Bay Area, Greater New York and the Greater Tokyo Area. However, the Hong Kong construction industry has not benefited directly or significantly at this stage.

Since 2017, HKB has been reorganized to assign local Hong Kong people to key positions in order to enhance local management for sustainable and stable business in Hong Kong. We expect them to manage middle-scale local projects, including building and civil engineering, as part of continuous business and also to manage selected large-scale projects under Nishimatsu Construction's expertise. In the near future, all projects for continuous business, excluding large-scale projects, will be managed by senior local staff.



Thailand, Laos

The economic situation in Thailand has been improving slowly since 2013. Amidst such conditions, Thai Nishimatsu Construction Co., Ltd. has successfully completed the following projects: the Gourmet Primo Project (Bangkok Airways), the MACO EC Building and Factory #3 Project (Mitsubishi Heavy Industries), and the UACJ Fin Coating Factory and UTT & External Project. Additionally, we have been awarded the UACJ Phase III Project, the UNIQLO Thailand Pathanakarn Road Project, the Bridgestone Aircraft Tire Manufacturing ACE Project, the Bangkok Can Manufacturing New Factory Project, the UACJ New Warehouse Project, and Bridgestone Tire Manufacturing (Thailand) New Warehouse Project.

Despite an economic slowdown over the past few years and the death of King Bhumibol Adulyadej, the GDP growth rate in 2018 is estimated at 3.6% to 3.9%. Regarding private investment represented by the automobile industry, annual vehicle production in 2018 is expected to increase by 2 million units due to replacement demand from customers who had

enjoyed the supportive measure of the tax rebate of the first-time car buyer program.

In addition, the Eastern Economic Corridor (EEC) project is specifically designed to accommodate Thailand's 10 target industries and as a "Thailand 4.0 initiative," it is expected to attract foreign investment. Regarding the establishment of the EEC law, Thailand hopes to develop its eastern provinces of Chonburi, Rayong, and Chachoengsao into a leading ASEAN economic zone spreading over a combined area of approximately 13,000 square kilometers.

Cambodia, Myanmar and Laos, members of the ASEAN Economic Community, which are neighbors of Thailand, have been increasing trade with Thailand. In particular, exports from Thailand are expected to increase due to the removal of tariffs within the ASEAN area, the creation of logistics infrastructure and the combining of customs, and to supersede domestic business as the driver of Thailand's economy.

In 2018, we will strive to cultivate new business areas

including advanced factory projects with finance leasing conditions, residential projects in cooperation with new business partners, and maintenance services for civil structures. Moreover, we are considering targeting contracts from not only companies invested in by domestic and Japanese enterprises but also from foreign-owned enterprises.

Project name: Fin Coating Factory and UTT & External Project
Client: UACJ (Thailand) Co., Ltd.
Completed: December 2017
Location: Amata City Industrial Estate, Rayong, Thailand



Project name: Gourmet Primo Project
Client: Gourmet Primo Co., Ltd.
Completed: September 2017
Location: Prawet District, Bangkok, Thailand



Furthermore, Pakse-Japan SME SEZ Development Co., Ltd. (PJSEZ), in which Nishimatsu Construction Co., Ltd. has invested, has completed Phase 1 development of its industrial park and started to sell out. It fully supports clients who invest in Laos. This year, we have successfully completed and handed over our first project at PJSEZ in Laos, the Sanko Lao New Factory Project.

Project name: MACO EC Building and Factory #3 Project
Client: Mitsubishi Heavy Industries-Mahajak Air Conditioners Co., Ltd.
Completed: January 2018
Location: Lat Krabang Industrial Estate, Bangkok, Thailand



Singapore

In January 2018, the Building and Construction Authority (BCA) of Singapore reported projected stronger construction demand in 2018. This is due to an anticipated increase in public-sector construction. The public sector is expected to contribute about 60% of total construction demand, which is between S\$26 and S\$31 billion.

Work on the Land Transport Authority of Singapore (LTA)'s Contract 929A for the construction and completion of tunnels between Ubi and Kaki Bukit stations and reception tunnels for part of the Downtown Line 3 was completed, with the line open for passenger service on October 21, 2017. Nishimatsu Construction Co., Ltd. was awarded the BCA's Construction Excellence Award and Construction Productivity Award (Platinum) for this project.

The EW3 Contract for the East-West Transmission Cable Tunnel, awarded by the Singapore Power Power Assets to the joint venture of Nishimatsu and a local contractor, Messrs KTC Civil Engineering & Construction Pte. Ltd., was also completed on schedule in June 2017.

LTA's Contract 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 in a joint venture with Messrs Bachy Soletanche Singapore Pte Ltd. The bored tunneling works were completed in December 2017 and station structural works are near completion and are currently on schedule for the contract completion date of December 2020.

In 2017, Nishimatsu was also awarded two new projects. The first is LTA's Contract C882 for the construction of Keppel station and tunnels for Circle Line 6, awarded on September 8, 2017 to Nishimatsu in a joint venture with Messrs China State Construction Engineering Corporation Limited. The second is the Public Utilities Board Contract T-10 for the Design and Construction of sewer tunnels for the Deep Tunnel Sewerage System Phase 2 Project, awarded on November 17, 2017. Work on both projects is currently in its initial stage.

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





Vietnam

In February 2017, Japan's Imperial Highnesses visited Vietnam for the first time.

Ahead of this visit, Prime Minister Abe traveled to Vietnam in January 2017 and held summit talks with his counterpart Nguyen Xuan Phuc. In June 2017, Prime Minister Phuc came to Japan as a distinguished guest on an official working visit and held discussions with Prime Minister Abe, after which the two issued a joint Japan-Vietnam statement. These events further deepened the friendly and growing political and economic relationship between Japan and Vietnam.

With the November 2017 APEC Economic Leaders' and Ministerial Meeting held in Da Nang, Vietnam, global awareness of Vietnam continues to increase in recent years. Accompanying this is greater interest from Japanese companies as Vietnam builds strong political and economic bonds with Japan.

Although economic growth in Vietnam slowed significantly in 2012, it has steadily picked up since then with rapid growth recently in exports of electronic goods, among other sectors. In 2017, the economy grew by 6.8%, a 10-year high. While the elimination of tariffs among ASEAN countries and the effect of TPP developments on international trade market are a focus of concern, Vietnam's steady economic growth is forecast to continue for the time being.

In order to aggressively expand business in Vietnam under these favorable economic conditions, on February 8, 2017 Nishimatsu Construction established wholly owned local subsidiary Nishimatsu Vietnam Co., Ltd. This subsidiary will enable us to respond more quickly to local customer needs.

In 2017, we completed SD Vietnam Industries Ltd.'s SD Vietnam Factory Extension Project, Kao Vietnam Co., Ltd.'s Kao Vietnam Warehouse Expansion Project and Dragon Logistics Co., Ltd.'s Dragon Logistics Warehouse Extension Project.

We are currently working on OM Chemical Co., Ltd.'s OM Chemical Vietnam Factory Project in the north of the country and Saigon Precision Co., Ltd.'s Factory No. 3-Factory Extension and Renovation Project in the south while also repairing and extending many existing facilities of Japanese companies across Vietnam.

As many more Japanese companies are expected to open factories in Vietnam, Nishimatsu Construction is committed to seizing this business opportunity and solidifying a foothold as a company with a strong local presence. We will therefore leverage the expertise we have accumulated to date in

construction projects, as well as our human capital and all other resources, while maximizing the rapid responsiveness of Nishimatsu Vietnam Co., Ltd., to win greater customer satisfaction through routine and timely proposals tailored to customer needs. In this way, we intend to aggressively expand sales activities to receive more orders for the construction of new factories for Japanese companies entering Vietnam. Furthermore, in addition to conducting preparatory works for industrial parks and infrastructure construction, we intend to explore possibilities in new areas, such as repair and extension works, renovation, commercial facility construction projects, and collaborative real estate development projects, in order to develop even more target customers.

At the same time, the official development assistance (ODA)-related construction market remains promising, as bids are expected through Japanese government ODA for urban railways, including underground tunnels, and for infrastructure projects, such as water treatment facilities.

Based on a thorough analysis of country risks, such as the non-transparency of permits, licenses, procedures and legal interpretations in Vietnam, as well as an examination of client capabilities (such as whether they can expropriate construction sites and pay construction fees without delay) and contract conditions, we will carefully yet aggressively proceed with only selected projects for which we can leverage our technologies and expertise.



Dragon Logistics Warehouse Extension Project



OM Chemical Vietnam Factory Project



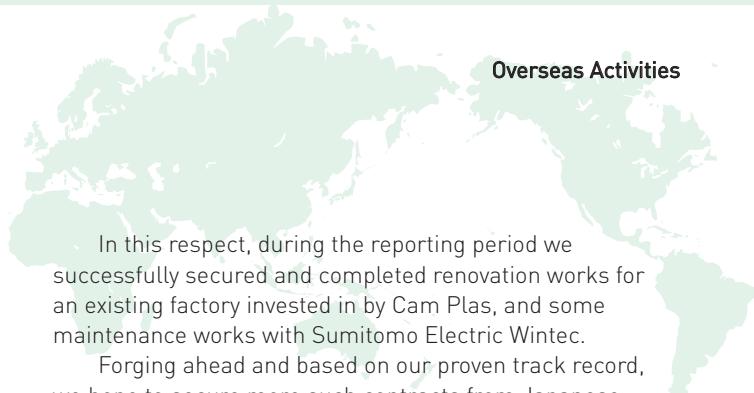
Malaysia

Malaysia's economy registered another year of formidable and robust growth in 2017. It grew 5.9% (2016: 4.2%), beating the earlier growth forecast of 4.3%–4.8%. The strong economic performance was in line with global economic growth. It was also supported by strong domestic demand and expansion in both private- and public-sector spending.

For 2018, GDP is projected to be 5.5%–6.0%. Some of the downside risks of concern are: the strength of

Malaysia's exports could be impacted by monetary and regulatory policy shifts of major trading partners, rising trade protectionism, and volatile global commodity prices. These could all dampen the strength of activities in the domestic economy.

In the construction sector in 2017, year-on-year growth declined to 6.7% (2016: 7.4%) of GDP. For 2018, however, it is expected to improve to 7.3%. Many of the high-impact



infrastructure/rail projects announced earlier were rolled out. By mid-2017, physical works on KVMRT-Line 2 and LRT 3 had commenced. At the end of February 2018, progress on KVMRT-Line 2 was on track, with 17.7% completed. Tenders for various packages, mainly for design and consultancy services, of the HSR (High Speed Rail), were called and awarded. Groundbreaking for the ECRL (East Coast Rail Link) was also completed and preliminary works are progressing. Major progress on all of these mega projects is expected in 2018.

A contract for centralized sewerage for Kuching City Project-Package 2 was signed in August 2018 and preliminary and preparation works are in progress.

Opportunities and success in participating in these infrastructure/rail projects were limited to joint ventures with major local contractors or to collaboration with foreign contractors who offer strong financial backing or cheaper cost.

Under this scenario, our business plan and portfolio changed. Our outlook and priorities are now focused on contracts related to building works, mainly new factory and warehouse construction, extension or renovation works for existing factories and warehouses, and maintenance works.



Myanmar

In Myanmar, the military regime was replaced by civilian rule in 2011. 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, a new government led by the NLD was inaugurated and the new president and cabinet for democracy were sworn in 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 also 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 of these events, Myanmar's economy has been growing at a high rate of over 7% for four consecutive years since 2012. Going forward, the International Monetary Fund is forecasting a growth rate of around 7% until 2019.

However, our market has not kept up with the rapid growth, because of intricate factors, including inadequate social infrastructure and legal systems, which hampers 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. Among these, the number of Japanese registered firms is more than 370, according to an announcement of the Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development.

Myanmar is replete with natural resources, including natural gas, copper, nickel, and gemstones. It also adjoins two major economic giants, China and India, and so it has a geographical advantage that enhances its presence. The ASEAN Economic Community (AEC) was established at the end of 2015 and aims for the abolition of tariffs, within limits,

In this respect, during the reporting period we successfully secured and completed renovation works for an existing factory invested in by Cam Plas, and some maintenance works with Sumitomo Electric Wintec.

Forging ahead and based on our proven track record, we hope to secure more such contracts from Japanese companies operating in Malaysia in the near future. We also hope to expand our business opportunities to include local and multinational corporations, especially in purpose-built buildings requiring higher-level design specifications or fast-track construction.

Another new business prospect that is being considered is the leasing of identified land and construction of purpose-designed buildings for long-term lease to potential clients. This will expand our construction business opportunities. We are looking for a suitable local partner for this business venture and are considering establishing a local company in order to adapt to this business aspect. Regarding this business plan, we are currently in serious discussion and will engage with such potential investor immediately once those discussions have matured.

by 2018. The realization of the AEC's goals will further accelerate the economic development of Myanmar.

Since the completion of construction of the Thilawa Industrial Park in a special economic zone in 2015, many Japanese manufacturers have begun operations there. Social infrastructure for electricity, water supply, and transportation will be enhanced with ODA provided by the Japanese government, distribution will be intensified around the East-West Economic Corridor, where roads are to be improved, and industrialization is expected to progress rapidly.

Since the general election of 2016, Nishimatsu Myanmar Office has been seeking business opportunities with Japanese firms that plan to make inroads into the market of Myanmar, and also with Myanmar construction firms with which we can build cooperative relationships. We aim to participate in construction projects supported by Japanese ODA, in order to gain a large share of the market.

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 contribute to the development of a business environment that will lead to the growth of the country.



KMA-Suzue Logistics Center Myanmar Project



Kumamoto Prefecture



Demolition work on Uto City Hall
Machinery using BDF



At Kumamoto Prefectural Government Office, May 24, 2018
Left: Kumamoto Governor Ikuo Kabashima; Right: Akira Maeda, Executive Vice President and Representative Director (General Manager of Safety, Environment & Quality Division), Nishimatsu Construction Co., Ltd.

Kumamoto Prefecture is working to spread the usage of biodiesel fuel (BDF) by implementing a Stop Global Warming! Collective Effort BDF Campaign. Nishimatsu Construction used BDF to run machinery for demolishing the Uto City government office building, which was damaged in the 2016 Kumamoto earthquakes. Governor Kabashima conveyed his gratitude for this initiative and sent a message expressing his desire to cooperate and combine efforts going forward.

Nishimatsu Construction's Accelerating Environmental Management

Feature

Nishimatsu Construction sees global warming prevention, biodiversity preservation and zero emissions of waste as the basis of management and is accelerating its initiatives as a company with advanced environmental management. Among these initiatives, we are rolling out efforts promoting the usage of BDF nationwide, and took the opportunity to pay visits to government officials promoting the use of BDF: Ikuo Kabashima, governor of Kumamoto Prefecture, and Wataru Hashikawa, mayor of Kusatsu City, Shiga Prefecture.



Kusatsu City



Redevelopment project in front
of JR Kusatsu Station
Machinery using BDF



At Kusatsu City Hall, May 29, 2018
Right: Kusatsu Mayor Wataru Hashikawa; Left: Akira Maeda, Executive Vice President and Representative Director (General Manager of Safety, Environment & Quality Division), Nishimatsu Construction Co., Ltd.

Kusatsu City, Shiga Prefecture, is promoting the Kusatsu Global Cooling Project as a countermeasure for global warming. We are using BDF to run construction machinery at our ongoing redevelopment project in front of JR Kusatsu Station. This initiative was praised by Mayor Hashikawa, who sent a message asking for continued collaboration in spreading the use of BDF.

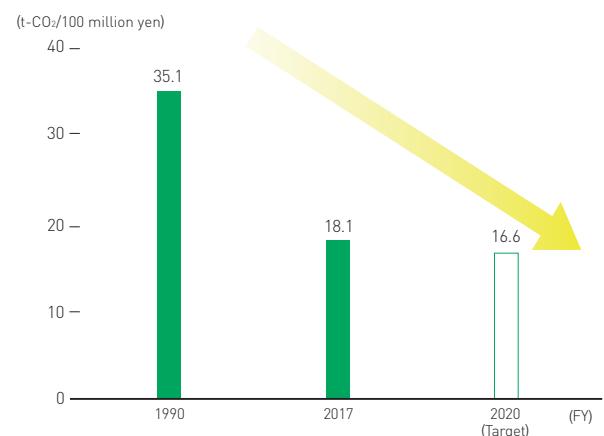
Initiatives and Results of Efforts for Becoming “Carbon-Free”

Since acquiring ISO 14001 certification in fiscal 1999, Nishimatsu Construction has proactively promoted environmental preservation activities. In fiscal 2015, we received certification as an Eco-First Company from Japan’s Minister of the Environment. We are further accelerating efforts as we aim to become a “carbon-free” corporation.

FY	Main Activities and Results
1999	Acquired ISO 14001 certification and started environmental preservation activities
2011	Incorporated environmental management in our CSR Management Policy
2015	Incorporated environmental measures in Medium-Term Management Plan 2017
2015	Received certification as an Eco-First Company from the Minister of the Environment
2016	Cumulative total of 1,980 employees (79% overall) received Eco Test ¹ certification; received a special award from The Tokyo Chamber of Commerce and Industry
2016	2.9% of construction waste sent for final landfill disposal (achieved our target of less than 3%)
2017	Achieved 100% adoption rate for e-Manifests
2017	Selected for inclusion in the MSCI Japan ESG Select Leaders Index
2017	All five worksites that applied for the 3R ² Award were recognized (One received the Minister of Land, Infrastructure, Transport and Tourism Award; four received the 3R Promotion Association Chairman’s Award)
2017	Ranked 6th in the general construction sector of the Nikkei Research Environmental Management Survey
2017	Raised cumulative total of Eco Test-certified employees to 2,175 (86% overall)
2017	Received Ministry of the Environment’s Award for Companies Fostering Environmentally Aware Employees
2018	Formulated Nishimatsu-Vision 2027 and Medium-Term Management Plan 2020; clarified path toward “carbon-free” operations

CO₂ Emission Intensity³

Target for fiscal 2020: 50% reduction compared with fiscal 1990



1. Eco Test: A certification test promoting an environmentally conscious society (offered by The Tokyo Chamber of Commerce and Industry)

2. 3Rs: Reduce (waste generated), Reuse (materials), Recycle (resources)

3. CO₂ emission intensity: CO₂ emissions per 100 million yen of construction completed (t-CO₂/100 million yen)

Joint Initiatives with Local Communities and Governments: Promoting the Use of BDF

Nishimatsu Construction is using BDF, which is made from waste cooking oil that was previously disposed of, as a replacement for diesel fuel to run machinery at construction sites throughout Japan. Using BDF contributes to reducing CO₂ emissions, while also greatly helping local resource recycling and local-production local-consumption efforts by productively reusing waste oil. This initiative helps unite local communities, governments and businesses.

Going forward, Nishimatsu Construction will continue to join with local communities in promoting the use of BDF.

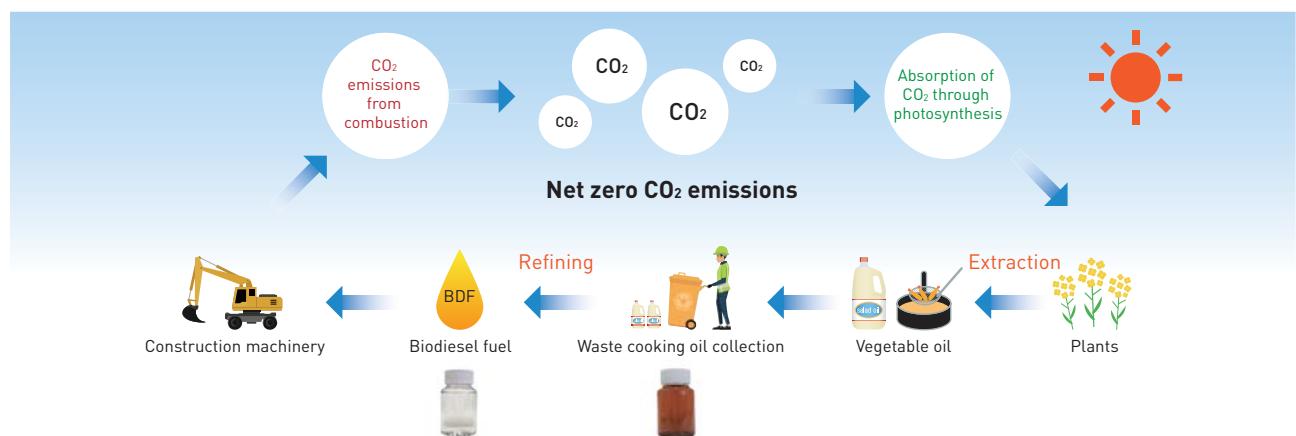
What is biodiesel fuel (BDF)?

BDF is a usable fuel created by adding methanol and a catalyst, such as potassium hydroxide, to a plant-based oil, such as rapeseed oil, then separating and removing the glycerin and lowering the kinetic viscosity. Its use is being promoted as an alternative to diesel fuel.

How Does BDF Reduce CO₂?

BDF differs from fossil fuels such as gasoline and diesel in that it is sourced from plant-based oil extracted from crops that absorb atmospheric CO₂. Even though CO₂ is released when BDF is burned, it is considered to be “carbon neutral,” meaning it has net zero emissions since the crops absorb CO₂ as they grow and provide more raw material for BDF when harvested.

BDF Production Flow Chart



Stepping Up Efforts toward Becoming a Company with Advanced Environmental Management: For Future Generations and the Future of the Planet

Nishimatsu Construction's Initiatives as an Eco-First Company

In March 2016, we received certification as an Eco-First Company from Japan's Minister of the Environment. Centered on our goal for fiscal 2020 of reducing CO₂ emission intensity from construction by 50% compared with fiscal 1990, we are pursuing a variety of environmental preservation initiatives toward becoming a company with advanced environment management.

Initiatives under the Nishimatsu Construction Eco-First Mission

- Prevention of global warming: Promote activities to achieve net zero CO₂ emissions to help create a "carbon-free" (carbon-neutral) society
- Preservation of biodiversity: Promote co-existence with nature to protect ecosystems and leave the planet beautiful for future generations
- Zero emissions of construction waste: Promote the 3Rs for construction by-products to help achieve a recycling-based society

Contributing to the Creation of a Carbon-Free Society

Initiatives for Reducing Fuel Used by Construction Machinery

Approximately half of the CO₂ generated in our business activities is from the fuel used to run construction machinery (mainly diesel fuel). We are pursuing a variety of fuel reduction initiatives to address this.

Biodiesel Fuel

We are working to reduce the CO₂ of our construction machinery by proactively switching to BDF, which is a carbon-neutral (net zero CO₂ emissions) diesel alternative. Because it is a fuel originating from local waste cooking oil, we are contributing to regional resource recycling.

Cumulative Performance through Fiscal 2017

Amount used: 280,000 liters
(730 t-CO₂ reduction)

Fiscal 2018 Target

Amount to be used: 200,000 liters
(520 t-CO₂ reduction)



Refueling with BDF

Diesel Combustion Improver

We are introducing a diesel combustion improver that, when added to diesel fuel at one part per thousand, can improve the fuel efficiency of construction machinery approximately 10%, thereby reducing CO₂. We are using it as a means to reduce CO₂ emissions at worksites where BDF cannot be supplied.

Fiscal 2017 Performance

Amount used: 630 liters
(166 t-CO₂ reduction)

Fiscal 2018 Target

Amount to be used: 1,000 liters
(260 t-CO₂ reduction)



Adding diesel combustion improver

Energy-Saving Construction Machinery

We are working to reduce CO₂ emissions by introducing energy-saving construction machinery employing hybrid mechanisms and IT systems that greatly improve fuel efficiency. The number of such machines in use in Japan is still small, but we are aggressively introducing more with the help of partner companies.

Cumulative Performance through Fiscal 2017

No. of machines introduced: 10,200
(Approx. 400 t-CO₂ reduction)



Hybrid backhoe

TOPIC

System for Visualizing Progress in Reducing CO₂ Emissions

Results of daily efforts to reduce CO₂ at worksites throughout Japan are compiled every month using a cloud-based system, then shared on the Company intranet to show the status of nationwide CO₂ reductions. Comparison with targets and the amount of CO₂ emissions of each branch and worksite can be ascertained at a glance. This gives employees a real-time picture of the Company's CO₂ performance that they can use in their ongoing efforts.



Illustration of cloud-based system

Initiatives for Reducing the Consumption of Electricity in Construction

In addition to diesel fuel, consumption of electricity during construction is a major source of CO₂ emissions in our business activities. We are pursuing a variety of energy-saving initiatives at all worksites as part of our efforts toward significantly reducing consumption of electricity in construction.

LEDs for Temporary Lighting

We are switching to LEDs for temporary lighting at all of our construction sites. Electricity consumption for lighting has fallen by approximately one half and we are seeing the effect in CO₂ emission reduction. Looking at the Company as a whole, the cost of other methods of reducing electricity consumption is greater than the cost of LED introduction so it is also an effective measure from a cost point of view.

Cumulative Performance through Fiscal 2017

No. of construction sites where implemented:
235

Reduction in electricity consumed:
9,800,000 kWh
(Approx. 5,600 t-CO₂ reduction)



LEDs for temporary lighting

Photovoltaic Power Generation Systems

We are effectively utilizing renewable energy as a supplemental source of electricity for construction. We are also partially supplementing the electricity needs of our offices by using photovoltaic power generation systems, which is also an effective business continuity plan measure against natural disasters and other emergencies.

Cumulative Performance through Fiscal 2017

No. of worksites with systems installed: 16
Electricity generated: 51,000 kWh
(Approx. 27.2 t-CO₂ reduction)



Photovoltaic power generation monitor at site office

Managing Electricity Demand for Tunnels

We have developed and are introducing an electricity demand management system for tunnel construction, which consumes an extremely large amount of electricity. Although electricity needs are great, it is possible to reduce consumption approximately 10% by controlling electricity demand for tunnel ventilation through energy-saving management.



On-site control console

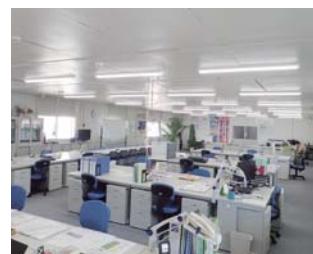


Controlled via PC at site office

CO₂ Emission Reductions outside Construction Activities

We are promoting CO₂ emission reductions outside construction activities as well.

- Switching to LED lighting for office buildings and worksite offices
- Turning off unnecessary lights and implementing monthly “lights out” schedules
- Introducing “green curtains” at worksite offices
- Choosing appropriate temperature settings for HVAC systems
- Switching to energy-saving office equipment



LED lighting at a worksite office



Green curtain installation

Environmental Accounting and Green Procurement

Referencing the basic philosophy of the Ministry of the Environment's Environmental Accounting Guidelines, we have come up with our own environmental accounting approach for calculating the costs of environmental measures and the economic and environmental preservation benefits accompanying those measures. Similarly, we promote green procurement through our own list of procurement items, based on the Ministry of Land, Infrastructure, Transport and Tourism's Green Procurement Guidelines. See our website for details: <https://www.nishimatsu.co.jp/csr/environment> (Japanese only)

Initiatives for Preserving Biodiversity

At all of our construction sites, we identify activities and carry out biodiversity preservation measures. Additionally, Head Office and branch employees proactively conduct extra-curricular activities and office projects.

Publishing a Biodiversity Guidebook

We published a guidebook, distributed to all employees and partner companies, to encourage understanding among personnel and construction site workers.



Biodiversity guidebook

Activities to Eradicate Invasive Non-Indigenous Plants and Preserve Forests

Head Office and branch employees are also proactively carrying out environmental preservation activities that include the eradication of invasive non-indigenous plants on the foothills of Mt. Fuji and the preservation of Nishimatsu Forest.



Preservation activities on the foothills of Mt. Fuji

Coral Reef Preservation Activities

Using the International Year of the Reef as an opportunity, we are considering coral reef preservation activities. To prepare, we are starting concrete measures such as participating in coral planting activities.



A coral reef, which supports the bountiful ecosystem of the ocean

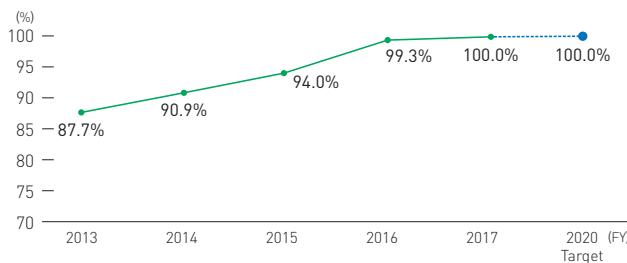
Initiatives for Creating a Recycling-Based Society

We are strengthening the 3Rs for construction by-products. In fiscal 2016, only 2.9% of our construction waste was sent for final landfill disposal, achieving our fiscal 2020 target of less than 3.0%. In fiscal 2017, we continued to contribute to the creation of a recycling-based society with 2.8% of waste sent for final landfill disposal.

100% Adoption Rate for e-Manifests

In April 2017, we achieved an e-Manifest adoption rate of 100%, which we are currently maintaining. Estimates show that compared with handling and submitting paper manifests, the use of e-Manifests reduced work hours by about 17,077 annually. Furthermore, going paperless contributes to the preservation of forests.

Results and Targets for the Adoption of e-Manifests



Establishment of Waste Sorting Rules

To further reduce the final waste disposal rate, we are continuing to strengthen our 3R (reduce, reuse, recycle) practices based on our own waste sorting rules.



Creative worksite approaches to sorting waste using illustrative photographs

Putting Rainwater to Use

We use rainwater in construction, as well as for washing vehicles and for sprinkling to keep down dust. At some construction sites, close to 70% of the water used in piling work for site stability improvement is rainwater.



Rainwater channel around the perimeter of a construction area

TOPIC

Fiscal 2017 Recognition for the Promotion of the 3Rs: Minister of Land, Infrastructure, Transport and Tourism Award, and the 3R Promotion Association Chairman's Award

In October 2017, all five branches that applied for the Fiscal 2017 Reduce, Reuse, Recycle Promotion Award were recognized as follows.

Minister of Land, Infrastructure, Transport and Tourism Award

Kyushu Branch, Miyako Underground Dam Field Office:
For "achieving zero emissions during construction of the underground dam"

3R Promotion Association Chairman's Award

North Japan Branch, Natori Construction Field Office;
Kanto Construction Branch, Prologis Chiba Field Office;
Kanto Civil Engineering Branch, Isogo Shield Field Office;
West Japan Branch, Josho Umeda Field Office



Environmental Education

In order to raise the level of employee environmental awareness, which is the foundation of environmental management, we are promoting the acquisition of certification through Eco Tests (a certification test for environmental specialists), and holding environmental seminars (taught by outside instructors), as well as in-house environmental workshops.

Promoting Eco Test Certification

The number of employees with Eco Test certification has exceeded 2,100.



Environmental Seminars and Workshops

Every year at all of our branches, we hold environmental seminars taught by outside instructors. Additionally, we strive to have 100% of employees attend environmental workshops over a three-year period.



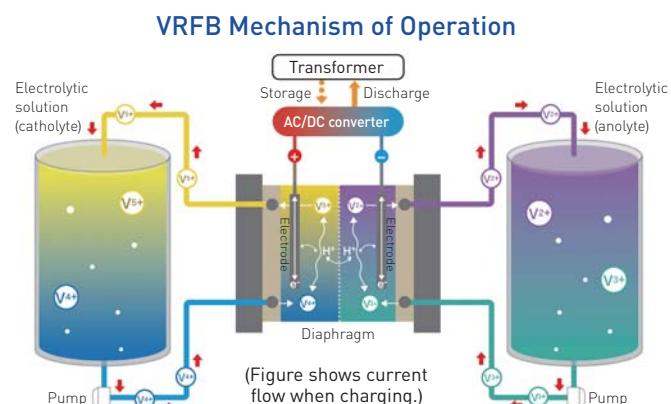
Fiscal 2017 environmental seminar (Kyushu Branch)

Environment Technology

Developing an Electricity Storage System to Maximize Use of Renewable Energy

We are developing an electricity storage system in collaboration with LE SYSTEM Co., Ltd. (head office: Kurume, Fukuoka Prefecture) to maximize our use of renewable energy, such as solar power. We have recently started verification tests. We are focusing on vanadium redox flow batteries (VRFB) because they are highly safe due to lack of danger of ignition or explosion; their long battery life means they can be used for a long time, thus reducing costs; and they are highly scalable due to the ease with which storage capacity can be adjusted.

Going forward, we will continue to make improvements and establish an energy storage system that is compatible with renewable energy supply and demand. By using it to build regional, decentralized energy systems for a smart grid society, we will contribute to realizing a "carbon-free" (carbon-neutral) world.



Maintenance of ISO 14001 and ISO 9001 and Transition to the 2015 Standards

From July to August 2017, an external investigator carried out a review (surveillance and a transition examination) of our environmental and quality management systems. As a result of the review, we maintained certification for both systems and our transition to the 2015 standards of ISO 14001 and ISO 9001 received approval.

TOPIC

Receipt of the Fiscal 2016 Japan Society of Civil Engineers Environmental Award

In June 2017, our Project for Reducing Environmental Impacts of Soil Contamination with Radioactive Substances from Road Maintenance (acknowledging an agreement signed with residents) received the Fiscal 2016 Japan Society of Civil Engineers Environment Award, Group 2.



See the environment section of our website for details.
<https://www.nishimatsu.co.jp/csr/environment/> (Japanese only)

Human Resource Management: The Driving Force behind Achieving Our Vision

Establishment of a New Human Resource Strategy Department

To become the kind of company we hope to be in 10 years, which is “a company with overall capabilities that provides better value,” and to achieve Nishimatsu–Vision 2027, it is necessary to follow through on human resource strategies with a Company-wide cross-organizational focus.

To that end, we established a Human Resource Strategy Department in April 2018. The department will propose a range of human resource strategies related to hiring, development and utilization of employees, allowing us to secure the quality

and quantity of personnel necessary for achieving our vision for 10 years from now.

Human resource development will focus in particular on creating cross-organizational contact inside our organizations, stimulating exchange among personnel, and training diverse employees who can expand our business areas. Furthermore, we will continue to promote diversity that enables a varied workforce with a variety of circumstances to enjoy appealing work styles and optimal job placement.

Human Resource Development

We believe that it is necessary to develop personnel who are able to expand our business areas and evolve our Construction Business in order for us to transform into a company with overall capabilities and achieve Nishimatsu–Vision 2027.

Consequently, we will redesign our training programs Company-wide, so that every employee can acquire multiple skills and have a clear path toward career advancement. We will carry out human resource development that broadens the scope of employees' knowledge and business activities, and facilitates active involvement in many different work contexts.

To build the foundation of a company with overall capabilities, we will establish a workplace environment where employees can grow independently and feel that they are contributing to the Company. We will emphasize initiatives spanning human resource hiring, training and strategic Company-wide placement, while flexibly adapting to anticipated market changes.

Fiscal 2017 Training Results

Training Title	Category	Participants	Schedule and Duration
New employee training	Career level specific	109	4/1-4/13 (10 days)
Introductory management training (newly appointed: SV2)	Career level specific	43	10/10-10/13 (4 days)
Intermediate management training (newly appointed: SV1)	Career level specific	22	9/5-9/8 (4 days)
Skill level enhancement training (next-generation leaders) Phase 1	Career level specific	16	8/23-8/25 (3 days)
Skill level enhancement training (next-generation leaders) Phase 2	Career level specific		10/25-10/26 (2 days)
Senior management training (new managers) (1)	Career level specific	33	5/23-5/25 (3 days)
Senior management training (new managers) (2)	Career level specific	36	6/14-6/16 (3 days)
Senior management training	Career level specific	23	5/17, 6/23 (2 days)
New employee technical training	Technical	109	4/14-7/28 (40 days)
Civil engineering training, 2nd year	Technical	41	10/2-10/6 (5 days)
Architectural training, 2nd year	Technical	37	1/29-2/9 (10 days)
Architectural training, 4th year	Technical	28	11/6-11/17 (10 days)
Civil engineering training, 6th year	Technical	19	6/5-6/9 (5 days)
Architectural training, 6th year	Technical	16	1/25-1/26 (2 days)
First-class architect training (academic courses)	Qualification	33	7/13-7/21 (9 days)
First-class architect training (technical drawing)	Qualification	25	9/25-9/30 (6 days)

Note: Schedule and duration of new employee technical training varies depending on job category.

Promotion of Diversity

The diversity that Nishimatsu strives for is a varied workforce that can fully exercise its skills and enjoy appealing work styles within secure workplace environments.

In order to achieve this, in fiscal 2015 we established a department specifically dedicated to diversity, including the promotion of the active participation of women. We have worked to engender a corporate culture accepting of diversity, while building a full range of support systems for balancing work and private lives and developing diverse human resources.

From fiscal 2018, the new Human Resource Strategy Department will take the lead in efforts to further promote diversity. With team spirit and a sense of urgency, we will establish work systems in which diverse staff members can carry out their jobs with greater vitality as we progress toward achieving appealing work styles.

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 2018)	95 (including 5 on childcare leave)
• Number of employees using the childcare leave system in fiscal 2017	16 (15 female, 1 male)
• Number of employees using the reduced working hour system in fiscal 2017	10

Advancing Work-Style Innovation: Initiatives for Solving the Problem of Long Working Hours

Nishimatsu designated fiscal 2017 as the “First Year of Work Style Innovation,” and has been rolling out initiatives across the Company. In order to solve the particularly pressing problem of long working hours, we are reviewing and implementing a variety of measures, including increasing the efficiency of work processes that contribute to productivity, encouraging the use

of ICT devices, and closing construction sites two days a week.

While working to reduce long working hours, we will set KPIs (numerical targets and timelines) so that going forward we can monitor the progress of efforts to promote the use of annual leave and introduce more flexible work styles. Through these initiatives, we are striving to enhance and continue work style innovation.

Fiscal 2017 Initiatives

1. Carried out on-site inspections by management
2. Carried out monitoring
3. Encouraged the use of ICT devices
4. Shared policy information to make improvements

Issues Identified

- Differences among in-office and out-of-office jobs and among departments
- Imbalances in work volume and content among employees
- Contract restrictions when orders are received, such as construction timing
- Response to diversity promotion

Fiscal 2018 Initiatives

1. Reassess work content
2. Strengthen human resource development
3. Promote scheduling of days when construction sites are closed
 - Introduce visualization system
4. Introduce a system for planned annual leave
 - Telecommuting, etc.
5. Consider flexible work styles

Initiatives for Health Management

Recognition under the 2018 Certified Health & Productivity Management Outstanding Organizations Recognition Program

In February 2018, we were recognized by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi under the 2018 Certified Health & Productivity Management Outstanding Organizations Recognition Program (commonly called the “White 500”), in the Large Organization Category.

The White 500 program recognizes companies implementing outstanding health management. By shining a light on such companies, the program aims to establish an environment in which companies acknowledging and strategically working for employee health management from an administrative perspective can receive public recognition from employees, job seekers, related enterprises and financial institutions.

Nishimatsu Construction is vigorously pursuing initiatives to maintain and improve employee health. By offering annual health check-ups for all workers, implementing stress checks and providing consultation desks inside and outside the

Company, we are endeavoring to create a safe environment where employees can work with peace of mind with regard to their physical and mental health. Furthermore, to encourage employees over the age of 30 to undergo a complete physical examination, we are granting one day of leave each year for this purpose, while also instituting a subsidy program to cover the expense of a standard complete physical examination.

We will use our recognition in White 500 as an opportunity to elevate our health management initiatives to an even higher level.



White 500 presentation ceremony

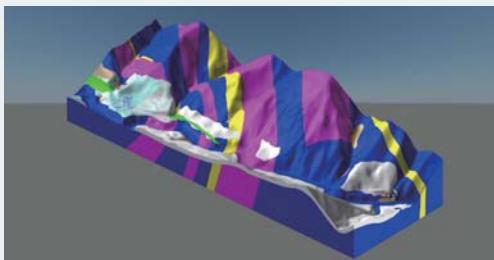
Development of the Construction Industry

Improving Productivity

In April 2018, we established a Construction Information Modeling/Management (CIM) Promotion Management Office and a Building Information Modeling (BIM) Promotion Office to improve the productivity of our Construction Business.

CIM Initiatives

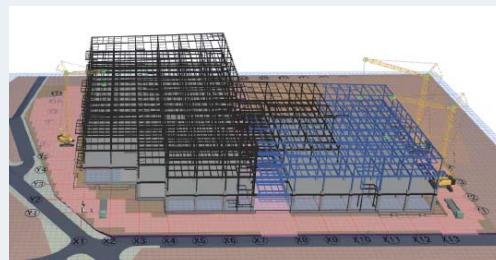
The CIM Promotion Office builds Nishimatsu CIM models for each tunnel, dam, shield, and general civil engineering project. CIM is one part of that effort to boost efficiency and advanced functionality by utilizing 3D models from the survey and planning to the construction and maintenance stages. We are aiming to enhance true productivity by using CIM in diverse situations, such as managing construction and accumulating different forms of data.



Tunnel CIM Model

BIM Initiatives

Aiming to improve the productivity of office building and other construction projects, the BIM Promotion Office is strengthening BIM initiatives at the design and construction stages. BIM refers to creating and using three-dimensional models on a computer that include attribute information such as physical measurements, materials and other specifications. Using BIM enables us to create consensus among parties involved, identify potential flaws and areas of interference, and verify construction feasibility at an early stage (i.e., frontloading), which leads to improved quality and productivity.



Utilizing BIM to verify construction steps

Initiatives for Zero Accidents 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 to show consideration to all people related to the Company. Everyone that works at our offices cooperates to achieve a safe, healthy and comfortable workplace environment.

Main 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 of Initiatives

Safety Performance

No deaths and no major injuries for two years in a row
Occupational injury frequency rate: 0.72 (vs. 0.67 in the previous fiscal year)
No. of occupational injuries: 16 (vs. 16 in the previous fiscal year)
Calculated for injuries requiring 4 or more days of absence from work

Strengthening Client and Foreman Education

From fiscal 2016, we have been devoting effort to educating clients and foremen handling vital roles for preventing injuries at worksites.

For clients, we have been taking up the topic of client responsibilities at safety seminars and conferences for regional headquarters and branch offices, and disaster prevention conferences for construction sites, while also holding semiannual education sessions for all of our partner companies.

Furthermore, with regard to training foremen to improve their skills, we have made it compulsory that they undergo training at least every five years.

A gradual transformation is taking place, shifting from safety management dictated by the prime contractor to safety management led by partner companies in collaboration with prime contractors.

(People)

	North Japan	Kanto Civil Engineering	Kanto Architectural	West Japan	Kyushu	Total
Client education	495	266	499	1,789	695	3,744
Skill improvement training for foremen	258	88	52	213	111	722



Client education

Supply Chain Management

Establishment of New N-NET Support Office

In the construction industry, partner contractors are an essential group of stakeholders. With the objective of training partner companies and improving their capacities, in April 2018 we established the N-NET Support Office to work with the Nishimatsu Construction Subcontractors' Association (called

N-NET) and with all of our partner contractors.

Going forward, we will continue to develop these activities, focusing on helping partner companies to improve productivity, augmenting the skills of technicians and enhancing safety.

Achieving a Win-Win Relationship with N-NET

Launched in January 2011, N-NET had a total of 1,096 member companies registered as of March 31, 2018. The scope of the association's activities continues to grow as we strive through diverse activities to build win-win relationships founded on fair and impartial transactions.

Additionally, we are holding seminars related to the Construction Career Advancement System promoted by the Ministry of Land, Infrastructure, Transport and Tourism, as well as training sessions to meet the expectations of society, while also using our N-NET website to deliver information.

Initiatives for N-NET Members

- Priority orders awarded to members
- Build a construction framework and establish an environment centered on outstanding foremen (Improve special benefits and establish a training/education system for outstanding foremen)
- Collaborative community service activities
- Enhance and expand the compensation system for high-caliber technicians Effectively use the Nishimatsu Senior Technician Certification System*
- Hold various seminars/workshops
- Hold 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 institutions that provide training to senior technicians.

Enhancing the N-NET Website



Within the existing N-NET website, we have created pages specifically for member companies through which we share abundant and actionable information as we work to enhance the content. Furthermore, for non-member visitors to the website, we present information about member companies and support their employee recruitment activities. Please visit the website at the link below.

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

Focus Items

1. 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 worksites, 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	FY2020 Target
Nishimatsu Meister	36	40
Senior foreman	145	200
Award for technical excellence	563	
Support for acquiring senior technician certification	63	
Senior foreman training	67	

2. 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.



3. 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 26)	No. of participants 115
• Civil Engineering Symposium (September 22)	No. of participants 63
• Building Construction Technology Presentation (November 2)	No. of participants 49

Corporate Governance

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

Composition of the Board of Directors and Audit and Supervisory Committee

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

At present, external directors comprise 27% of the Board of Directors. Going forward, we will continue to review the composition of the Board of Directors and the Audit and Supervisory Committee, including the number and diversity of external directors, to ensure it is appropriate.

External Directors

The Company believes that external directors play important roles in ensuring that the Board of Directors exercises effective management supervision. Consequently, in the Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd., we have clearly stipulated the roles and responsibilities of our external directors, who are expected to provide opinions to the Board of Directors from an independent standpoint.

In order for external directors to fulfill these roles and responsibilities, their independence is of the utmost importance. The Company therefore selects external director candidates who fulfill the Criteria for Determining the Independence of Outside Directors as set forth by the Company. Furthermore, in addition to independence, said directors are selected for their expected contributions to candid, active, and constructive debate on the Board of Directors.

Note: For further information, please refer to "Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd." and "Criteria for Determining the Independence of Outside Directors" in the Corporate Governance section of our website. (<https://www.nishimatsu.co.jp/eng/company/business.html>)

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.

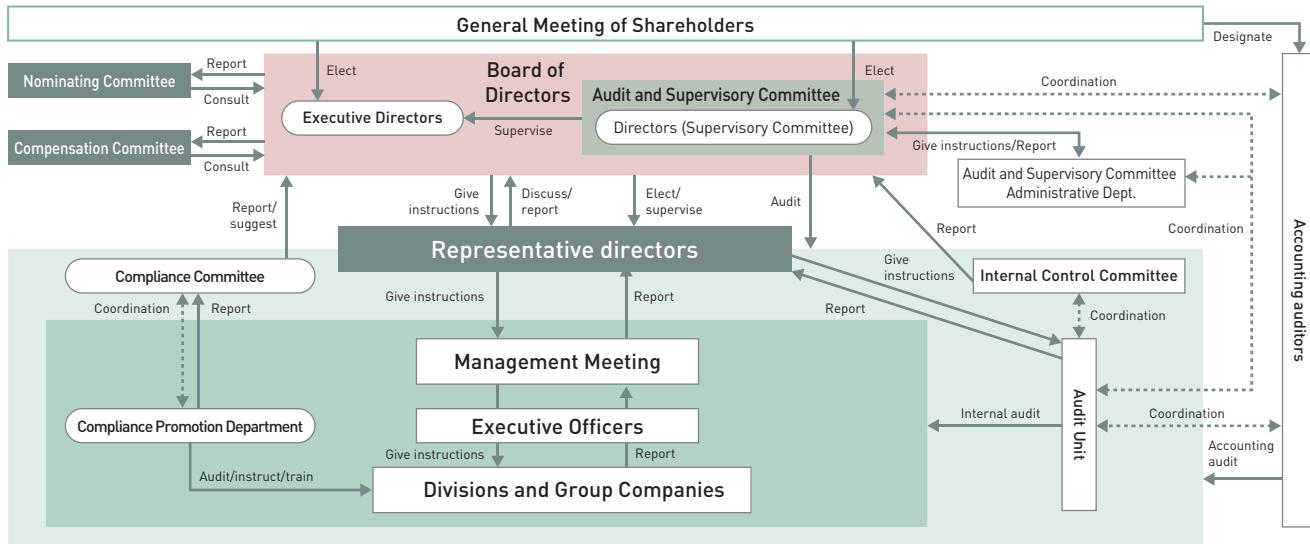
An overview of the results of analysis and review of the

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 for information on our corporate governance initiatives. (<https://www.nishimatsu.co.jp/eng/company/business.html>)

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 2006: Executive officer system		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
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.

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 2017)

	Number of board members receiving remuneration	Total amount of remuneration
Directors (excluding Audit and Supervisory Committee members)	7	¥243 million
Directors (Audit and Supervisory Committee members)	4	¥42 million
(Those who are external directors)	(3)	(¥25 million)

Attendance Rate of External Directors at Board of Directors Meetings and Audit and Supervisory Committee Meetings (Fiscal 2017)

	Board of Directors	Audit and Supervisory Committee
Koji Mino	17/18 (94%)	16/17 (94%)
Kiyomi Kikuchi	18/18 (100%)	17/17 (100%)
Jun Ikeda	18/18 (100%)	17/17 (100%)

Messages from Directors on the Audit and Supervisory Committee

Uichi Mizuguchi

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

The duties of the Audit and Supervisory Committee are to audit and supervise directors' execution of work. We carry out audits of legality by verifying that internal control systems are being appropriately built and implemented by the Board of Directors. We also provide supervision of the suitability of business practices by verifying whether business is being executed following the basic management policies passed by the Board, whether progress reports are made to the Board of Directors, and whether the PDCA cycle is being followed. Furthermore, as a full-time member of the Audit and Supervisory Committee, I strive to increase the efficacy of the committee by attending key internal company meetings, carrying out on-site inspections at regional headquarters and branches, exchanging opinions with each director, and providing that information to external directors.

At the Board of Directors, I use my large amount of experience to date and the perspectives outlined above to convey my ideas from a macro viewpoint as a non-executive director.

We recently formulated Nishimatsu-Vision 2027. Since it will be difficult to achieve 3% annual growth over 10 years by pursuing the approaches we have followed to this point, it is essential that we flexibly adapt to a changing society, develop new technologies, and advance into new domains. Under the leadership of our new president, I expect that we will be able to align our approaches and achieve our goals. As a member of the Audit and Supervisory Committee, I will provide my support to help make this achievement possible.



Kiyomi Kikuchi

External Director and Audit and Supervisory Committee Member

"If our company's (or our agency's) way of thinking is wrong, please do not hesitate to say so. We want your objective opinion." Initially, when I was told this by company management or at government meetings, I felt uncomfortable. I soon noticed, however, that in Japan one cannot really expect frank opinions or debate at meetings, and that their absence impedes the development of Japanese companies and weakens their competitiveness.

An attorney is expected to provide opinions from a free and independent standpoint that is ensured by absolute autonomy (i.e., no supervision or restrictions from government administrations or other parties). As part of the Company's Board of Directors, I also adopt an unfettered perspective and maintain my distance from the execution of business. From an objective, neutral, and fair perspective, I make judgments on what is in the Company's interest, asking candid questions, pointing out problem areas, and proposing surveys and the like. At times, I do not hesitate to express opinions contrary to proposals at hand, steadfastly maintaining a position of independence. In fiscal 2017, the Company exercised prudence and honesty in formulating the medium- and long-term management plans. I sincerely hope that in fiscal 2018, Company management will increase its responsiveness to the fluctuations and speed of the external environment and exhibit robust, transparent leadership.



Koji Mino

External Director and Audit and Supervisory Committee Member

I am committed to keeping a medium- to long-term view that is unrestricted by industry categories, is wide ranging, and is not solely focused on current circumstances, as I offer a public perspective based on my many years of experience working in government-related financial agencies.

Since the general construction industry tends toward being limited to hierarchical or compartmentalized thought processes that are extensions of existing businesses, I strive to provide a macro perspective with insights from an external vantage point.

When embarking on the new medium- and long-term management plans, I believe that it is important to deepen and strengthen frontline capabilities, with the building of a company framework premised on maintaining the trust of those on-site. Diligence is required to take on challenges every day to unlock the Company's potential. Steadfastly maintaining the trust of customers and securing stable, increasing profit and growth, the Company must deepen existing business, explore new business, and keep input channels open in order to socially and economically increase corporate value under a fluctuating, uncertain, complex, vague and discontinuous economic environment. To that end, Nishimatsu Construction is called upon to build internal and external networks, and cautiously but boldly foster personnel who are capable of taking risks.



Jun Ikeda

External Director and Audit and Supervisory Committee Member

This June marked two years since I was appointed to this position. During that time, I have become acquainted with the strengths of Nishimatsu Construction as a company with a 145-year history. However, the world is changing rapidly, making it difficult for the Company to maintain and grow its business foundation solely by relying on culture and tradition. As someone with experience in different industries, I see my greatest role as asking important questions unbiased by industry traditions and conventions in order to encourage transformation.

In this world, there are diverse types of common sense and values, and therefore no absolutely correct answers. It is important to recognize differences, and for the Company to clarify the reasons for its decisions and actions to fulfill the need for internal and external accountability. I hope to make a contribution, however small, to establishing processes for such efforts.

The environment surrounding the industry is expected to change significantly going forward. With an awareness of the urgency that this change presents, the Company engaged in repeated discussions in fiscal 2017 and formulated Nishimatsu-Vision 2027, which outlines the kind of company it hopes to be 10 years from now. I hope that based on the essence of this plan, all employees will recognize the necessity of transformation, and steadily carry out the plan's measures.



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 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.

Calls to the Nishimatsu Hotline and Workplace Hotline



Compliance Training

We conduct ongoing training and e-learning courses to spread and improve compliance awareness. Additionally, we conduct regular compliance awareness surveys of all employees (including temporary workers), allowing us to objectively analyze the results of compliance awareness efforts, which we use to improve our compliance training.

Compliance Awareness Survey

	(Score) Medium-Term Management Plan 2020 Targets			
	2011	2015	2017	
Overall evaluation	1.09	1.15	1.25	1.35 or above
Awareness of the hotlines	0.59	0.79	0.97	1.0 or above

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



Board of Directors (As of June 28, 2018)



Director and Chairman

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, Chief Executive Officer and President
May 2014 Chairman of National General Contractors Association of Japan (to present)
Apr. 2018 Director and Chairman (to present), Executive Chairman (to present)



Representative Director and President

Nobutoshi Takase

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



Representative Director

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)



Representative Director

Makoto Isshiki

Apr. 1984 Joined the Company
Jan. 2003 General Manager of Building Marketing Department I
Apr. 2005 General Manager of Civil Engineering, Higashi Kanto Branch
Apr. 2007 General Manager of Building Marketing Department I
Apr. 2010 General Manager of Building Marketing Department III
Jul. 2011 General Manager of Chubu Branch, West Japan Regional Headquarters
Apr. 2014 Executive Officer, Deputy General Manager of Civil Engineering Division, General Manager of Civil Engineering Business 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
Apr. 2018 Executive Vice President and Representative Director, General Manager of Civil Engineering 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
Apr. 2018 Director, Senior Managing Officer, General Manager of Management Division, and in charge of Investor Relations (to present)



Director

Yoshiyuki Sawai

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



Director

Kensuke Hayashi

Apr. 1978 Joined the Company
Apr. 2004 General Manager of Overseas Civil Engineering Department
Jul. 2008 General Manager of Hong Kong Office
Jan. 2012 Deputy General Manager of International Division, General Manager of Hong Kong Office
Apr. 2013 Deputy General Manager of International Division, General Manager of Hong Kong Branch
Apr. 2014 Executive Officer, Deputy General Manager of International Division
Apr. 2018 Managing Officer, General Manager of International Division
Jun. 2018 Director, Managing Officer, General Manager of International Division (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
Jun. 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)
May 2002 Graduated from Law school at Columbia University
Sep. 2002 Allen & Overy (London)
May 2003 Acquired attorney license at New York State
Oct. 2003 Asahi Law Offices
Sep. 2004 TAIYO LAW OFFICE (current Paul Hastings LLP)
Sep. 2006 JPMorgan Securities Japan Co., Ltd.
Apr. 2008 Attorney, TMI Associates (to present)
Jun. 2015 External Director of the Company
Mar. 2016 Outside Auditor, Nissay Asset Management Corporation (to present)
Jun. 2016 External Director (Audit and Supervisory Committee Member) of the Company (to present)
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, 2017 and 2018

	Millions of yen	Thousands of U.S. dollars (Note 6)	
	2017	2018	2018
Assets			
Current assets:			
Cash and time deposits (Notes 2 and 15).....	¥ 39,027	¥ 32,499	\$ 305,905
Marketable securities.....	61	6	56
Notes and accounts receivable, trade:			
Notes (Notes 11 and 15).....	2,350	7,526	70,844
Accounts (Note 15).....	155,225	131,988	1,242,355
Allowance for doubtful accounts (Note 2).....	(168)	(155)	(1,455)
Inventories (Note 2).....	7,751	8,215	77,324
Deferred income taxes (Notes 2 and 9).....	2,705	2,702	25,429
Advance paid.....	16,455	19,979	188,058
Other current assets.....	4,562	4,967	46,747
Total current assets.....	227,968	207,727	1,955,263
Investments and other assets:			
Investment securities (Notes 2, 6, 11 and 15).....	65,599	71,778	675,625
Investments in subsidiaries and affiliates (Note 11).....	796	828	7,790
Others.....	6,335	7,079	66,634
Allowance for doubtful accounts (Note 2).....	(104)	(99)	(930)
Total investments and other assets.....	72,626	79,586	749,119
Property and equipment (Notes 2 and 11):			
Land.....	48,403	53,865	507,011
Buildings.....	62,433	68,868	648,232
Machinery and equipment.....	9,071	9,433	88,791
Accumulated depreciation.....	(34,827)	(35,526)	(334,400)
Total property and equipment.....	85,080	96,640	909,634
Total assets.....	¥385,674	¥383,953	\$3,614,016

The accompanying notes are an integral part of these statements.

	Millions of yen	Thousands of U.S. dollars (Note 6)	
	2017	2018	2018
Liabilities and Net assets			
Current liabilities:			
Short-term debt (Notes 7 and 15).....	¥ 17,114	¥ 18,207	\$ 171,374
Current portion of long-term debt (Note 15).....	631	—	—
Notes and accounts payable, trade:			
Notes (Note 15).....	47,188	29,371	276,462
Accounts (Note 15).....	47,003	48,339	455,001
Advances received on uncompleted contracts.....	15,044	12,102	113,908
Provision for warranties for completed construction (Note 2).....	2,101	2,261	21,283
Provision for bonuses (Note 2).....	2,845	3,199	30,116
Provision for loss on construction contracts (Note 2)	805	673	6,335
Accrued income taxes.....	5,963	4,051	38,134
Employees' deposits	7,227	8,139	76,605
Provision for loss on real estate business and other (Note 2)	7	1	9
Deposits received.....	20,277	21,804	205,237
Other current liabilities	4,363	4,578	43,084
Total current liabilities.....	170,568	152,725	1,437,548
Long-term liabilities:			
Long-term debt (Notes 7 and 15).....	25,100	25,100	236,258
Net defined benefit liability	9,744	8,682	81,720
Deferred income taxes (Notes 2 and 9).....	5,528	7,603	71,562
Provision for environmental measures (Note 2).....	309	309	2,911
Asset retirement obligations (Note 17).....	389	378	3,560
Other long-term liabilities.....	4,248	3,936	37,049
Total long-term liabilities	45,318	46,008	433,060
Total liabilities.....	215,886	198,733	1,870,608
Net assets:			
Common stock:			
Authorized - 160,000,000 shares.....			
Issued and outstanding - 55,591,502 shares.....	23,514	23,514	221,326
Capital surplus.....	20,780	20,780	195,599
Retained earnings.....	104,982	116,133	1,093,118
Treasury stock, at cost.....	(1,578)	(2,170)	(20,426)
Unrealized gain on available-for-sale securities.....	20,727	24,802	233,452
Equity adjustment from foreign currency translation.....	(47)	18	171
Remeasurements of defined benefit plans.....	(575)	94	883
Non-controlling interests	1,985	2,049	19,285
Total net assets	169,788	185,220	1,743,408
Total liabilities and net assets	¥385,674	¥383,953	\$3,614,016

Consolidated Statement of Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2018

	Millions of yen	Thousands of U.S. dollars (Note 6)	
	2017	2018	2018
Net sales (Note 2):			
Completed construction contract.....	¥305,041	¥273,739	\$2,576,607
Real estate business and other	10,187	10,673	100,465
	315,228	284,412	2,677,072
Cost of sales (Notes 2 and 12):			
Cost of completed construction contract.....	265,962	236,596	2,226,999
Cost of real estate business and other	7,007	7,391	69,565
	272,969	243,987	2,296,564
Gross profit.....	42,259	40,425	380,508
Selling, general and administrative expenses (Note 12):	16,999	17,673	166,350
Income from operations.....	25,260	22,752	214,158
Other income (expenses):			
Interest and dividend income	1,098	1,010	9,506
Interest expenses.....	(456)	(416)	(3,915)
Financing expenses.....	(38)	(30)	(280)
Gain on sales of investment securities.....	1,704	1,328	12,502
Loss on retirement of non-current assets.....	(34)	(7)	(66)
Loss on impairment of long-lived assets.....	—	(39)	(368)
Gains on sales of fixed assets	4	22	205
Provision for environmental measures	(82)	—	—
Loss on valuation of investment securities.....	(51)	(1)	(9)
Loss of rebuilding.....	(252)	(344)	(3,241)
Foreign currency exchange loss.....	(677)	(100)	(939)
Settlement package.....	(234)	(65)	(610)
Compensation income.....	417	60	563
Other-net	263	325	3,060
	1,662	1,743	16,408
Profit before income taxes.....	26,922	24,495	230,566
Income taxes (Notes 2 and 9):			
Current.....	6,863	7,653	72,032
Deferred.....	1,210	(13)	(118)
	8,073	7,640	71,914
Profit	18,849	16,855	158,652
Loss attributable to non-controlling interests.....	(362)	(59)	(556)
Profit attributable to owners of parent.....	¥ 19,211	¥ 16,914	\$ 159,208
	Yen	U.S. dollars	
Per share of common stock (Note 19):			
Profit (loss).....	¥348.16	¥308.52	\$2.90
Cash dividends applicable to the year.....	21.00	95.00	0.89

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2018

	Millions of yen	Thousands of U.S. dollars (Note 6)	
	2017	2018	2018
Profit	¥18,849	¥16,855	\$158,652
Other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 13).....	(478)	4,075	38,351
Equity adjustment from foreign currency translation (Note 13).....	(217)	192	1,808
Remeasurements of defined benefit plans (Note 13).....	1,187	668	6,292
	492	4,935	46,451
Comprehensive income	¥19,341	¥21,790	\$205,103
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent.....	¥19,790	¥21,722	\$204,461
Comprehensive income attributable to non-controlling interests.....	(449)	68	642

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, 2017 and 2018

	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
Balance at April 1, 2016	¥23,514	¥20,780	¥ 90,202	¥ (306)	¥21,205	¥ 84	¥(1,762)	¥2,437	¥156,154
Dividends declared (Note 14).....				(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
Balance at April 1, 2017	¥23,514	¥20,780	¥104,982	¥(1,578)	¥20,727	¥(47)	¥(575)	¥1,985	¥169,788
Dividends declared (Note 14).....				(5,763)					(5,763)
Profit attributable to owners of parent.....				16,914					16,914
Purchase of treasury stock.....					(592)				(592)
Net changes of items other than shareholder's equity.....					4,075	65	669	64	4,873
Balance at March 31, 2018	¥23,514	¥20,780	¥116,133	¥(2,170)	¥24,802	¥ 18	¥ 94	¥2,049	¥185,220

	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
Balance at April 1, 2017	\$221,326	\$195,599	\$ 988,155	\$(14,855)	\$195,101	\$(438)	\$(5,409)	\$18,680	\$1,598,159
Dividends declared (Note 14).....				(54,245)					(54,245)
Profit attributable to owners of parent.....				159,208					159,208
Purchase of treasury stock.....					(5,571)				(5,571)
Net changes of items other than shareholder's equity.....					38,351	609	6,292	605	45,857
Balance at March 31, 2018	\$221,326	\$195,599	\$1,093,118	\$(20,426)	\$233,452	¥ 171	¥ 883	¥19,285	\$1,743,408

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, 2017 and 2018

	Millions of yen	Thousands of U.S. dollars (Note 6)	
	2017	2018	2018
Cash flows from operating activities:			
Profit before income taxes.....	¥ 26,922	¥ 24,495	\$ 230,566
Adjustment for:			
Depreciation and amortization.....	1,825	2,012	18,937
Loss on impairment of long-live assets.....	—	(39)	(368)
Increase (decrease) in allowance for doubtful accounts.....	(4)	(19)	(176)
Increase (decrease) in provision for loss on construction contracts...	(875)	(132)	(1,242)
Increase (decrease) in net defined benefit liability.....	251	(104)	(983)
Loss (gain) on sales of investment securities.....	(1,705)	(1,328)	(12,502)
Loss (gain) on sales of property and equipment.....	(4)	(22)	(205)
Interest and dividend income.....	(1,098)	(1,010)	(9,506)
Interest expenses.....	456	416	3,915
Decrease (increase) in notes and accounts receivable.....	(13,702)	18,072	170,102
Decrease (increase) in inventories.....	2,481	1,275	12,001
Increase (decrease) in notes and accounts payable.....	12,400	(16,561)	(155,887)
Increase (decrease) in advances received on uncompleted contracts....	7,376	(2,950)	(27,771)
Others.....	9,003	(1,563)	(14,699)
Sub-total.....	43,326	22,542	212,182
Interest and dividend received.....	1,096	1,008	9,491
Interest paid.....	(496)	(409)	(3,847)
Income taxes paid.....	(3,163)	(9,571)	(90,092)
Net cash provided by (used in) operating activities	40,763	13,570	127,734
Cash flows from investing activities:			
Payment for purchases of marketable and investment securities....	(3,449)	(2,113)	(19,886)
Proceeds from sale of marketable and investment securities	2,923	2,205	20,751
Purchase of shares of subsidiaries resulting change in scope of consolidation	(862)	—	—
Acquisition of property and equipment.....	(11,180)	(18,365)	(172,854)
Proceeds from sale of property and equipment.....	4	3,636	34,222
Payments of loans receivable.....	(1,651)	(807)	(7,591)
Proceeds from collection of loans.....	323	37	347
Others.....	(54)	(16)	(156)
Net cash provided by (used in) investing activities	(13,946)	(15,423)	(145,167)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans.....	5,292	1,172	11,034
Borrowing of long-term debt.....	100	—	—
Repayment of long-term debt.....	(5,611)	(607)	(5,716)
Redemption of bonds.....	(10,000)	—	—
Cash dividends paid.....	(4,420)	(5,757)	(54,186)
Dividends paid to non-controlling interests.....	(4)	(4)	(40)
Others.....	(396)	278	2,614
Net cash provided by (used in) financing activities	(15,039)	(4,918)	(46,294)
Effect of exchange rate changes on cash and cash equivalents.....	(655)	243	2,287
Net increase (decrease) of cash and cash equivalents	11,123	(6,528)	(61,440)
Cash and cash equivalents at beginning of year (Note 2).....	27,904	39,027	367,345
Cash and cash equivalents at end of year (Note 2)	¥ 39,027	¥ 32,499	\$ 305,905

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 twelve subsidiaries (of which nine are included in the scope of consolidation), and ten affiliates constitute the Nishimatsu Construction Group (the "Group").

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 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 ¥32,499 million (\$305,905 thousand) is in the balance sheet as of March 31, 2018.

(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 ¥266,474 million (\$2,508,232 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 (\$2,911 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. Accounting standards not yet implemented, etc.

- Accounting Standards on Revenue Recognition (Corporate Accounting Standards No. 29, March 30, 2018)
- Implementation Guidelines on Accounting Standards on Revenue Recognition (Corporate Accounting Standards Application Guideline No. 30, March 30, 2018)

(1) Overview

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the entity satisfies a performance obligation and as it fulfills

(2) Planned applicable date

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

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

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

4. Changes in presentations

Notes to consolidated statement of income

"Pneumoconiosis litigation settlement" 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, 2018, 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, ¥65 million presented in "Other-net" under "Other income (expenses)" in the consolidated statements of income of the previous fiscal year has been reclassified as ¥12 million of "Pneumoconiosis litigation settlement" and ¥52 million of "Other-net".

5. 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 ¥106.24 = US\$1, which was the exchange rate prevailing as of March 31, 2018.

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

6. Investment in securities

As of March 31, 2017 and 2018, 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					
	2017	2018	2018	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.....	¥192	¥197	¥5	¥133	¥136	¥3	\$1,252	\$1,283	\$31
Sub-total.....	192	197	5	133	136	3	1,252	1,283	31
Held-to-maturity securities whose market values do not exceed the amounts recorded in the balance sheet:									
Debt securities.....	—	—	—	—	—	—	—	—	—
Sub-total.....	—	—	—	—	—	—	—	—	—
Total.....	¥192	¥197	¥5	¥133	¥136	¥3	\$1,252	\$1,283	\$31

Other securities with quoted market prices

	Millions of yen			Thousands of U.S. dollars					
	2017	2018	2018	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	¥24,089	¥54,422	¥30,333	¥24,923	¥61,157	¥36,234	\$234,588	\$575,650	\$341,062
Sub-total.....	24,089	54,422	30,333	24,923	61,157	36,234	234,588	575,650	341,062
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:									
Equity securities	2,692	2,217	(475)	3,127	2,625	(502)	29,440	24,708	(4,732)
Sub-total.....	2,692	2,217	(475)	3,127	2,625	(502)	29,440	24,708	(4,732)
Total.....	¥26,781	¥56,639	¥29,858	¥28,050	¥63,782	¥35,732	\$264,028	\$600,358	\$336,330

Available-for-sale securities sold during the fiscal year ended March 31, 2017 and 2018

	Millions of yen			Thousands of U.S. dollars					
	2017	2018	2018	Proceeds	Total gain on sales	Total loss on sales	Proceeds	Total gain on sales	Total loss on sales
Equity securities	¥2,877	¥1,703	¥—	¥2,027	¥1,328	¥—	\$19,079	\$12,502	¥—

Loss on valuation of investment securities

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)

FY2017 (April 1, 2017 to March 31, 2018)

As of March 31, 2018, an impairment loss is recognized ¥0 million of securities (other securities of unlisted stocks)

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

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

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

7. Short-term and long-term debt

(a) The weighted average interest rates on short-term debt outstanding as of March 31, 2018 was approximately 0.341 per cent.

(b) Long-term debt comprised the following:

	Issuer	Type	Date of issue	Millions of yen		Thousands of U.S. dollars
				2017	2018	
Due 2019 to 2020 with weighted-average interest rate of 0.420 per cent.....	—	—	—	¥ 730	¥ 100	\$ 941
0.500 per cent Unsecured Japanese Yen bond due July 24, 2020	Nishimatsu Construction Co., Ltd	The 6th unsecured Japanese Yen bonds	July 24, 2015	15,000	15,000	141,190
0.810 per cent Unsecured Japanese Yen bond due July 22, 2022	Nishimatsu Construction Co., Ltd	The 7th unsecured Japanese Yen bonds	July 24, 2015	10,000	10,000	94,127
Less: Portion due within 1 year ...				25,730	25,100	236,258
				630	—	—
				¥26,360	¥25,100	\$236,258

The aggregate annual maturities of long-term debt on March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
2019.....	¥ —	\$ —
2020.....	100	941
2021.....	—	—
2022 and thereafter	—	—

The aggregate annual maturities of lease on March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
2019.....	¥35	\$327
2020.....	23	220
2021.....	12	115
2022 and thereafter	1	12

8. Retirement benefit and pension plan

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

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

(a) Retirement benefit obligation

Recognition of retirement benefit obligation:

	Millions of yen
Retirement benefit obligation as of April 1, 2016.....	¥24,543
Service cost	1,112
Interest cost	169
Actuarial gain or loss	49
Retirement benefits paid	(958)
Other	(2)
Retirement benefit obligation as of March 31, 2017	¥24,913

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

(b) Reconciliation of plan assets

	Millions of yen
Plan assets as of April 1, 2016.....	¥13,337
Expected return on plan assets	219
Actuarial gain or loss	511
Contribution by the Company	1,880
Retirement benefits paid	(778)
Plan assets as of March 31, 2017	¥15,169

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

	Millions of yen
Funded retirement benefit obligation.....	¥ 24,795
Plan assets.....	(15,168)
Unfunded retirement benefit obligation.....	9,626
Net liability for reteirement benefit in the Consolidated Balance Sheet.....	118
	9,744
Net defined benefit liability.....	9,744
Net liability for reteirement benefit in the Consolidated Balance Sheet.....	¥ 9,744

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

	Millions of yen
Service cost.....	¥1,112
Interest cost	169
Expected return on plan assets	(219)
Amortization of actuarial gain or loss	1,339
Unrecognized past service cost	(91)
Total.....	¥2,311

Service cost includes the retirement benefit obligation applying simplified method.

(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
Past service cost	¥ (91)
Acturial gain or loss.....	1,801
Total.....	¥1,710

(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
	2017
Unrecognized past service cost.....	¥ (274)
Unrecognized actuarial gain or loss.....	1,102
Total.....	¥ 828

(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%
Others.....	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.

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

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

(1) Funded status

Multi-employer pension funds	Millions of yen
	2016
Plan assets.....	¥252,967
Total amount of legal reserve and actuarial obligation of the pension finance calculation	242,429
Net amount	¥ 10,538

(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	6.7%

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.

FY2017 (April 1, 2017 to March 31, 2018)

(a) Retirement benefits obligation

Recognition of retirement benefit obligation:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Retirement benefit obligation as of April 1, 2017.....	¥24,913	\$234,500
Service cost	1,141	10,744
Interest cost	172	1,619
Actuarial gain or loss	25	235
Retirement benefits paid	(1,113)	(10,479)
Others.....	5	49
Retirement benefit obligation as of March 31, 2018	¥25,143	\$236,668

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

(b) Reconciliation of plan assets

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Plan assets as of April 1, 2017.....	¥15,168	\$142,779
Expected return on plan assets	251	2,365
Actuarial gain or loss	(29)	(270)
Contribution by the Company	1,918	18,043
Retirement benefits paid	(847)	(7,969)
Plan assets as of March 31, 2018	¥16,461	\$154,948

(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
	2018	2018
Funded retirement benefit obligation.....	¥ 24,996	\$ 235,287
Plan assets.....	(16,461)	(154,948)
	8,535	80,339
Unfunded retirement benefit obligation.....	147	1,381
Net liability for reteirement benefit in the Consolidated Balance Sheet.....	8,682	81,720
	8,682	81,720
Net defined benefit liability.....	8,682	81,720
Net liability for reteirement benefit in the Consolidated Balance Sheet.....	¥ 8,682	\$ 81,720

(d) Components of net periodic pension cost for the year ended March 31, 2018

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Service cost.....	¥1,141	\$ 10,744
Interest cost	172	1,619
Expected return on plan assets.....	(251)	(2,364)
Amortization of actuarial gain or loss.....	1,108	10,430
Unrecognized past service cost	(91)	(859)
Total.....	¥2,079	\$19,570

Retirement benefit expenses for certain employees and consolidated subsidiaries applying the simplified method are included in "service cost."

(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
	2018	2018
Past service cost	¥ (91)	\$ (859)
Actuarial gain or loss.....	1,054	9,926
Total.....	¥ 963	\$9,067

(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
	2018	2018
Unrecognized past service cost.....	¥(182)	\$(1,718)
Unrecognized actuarial gain or loss.....	47	446
Total.....	¥(135)	\$ (1,272)

(g) Pension assets

Details of plan assets

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

	2018
Bonds	43%
Securities	28%
General accounts	18%
Other	11%
Total.....	100%

Retirement benefits trust established for corporate pension plans accounts for 31% 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

	2018
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 ¥188 million.

9. Income taxes

Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities at March 31, 2017 and 2018 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Deferred tax assets:		
Net defined benefit liability.....	¥ 4,588	¥ 4,063
Impairment loss of long-lived assets	2,861	2,812
Allowance for doubtful accounts	1,411	1,406
Provision for bonuses	879	979
Carry forwards	845	932
Provision for warranties for completed construction ...	649	692
Loss on valuation of real estate	316	316
Provision for allowance for loss on construction projects ...	247	206
Valuation loss on investment securities.....	273	195
Others.....	2,697	2,392
Subtotal deferred tax assets	14,766	13,993
Valuation allowance	(7,015)	(6,803)
Gross deferred tax assets	¥ 7,751	¥ 7,190
		\$ 67,677
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	¥ (9,138)	¥(10,936)
Reserve for reduction entry of replaced property ...	(489)	(487)
Resignation payment trust	(278)	(57)
Others	(636)	(575)
Gross deferred tax liabilities	¥(10,541)	¥(12,055)
Net deferred tax assets (liabilities).....	¥ (2,790)	¥ (4,865)
		\$ (45,796)

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

	2017	2018
Statutory tax rate	30.9%	30.9%
(Adjustment)		
Permanent non-deductible items.....	1.7%	2.1%
Permanent non-taxable items.....	(0.2)%	(0.3)%
Inhabitant taxes on per capita levy	0.5%	0.6%
Valuation allowance	(0.1)%	(0.9)%
Tax credit.....	(1.8)%	(2.7)%
Others.....	(1.0)%	1.5%
Effective tax rate	30.0%	31.2%

10. 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

11. Notes to Consolidated Balance Sheet

(a) Investments in non-consolidated subsidiaries and affiliates as of March 31, 2017 and 2018 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Investment securities	¥796	¥828	\$7,790

(b) Collateral assets and secured liabilities

Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligation as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Pledged assets:			
Building and structures	¥878	¥831	\$7,828
Land	95	95	891
Total	¥973	¥926	\$8,719
Secured liabilities:			
Deposit received	¥ 82	¥ —	\$ —
Other long term liabilities	390	390	3,671
Total	¥472	¥390	\$3,671
Pledged assets for loans on subsidiaries and affiliates:			
Building and structures	¥305	¥296	\$2,782
Land	37	37	346
Investment securities	187	186	1,756
Total	¥529	¥519	\$4,884
Pledged assets for construction:			
Securities	¥ 50	¥ —	\$ —
Pledged assets for housing latent defects:			
Securities	¥ 11	¥ 6	\$ 57
Investment securities	131	127	1,195
Total	¥142	¥133	\$1,252

(c) Contingent liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
	¥56	¥38	\$358

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
MUL Nishimatsu Property (Thailand) Co., Ltd.	¥—	¥53	\$502

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

Since March 31, 2018 was a holiday for financial institutions, the following matured notes due on that date are included in the Consolidated Balance Sheet as of March 31, 2018.

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Notes-receivable.....	¥—	\$275 \$2,584

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

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Total amount of loan commitment	¥25,225	\$25,000 \$235,316
Loans outstanding	—	3,000 28,238

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

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Building and structures	¥379	\$485 \$4,562
Land	183	1,288 12,126
Total	¥562	\$1,773 \$16,688

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

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Building	¥199	¥— \$—

12. Notes to Consolidated Statements of income

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

	Millions of yen	Thousands of U.S. dollars
	2017	2018
	¥730	¥— \$—

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

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Employees' salary and allowances.....	¥8,358	\$9,059 \$85,274
Retirement benefit expenses.....	906	844 7,941
Provision for bonuses.....	505	439 4,130

(c) Research and development expenses for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2018
	¥1,298	\$1,364 \$12,834

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

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Buildings and structures	¥—	\$13 \$120
Machinery.....	4	9 82
Other	—	0 5
Total	¥ 4	\$22 \$207

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

	Millions of yen	Thousands of U.S. dollars	
	2017	2018	2018
Machinery.....	¥—	¥0	\$1
Other	0	0	1
Total.....	¥ 0	¥0	\$2

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

	Millions of yen	Thousands of U.S. dollars	
	2017	2018	2018
Buildings and structures	¥34	¥4	\$39
Machinery.....	—	1	13
Fixtures	0	0	2
Other	0	1	12
Total.....	¥34	¥6	\$66

(g) Loss on impairment of long-lived assets

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

Not Applicable.

FY2017 (April 1, 2017 to March 31, 2018)

The Group recognized impairment loss on the following asset groups for the year ended March 31, 2018.

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 decisions on rebuilding. The difference between the book value and the recoverable amount was posted as loss on impairment (¥39 million). Since the recoverable amount of the asset is scheduled to be dismantled, the value of use is calculated as 0.

Location	purpose	Type of asset	Millions of yen	
			2018	
Tokyo	For rent	Building	¥39	

13. Notes to Consolidated Comprehensive Income

Other comprehensive income for the year ended March 31, 2017 and 2018 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	
	2017	2018	2018
Unrealized gain on available for sale securities			
Amount arising during the year	¥ 997	¥ 7,201	\$ 67,779
Reclassification adjustments.....	(1,687)	(1,328)	(12,502)
Equity adjustment from foreign currency translation			
Amount arising during the year	(217)	192	1,808
Remeasurements of defined benefit plans			
Amount arising during the year	462	(54)	(505)
Reclassification adjustments.....	1,248	1,017	9,571
Amount before income tax effect.....	803	7,028	66,151
Income tax effect.....	(311)	(2,093)	(19,700)
Total.....	¥ 492	¥ 4,935	\$ 46,451

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

	Millions of yen	Thousands of U.S. dollars	
	2017	2018	2018
Unrealized gain on available for sale securities			
Amount before income tax effect.....	¥ (690)	¥ 5,873	\$ 55,276
Income tax effect.....	212	(1,798)	(16,925)
Amount after adjustment of income tax effect.....	(478)	4,075	38,381
Foreign currency translation adjustment			
Amount before income tax effect.....	(217)	192	1,808
Income tax effect.....	—	—	—
Amount after adjustment of income tax effect.....	(217)	192	1,808
Remeasurements of defined benefit plans			
Amount before income tax effect.....	1,710	963	9,067
Income tax effect.....	(523)	(295)	(2,774)
Amount after adjustment of income tax effect.....	1,187	668	6,292
Other comprehensive income			
Amount total of othe comprehensive income.....	803	7,028	66,151
Income tax effect.....	(311)	(2,093)	(19,700)
Amount after adjustment of income tax effect.....	¥ 492	¥ 4,935	\$ 46,451

14. Notes to Consolidated Statement of Changes in Net Assets

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

	Thousand shares	
	2017	2018
Common stock		
Number of shares at the beginning of year.....	277,958	277,958
Number of shares increased	—	—
Number of shares decreased	—	222,366
Number of shares at the end of year.....	277,958	55,591

a) FY2017 (April 1, 2017 to March 31, 2018)

1. Decreased shares were due to the consolidation of shares executed on October 1, 2017.

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

	Thousand shares	
	2017	2018
Common stock		
Number of shares at the beginning of year.....	1,020	3,529
Number of shares increased	2,509	185
Number of shares decreased	—	2,826
Number of shares at the end of year	3,529	888

a) 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.

b) FY2017 (April 1, 2017 to March 31, 2018)

1. The increase of shares was due to the acquisition of the resolution by the Board of Directors' meeting, shares resulting from the purchase of fractional shares less than one share due to the consolidation, and the purchase of shares below one unit.

2. Decreased shares were due to the consolidation of shares executed on October 1, 2017.

(c) Dividends

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	\$39,324	¥16	\$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	\$0.186	March 31, 2017	June 30, 2017

FY2017 (April 1, 2017 to March 31, 2018)

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, 2017	Common stock	¥5,763	\$54,245	¥21	\$0.198	March 31, 2017	June 30, 2017

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 28, 2018	Common stock	Retained earnings	¥5,197	\$48,916	¥95	\$0.894	March 31, 2018	June 29, 2018

15. 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 uncollectability.

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, 2017 and 2018 were as follows.

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

	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	—	—	—

	Millions of yen		
	2018		
	Book value	Fair value	Difference
Cash and deposits.....	¥ 32,499	¥ 32,499	¥ —
Notes receivable, accounts receivable from completed construction contracts and other.....	139,514	139,473	(42)
Investment in securities	63,915	63,918	4
Long-term loans	1,918		
Allowance for doubtful accounts *	(91)		
	1,827	1,811	(16)
Assets	¥237,755	¥237,701	¥(54)
Notes payable, accounts payable for construction contracts and other.....	¥ 77,711	¥ 77,711	¥ —
Short-term debt.....	18,206	18,206	—
Current portion of bond	—	—	—
Bond.....	25,000	25,128	128
Long-term debt.....	100	100	0
Liabilities.....	¥121,017	¥121,145	¥128
Derivative	—	—	—

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Cash and deposits.....	\$ 305,905	\$ 305,905	\$ —
Notes receivable, accounts receivable from completed construction contracts and other.....	1,313,198	1,312,805	(393)
Investment in securities	601,609	601,641	32
Long-term loans	18,050	—	—
Allowance for doubtful accounts *	(857)	—	—
	17,193	17,047	(146)
Assets	\$2,237,905	\$2,237,398	\$ (507)
Notes payable, accounts payable for construction contracts and other.....	\$ 731,463	\$ 731,463	\$ —
Short-term debt.....	171,374	171,374	—
Current portion of bond	—	—	—
Bond.....	235,316	236,513	1,197
Long-term debt.....	942	942	—
Liabilities.....	\$1,139,095	\$1,140,292	\$1,197
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 loans

The fair value of long-term loans 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, 2017 and 2018 were as follows:

Classification	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and deposits.....	¥7,386	¥6,525	\$61,414
Notes receivable, accounts receivable from completed construction contracts and other	1,442	1,345	12,658
Investment in securities	796	828	7,790

3. Redemption schedule for receivable and securities to maturity at March 31, 2017 and 2018

	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	61	131	—	—
Debt security held to maturity (government bonds)	—	1,233	26	50
Total.....	¥193,440	¥4,586	¥26	¥50

	Millions of yen			
	2018			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	¥ 32,499	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	132,367	6,621	526	—
Investment in securities	6	127	—	—
Debt security held to maturity (government bonds)	—	1,847	27	44
Total.....	¥164,872	¥8,595	¥553	¥44

	Thousands of U.S. dollars			
	2018			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	\$ 305,905	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,245,921	62,323	4,954	—
Investment in securities	57	1,196	—	—
Debt security held to maturity (government bonds)	—	17,381	252	416
Total.....	\$1,551,883	\$80,900	\$5,206	\$416

4. Redemption schedule for bond, long-term debt, and lease liability as of March 31, 2017 and 2018.

	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
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

	Millions of yen					
	2018					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond.....	¥ —	¥ —	¥15,000	¥ —	¥10,000	¥ —
Long-term debt.....	—	100	—	—	—	—
Lease liability.....	35	23	12	1	—	—
Total.....	¥35	¥123	¥15,012	¥ 1	¥10,000	¥ —

	Thousands of U.S. dollars					
	2018					
	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.....	\$ —	\$ —	\$141,190	\$—	\$94,127	\$—
Long-term debt.....	—	941	—	—	—	—
Lease liability.....	327	220	114	12	—	—
Total.....	\$327	\$1,161	\$141,304	\$12	\$94,127	\$—

16. 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 2017 was ¥1,931 million, in 2018 was ¥2,214 million (\$20,836 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, 2016	Increased (Decreased)	March 31, 2017	March 31, 2017
¥49,454	¥6,019	¥55,473	¥60,070

	Millions of yen			
	Carrying amount	Fair value		
	April 1, 2017	Increased (Decreased)	March 31, 2018	March 31, 2018
¥55,473	¥5,161	¥60,634	¥67,625	¥67,625

1. Carrying amount is net of accumulated depreciation and accumulated impairment losses from acquisition cost.

1. 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).
2. The main reason of increase in 2018 were the purchase, ¥11,876 million (\$111,789 thousand), those of decrease were the selling ¥3,597 million (\$3,597 thousand).

The main reason of increase in 2018 were the purchase, ¥11,876 million (\$111,789 thousand), those of decrease were the selling ¥3,597 million (\$3,597 thousand).

million (\$33,860 thousand), transfer to sales of real estate ¥2,594 million (\$24,418 thousand), and depreciation ¥1,009 million (\$9,496 thousand).

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

17. Asset retirement obligations

The asset retirement obligations included in financial statement for the years ended March 31, 2017 and 2018 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 6 to 38 years from acquisition and the discount rate has calculated the adjustment amount of an asset retirement obligations by having mainly used 0.000 to 2.308%.

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

The estimated period of service of the building is 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 0.657 to 2.155%.

The estimated period of service of the offices which the Group rents is from 1 year 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, 2017 and 2018 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Balance at beginning of year.....	¥236	¥389
New obligations by acquisition of fixed assets.....	129	9
Increase because of reasonable estimate can be made ..	22	—
Adjustment for time's passage.....	2	2
Decrease because of executed obligation.....	—	(22)
Balance at end of year.....	¥389	¥378
	\$3,663	\$3,560

18. Segment information

(a) Decision of reportable segments

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

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

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

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

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

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

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

(c) Net sales, profit or loss, assets and liabilities by reportable business segments for the years ended March 31, 2017 and 2018.

	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 in "Operating income" is due to the deletion with which segments transact.
2. Adjustments are made between "Segment profit" and "Operating income" reported in the consolidated statements of income.
3. Assets of each segment are not mentioned because of not distribution to the business segment.

	Millions of yen				
	2018				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers.....	¥95,807	¥179,777	¥ 8,828	¥ —	¥284,412
Intersegment or transfer.....	—	—	6,658	(6,658)	—
Total.....	¥95,807	¥179,777	¥15,486	¥(6,658)	¥284,412
Operating income (loss).....	9,528	11,281	1,945	(2)	22,752
Depreciation and amortization..	435	563	1,014	—	2,012

1. "Adjustments" of negative ¥2 million in "Operating income" is due to the deletion with which segments transact.
2. Adjustments are made between "Segment profit" and "Operating income" reported in the consolidated statements of income.
3. Assets of each segment are not mentioned because of not distribution to the business segment.

	Thousands of U.S. dollars				
	2018				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers.....	\$901,801	\$1,692,183	\$ 83,088	\$ —	\$2,677,072
Intersegment or transfer.....	—	—	62,671	(62,671)	—
Total.....	\$901,801	\$1,692,183	\$145,759	\$(62,671)	\$2,677,072
Operating income (loss).....	89,681	106,189	18,305	(17)	214,158
Depreciation and amortization..	4,087	5,302	9,548	—	18,937

Related information

(1) Products and services

Information about products and services is included in "(c) Net sales, profit or loss, assets and liabilities by reportable business segments" for the years ended March 31, 2017 and 2018.

(2) Geographical areas

Information by geographical segment for the years ended March 31, 2017 and 2018 were summarized as follows:

	Millions of yen			
	2017			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	¥285,994	¥28,583	¥652	¥315,229
 Millions of yen				
	2018			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	¥267,580	¥16,832	¥(0)	¥284,412
 Thousand of U.S. dollars				
	2018			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	\$2,518,634	\$158,438	\$(0)	\$2,677,072

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 years ended March 31, 2017 and 2018 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 ended March 31, 2017.

The detail for the year ended March 31, 2018 was as follow:

	Millions of yen				
	2018				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Loss on impairment of long-lived assets.....	¥—	¥—	¥39	¥—	¥39

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

Not Applicable.

(6) Information on Gains on Negative Goodwill by Reported Segment FY2016 (April 1, 2016 to March 31, 2017)

This item is omitted because of not importance.

FY2017 (April 1, 2017 to March 31, 2018)

Not Applicable

(7) Information on Related Parties

Not Applicable.

19. 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, 2017 and 2018.

(a) Per share information

	Yen	U.S. dollars	
	2017	2018	2018
Net income:			
Basic.....	¥ 348.16	¥ 308.52	\$ 2.904
Net assets.....	3,057.34	3,348.41	31.517

1. Diluted net income per share for the year March 31, 2017 and 2018 were not presented because the Company had no shares with dilutive effects.
2. As of October 1, 2017, a 5:1 share consolidation of common stock was implemented. Accordingly, net assets per share and net income per share have been calculated on the assumption that this consolidation of shares was carried out at the beginning of the previous fiscal year.

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

	Millions of yen	Thousands of U.S. dollars	
	2017	2018	2018
Profit attributable to owners of parent.....	¥19,211	¥16,914	\$159,208
Amount that does not belong to general shareholders.....	—	—	—
Profit attributable to owners of parent.....	19,211	16,914	159,208
Average number of shares of common stock during the year (Unit:1,000).....	275,892	54,824	

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

	Millions of yen	Thousands of U.S. dollars	
	2017	2018	2018
Total amount under net assets.....	¥169,788	¥185,220	\$1,743,408
Amount deducted from the total amount under net assets.....	1,985	2,049	19,285
(Of which non-controlling interests).....	(1,985)	(2,049)	(19,285)
Net assets at the end of the year related to common stock.....	167,803	183,171	1,724,123
Number of shares of common stock at the end of the year used in the calculation of net assets per share (Unit:1,000).....	54,885	54,703	

20. Quarterly information for FY2017 (April 1, 2017 to March 31, 2018)

(a) Accumulated period

	Millions of yen			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr. 1, 2017 Jun. 30, 2017	Jul. 1, 2017 Sep. 30, 2017	Oct. 1, 2017 Dec. 31, 2017	Jan. 1, 2018 Mar. 31, 2018
Net sales.....	¥65,010	¥130,083	¥199,753	¥284,412
Profit before income taxes.....	4,793	11,306	16,870	24,495
Profit attributable to owners of parent.....	2,832	7,338	11,390	16,914
Per share of net income (Yen).....	51.59	133.70	207.60	308.52

	Thousands of U.S. dollars			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr. 1, 2017 Jun. 30, 2017	Jul. 1, 2017 Sep. 30, 2017	Oct. 1, 2017 Dec. 31, 2017	Jan. 1, 2018 Mar. 31, 2018
Net sales.....	\$611,916	\$1,224,425	\$1,880,202	\$2,677,072
Profit before income taxes.....	45,119	106,424	158,794	230,566
Profit attributable to owners of parent	26,655	69,074	107,210	159,208
Per share of net income (U.S. dollars).....	0.486	1.258	1.954	2.904

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

(b) Each period

	Yen			
	1st quarter	2nd quarter	3rd quarter	4th quarter
Apr. 1, 2017	Jul. 1, 2017	Oct. 1, 2017	Jan. 1, 2018	
Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	
Per share of net income	¥51.59	¥82.11	¥73.90	¥100.99

	U.S. dollars			
	1st quarter	2nd quarter	3rd quarter	4th quarter
Apr. 1, 2017	Jul. 1, 2017	Oct. 1, 2017	Jan. 1, 2018	
Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	
Per share of net income	\$0.486	\$0.773	\$0.696	\$0.951

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

Independent Auditor's Report

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, 2018, 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, 2018, 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 Note5.

Tokyo, Japan
June 28, 2018


GYOSEI & Co.
Certified Public Accountants

Non-Consolidated Five-Year Summary

Nishimatsu Construction Co., Ltd.

	Millions of yen				
	2014	2015	2016	2017	2018
Orders received.....	¥299,056	¥339,095	¥298,758	¥355,488	¥369,972
Orders received from overseas.....	34,624	25,764	11,160	18,317	37,925
Percentage of orders received from overseas.....	11.6%	7.6%	3.7%	5.2%	10.3%
Net sales	299,610	325,464	297,850	307,045	276,157
Cost of sales.....	283,860	306,186	269,494	266,004	236,503
Selling, general and administrative expenses.....	12,725	13,506	14,381	16,186	16,842
Profit before income taxes.....	2,165	9,201	12,706	27,283	24,814
Profit.....	5,453	8,624	14,618	19,336	17,126
Percentage of income against net sales	1.8%	2.6%	4.9%	6.3%	6.2%
Total assets.....	359,090	370,622	337,242	373,539	372,062
Net assets.....	133,499	145,127	150,410	163,564	178,404
Percentage of net assets against total assets.....	37.2%	39.2%	44.6%	43.8%	47.9%
Common stock.....	23,514	23,514	23,514	23,514	23,514
Per share of common stock (in yen): *					
Net income.....	¥ 19.68	¥ 31.14	¥ 52.78	¥ 350.42	¥ 312.39
Cash dividends applicable to the year.....	6.00	10.00	16.00	21.00	95.00
Net assets.....	481.98	524.02	543.12	596.02	3261.27
Number of shareholders.....	20,049	30,009	23,290	18,599	17,816
Number of employees.....	2,648	2,424	2,467	2,504	2,536

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

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

Non-Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd.
March 31, 2017 and 2018

	Millions of yen	Thousands of U.S. dollars (Note 4)	
	2017	2018	2018
Assets			
Current assets:			
Cash and time deposits (Note 13).....	¥ 30,671	¥ 24,334	\$ 229,051
Marketable securities (Note 10).....	61	6	56
Notes and accounts receivable, trade:			
Notes (Note 13).....	2,346	7,523	70,807
Accounts (Note 13).....	155,068	131,408	1,236,894
Allowance for doubtful accounts (Notes 2 and 12).....	(168)	(155)	(1,455)
Inventories (Notes 2 and 5).....	7,570	8,171	76,910
Short-term loans to subsidiaries and affiliates.....	362	15	137
Deferred income taxes (Note 7).....	2,832	2,797	26,324
Advance paid.....	16,479	20,018	188,421
Other current assets.....	4,286	4,305	40,523
Total current assets.....	219,507	198,421	1,867,668
Investments and other assets:			
Investment securities (Notes 2 and 10).....	62,264	69,315	652,441
Investments in subsidiaries and affiliates (Notes 2 and 6).....	3,319	3,308	31,133
Long-term loans to subsidiaries and affiliates.....	14	330	3,105
Others.....	5,984	6,700	63,068
Allowance for doubtful accounts (Notes 2, 7 and 12).....	(104)	(99)	(930)
Total investments and other assets.....	71,477	79,554	748,817
Property and equipment (Notes 2 and 11):			
Land.....	47,194	52,604	495,142
Buildings.....	60,388	66,918	629,874
Machinery and equipment.....	8,877	9,233	86,909
Accumulated depreciation.....	(33,904)	(34,668)	(326,316)
Total property and equipment.....	82,555	94,087	885,609
Total assets.....	¥373,539	¥372,062	\$3,502,094

The accompanying notes are an integral part of these statements.

	Millions of yen	Thousands of U.S. dollars (Note 4)	
	2017	2018	2018
Liabilities and Net assets			
Current liabilities:			
Short-term debt from banks (Note 13).....	¥ 14,358	¥ 16,209	\$ 152,570
Current portion of long-term debt.....	631	—	—
Notes and accounts payable, trade:			
Notes (Note 13).....	47,438	29,455	277,252
Accounts (Note 13).....	45,515	46,970	442,116
Advances received on uncompleted contracts (Note 13).....	14,913	11,589	109,087
Provision for warranties for completed construction (Notes 2 and 12)....	2,101	2,261	21,283
Provision for bonuses (Notes 2 and 12).....	2,792	3,122	29,388
Provision for loss on construction contracts (Notes 2 and 12)	805	673	6,335
Accrued income taxes.....	5,960	4,029	37,922
Employees' deposits.....	7,149	8,072	75,978
Provision for loss on real estate business and other (Notes 2 and 12)	7	1	9
Deposits received.....	20,265	21,779	204,999
Other current liabilities	4,071	4,265	40,146
Total current liabilities.....	166,005	148,425	1,397,085
Long-term liabilities:			
Long-term debt	25,100	25,100	236,258
Accrued retirement benefits.....	8,799	8,670	81,611
Deferred income taxes (Notes 2 and 7).....	5,490	7,307	68,780
Provision for environmental measures (Notes 2 and 12).....	309	309	2,911
Asset retirement obligations.....	381	370	3,484
Other long-term liabilities	3,891	3,477	32,715
Total long-term liabilities.....	43,970	45,233	425,759
Total liabilities	209,975	193,658	1,822,844
Net assets:			
Common stock:			
Authorized - 160,000,000 shares			
Issued and outstanding - 55,591,502 shares.....	23,514	23,514	221,326
Capital surplus.....	20,780	20,780	195,599
Legal reserve	5,878	5,878	55,330
Retained earnings.....	94,262	105,625	994,215
Treasury stock, at cost	(1,578)	(2,170)	(20,426)
Unrealized gain on available-for-sale securities	20,708	24,777	233,206
Total net assets	163,564	178,404	1,679,250
Total liabilities and net assets.....	¥373,539	¥372,062	\$3,502,094

Non-Consolidated Statement of Income

Nishimatsu Construction Co., Ltd.
For the years ended March 31, 2017 and 2018

	Millions of yen	Thousands of U.S. dollars (Note 4)	
	2017	2018	2018
Net sales (Note 2):			
Completed construction contract.....	¥299,293	¥267,673	\$2,519,511
Real estate business and other	7,752	8,484	79,858
	307,045	276,157	2,599,369
Cost of sales (Notes 2 and 14):			
Cost of completed construction contract.....	260,999	230,902	2,173,403
Cost of real estate business and other.....	5,005	5,601	52,715
	266,004	236,503	2,226,118
Gross profit.....	41,041	39,654	373,251
Selling, general and administrative expenses.....	16,186	16,842	158,532
Income (loss) from operations.....	24,855	22,812	214,719
Other income (expenses):			
Interest and dividend income.....	2,042	974	9,165
Interest expenses.....	(455)	(415)	(3,908)
Financing expenses.....	(38)	(30)	(279)
Gain on sales of investment securities.....	1,703	1,328	12,502
Gain on sales of fixed assets.....	4	19	181
Loss on retirement of non-current assets.....	(34)	(7)	(66)
Provision for environmental measures.....	(82)	—	—
Loss on valuation of investment securities.....	(39)	(1)	(9)
Loss of rebuilding.....	(211)	(91)	(856)
Foreign currency exchange loss.....	(676)	(84)	(795)
Settlement package.....	(234)	(65)	(609)
Compensation income.....	250	60	563
Other-net.....	198	314	2,954
	2,428	2,002	18,843
Profit before income taxes.....	27,283	24,814	233,562
Income taxes (Note 2):			
Current.....	6,763	7,631	71,820
Deferred.....	1,184	57	537
	7,947	7,688	72,357
Profit (loss)	¥ 19,336	¥ 17,126	\$ 161,205
		Yen	U.S. dollars
Per share of common stock			
Net income.....	¥350.42	¥312.39	\$2.49
Cash dividends applicable to the year.....	21.00	95.00	0.89

The accompanying notes are an integral part of these statement.

Note: As of October 1, 2017, a 5:1 share consolidation of common stock was implemented. Accordingly, net income per share has been calculated on the assumption that this consolidation of shares was carried out at the beginning of the previous fiscal year.

Non-Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd.
For the years ended March 31, 2017 and 2018

	Millions of yen						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Total net assets
Balance at April 1, 2016	¥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)
Balance at April 1, 2017	¥23,514	¥20,780	¥5,878	¥94,262	¥(1,578)	¥20,708	¥163,564
Dividends declared				(5,763)			(5,763)
Profit				17,126			17,126
Purchase of treasury stock					(592)		(592)
Net changes of items other than shareholder's equity						4,069	4,069
Balance at March 31, 2018	¥23,514	¥20,780	¥5,878	¥105,625	¥(2,170)	¥24,777	¥178,404

	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
Balance at April 1, 2017	\$221,326	\$195,599	\$55,330	\$887,255	\$(14,855)	\$194,914	\$1,539,569
Dividends declared				(54,245)			(54,245)
Profit				161,205			161,205
Purchase of treasury stock					(5,571)		(5,571)
Net changes of items other than shareholder's equity						38,292	38,292
Balance at March 31, 2018	\$221,326	\$195,599	\$55,330	\$994,215	\$(20,426)	\$233,206	\$1,679,250

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 ¥260,408 million (\$2,451,135 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 an rational estimate and the Company recognized ¥309 million (\$2,911 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 presentation

Notes to non-consolidated statement of income

"Pneumoconiosis litigation settlement" 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, 2018, 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, ¥65 million presented in "Other-net" under "Other income (expenses)" in the consolidated statement of income of the previous fiscal year has been reclassified as ¥12 million of "Pneumoconiosis litigation settlement" and ¥52 million of "Other-net."

4. United States dollar amounts

The United States dollar amounts presented in the accompanying non-consolidated financial statements are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥106.24 = US\$1, which was the exchange rate prevailing as of March 31, 2018.

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

5. Inventories

Inventories comprised the following:

	Millions of yen	Thousands of U.S. dollars	
	2017	2018	2018
Costs on uncompleted construction contracts	¥3,416	¥2,026	\$19,068
Real estate for sale	3,762	5,722	53,860
Raw materials and supplies	392	423	3,982
Total	¥7,570	¥8,171	\$76,910

6. Securities

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

	Millions of yen	Thousands of U.S. dollars	
	2017	2018	2018
Stocks of subsidiaries	¥3,175	¥3,174	\$29,873
Stocks of affiliates	144	134	1,260
Total	¥3,319	¥3,308	\$31,133

7. Income taxes

Composition of deferred tax assets and liabilities

(a) **Deferred tax assets and liabilities as of March 31, 2017 and 2018 were as follows:**

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Deferred tax assets:		
Accrued retirement obligations	¥ 4,308	¥ 4,070
Loss on impairment of long-lived assets	2,560	2,511
Provision for loss on construction contracts	247	206
Allowance for doubtful accounts.....	1,411	1,406
Portion for bonus.....	863	955
Provision for warranties for completed construction ..	649	692
Loss on valuation of investment securities	270	195
Loss on valuation of real estate	316	316
Others.....	2,371	2,105
Subtotal deferred tax assets	¥ 12,995	¥ 12,456
Valuation allowance.....	(5,686)	(5,441)
Gross deferred tax assets	¥ 7,309	¥ 7,015
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities ...	(9,129)	(10,924)
Resignation payment trust.....	(278)	(57)
Reserve for reduction entry of replaced property...	(489)	(487)
Others.....	(71)	(57)
Gross deferred tax liabilities	(9,967)	(11,525)
Net deferred tax assets (liabilities).....	¥(2,658)	¥(4,510)
	¥(42,456)	\$ (117,240)

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

	2017	2018
Statutory tax rate	30.9%	30.9%
(Adjustment)		
Permanent non-deductible items.....	1.7%	2.1%
Permanent non-taxable items.....	(1.3)%	(0.3)%
Inhabitant taxes on per capita levy	0.5%	0.6%
Valuation allowance	(0.3)%	(1.0)%
Difference of base of enterprise tax on corporation	0.3%	—
Tax credit.....	(1.8)%	(2.7)%
Others.....	(0.9)%	1.4%
Effective tax rate	29.1%	31.0%

8. Notes to non-consolidated balance sheet

(a) **Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligation as of March 31, 2017 and 2018 were as follows:**

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Pledged assets:		
Buildings.....	¥873	¥827
Structures.....	5	5
Land.....	95	95
Total	¥973	¥927
	¥8,785	891
Secured liabilities:		
Deposit received.....	¥ 82	¥ —
Other long-term liabilities	390	390
Total	¥472	¥390
	3,671	\$3,671
Pledged assets for loans on subsidiaries and affiliates:		
Buildings.....	¥306	¥296
Land.....	37	37
Investment securities.....	179	179
Total	¥522	¥512
	¥2,782	1,686
Pledged assets for construction:		
Marketable securities	¥ 50	¥ —
Total	¥142	¥133
	56	\$1,251
Pledged assets for housing latent defects:		
Marketable securities	¥ 11	¥ 6
Investment securities.....	131	127
Total	¥142	¥133
	56	1,195

(b) Contingent liabilities

The Company provides guarantee for banks loans of the following:

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Nishimatsu Investments., Ltd.	¥289	¥—
Total	¥289	¥—

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

	Millions of yen	Thousands of U.S. dollars
	2017	2018
	¥56	¥38
	56	\$358

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

Since March 31, 2018 was a holiday for financial institutions, the following matured notes due on that date are included in the consolidated balance sheet as of March 31, 2018.

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Notes-receivable.....	¥—	¥275
	—	\$2,584

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

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Total amount of loan commitment	¥25,000	¥25,000
Loans outstanding	—	3,000
	25,000	235,316
	—	28,238

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

	Millions of yen	Thousands of U.S. dollars	2018
	2017	2018	2018
Buildings and structures	¥379	¥ 480	\$ 4,521
Structures	0	4	41
Land	183	1,288	12,126
Total.....	¥562	¥1,777	\$16,688

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

	Millions of yen	Thousands of U.S. dollars	2018
	2017	2018	2018
Building.....	¥199	¥—	\$—

9. 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	2018
	2017	2018	2018
Buildings and structures	¥—	¥13	\$120
Machinery.....	4	6	57
Others.....	—	1	\$5
Total.....	¥ 4	¥20	\$182

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

	Millions of yen	Thousands of U.S. dollars	2018
	2017	2018	2018
Machinery.....	¥—	¥ 0	\$ 0
Others	0	—	—
Total.....	¥ 0	¥ 0	\$ 0

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

	Millions of yen	Thousands of U.S. dollars	2018
	2017	2018	2018
Buildings and structures	¥33	¥4	\$40
Machinery.....	0	1	13
Other	0	1	12
Total.....	¥33	¥6	\$66

10. Details of securities

(a) Stock

Investment Securities-Available-for-sale securities

Issuer	Number of shares	Balance as of March 31, 2018 on balance sheets	
		Millions of yen	Thousands of U.S. dollars
SUMITOMO REALTY & DEVELOPMENT CO., LTD.	4,500,000	¥17,708	\$166,675
SHOCHIKU CO., LTD.	328,800	4,962	46,702
TOKYO TATEMONO CO., LTD.	2,037,699	3,266	30,746
mitsui fudosan co., ltd.	1,098,354	2,835	26,689
CENTRAL JAPAN RAILWAY COMPANY	137,500	2,768	26,053
ASAHI KASEI CORPORATION	1,557,759	2,179	20,513
HULIC CO., LTD.	1,405,500	1,632	15,359
TEIKOKU SEN-I CO., LTD.	800,000	1,614	15,188
EAST JAPAN RAILWAY COMPANY	150,000	1,479	13,924
KEIKYU CORPORATION	792,743	1,467	13,804
MIZUHO FINANCIAL GROUP, INC.	7,055,481	1,350	12,711
HANKYU HANSHIN HOLDINGS, INC.	334,994	1,322	12,439
KOBE STEEL, LTD.	1,224,125	1,305	12,283
SAPPORO HOLDINGS LIMITED	373,774	1,159	10,906
KEIHAN ELECTRIC RAILWAY CO., LTD.	342,169	1,122	10,564
TSURUYA DEPARTMENT STORE INC.	12,000	1,104	10,392
KYUSHU FINANCIAL GROUP, INC.	1,983,999	1,044	9,823
FUKUYAMA TRANSPORTING CO., LTD.	200,000	939	8,838
KYUSHU RAILWAY COMPANY	271,100	897	8,446
JFE HOLDINGS, INC.	375,786	805	7,582
SHIKOKU ELECTRIC POWER CO., INC	625,055	789	7,425
WEST JAPAN RAILWAY COMPANY	100,000	743	6,995
JAPAN NUCLEAR FUEL LIMITED	66,664	667	6,275
KANSAI ELECTRIC POWER CO., INC.	467,107	639	6,010
ELECTRIC POWER DEVELOPMENT CO., LTD.	236,000	633	5,958
JSR CORPORATION	251,416	602	5,663
KYUSHU ELECTRIC POWER COMPANY, INC.	437,788	555	5,225
TAIHEIYO CEMENT CORPORATION	133,562	516	4,859
DAIWA HOUSE INDUSTRY CO., LTD.	118,595	486	4,577
TOKYO ELECTRIC POWER COMPANY HOLDINGS, INC.	1,159,375	475	4,474
mitsubishi belting ltd.	400,000	471	4,431
KUBOTA CORPORATION	200,000	372	3,505
CHUBU ELECTRIC POWER COMPANY, INC.	243,154	365	3,440
FUJI KYUKO CO., LTD.	125,000	349	3,280
TOKYO MARINE HOLDINGS, INC.	69,000	327	3,075
KANSAI INTERNATIONAL AIRPORT LAND COMPANY, LTD.	6,300	315	2,965
OKAMOTO INDUSTRIES, INC.	280,400	306	2,882
METROPOLITAN INTERCITY RAILWAY COMPANY	6,000	300	2,824
THE JAPAN STEEL WORKS, LTD.	83,529	284	2,669
THE CHUGOKU ELECTRIC POWER COMPANY, INC.	217,898	279	2,629
NANKAI ELECRIC RAILWAY CO., LTD.	100,000	267	2,509
SUMITOMO OSAKA CEMENT CO., LTD.	530,000	250	2,355
TOPY INDUSTRIES,LIMITED	78,362	243	2,287
KAWASAKI HEAVY INDUSTRIES., LTD.	70,000	241	2,267
FURUKAWA CO., LTD.	119,000	236	2,223
OTHER (119 ISSUES)	5,782,406	6,177	58,146
Total	36,888,394	¥67,844	\$638,587

(b) Bonds

Marketable Securities-Held-to-maturity securities

Issuer	Millions of yen		Thousands of U.S. dollars	
	Total face value	Figure on balance sheet	Total face value	Figure on balance sheet
Government bond (1 issue)	¥6	¥56	¥6	\$57
Total	¥6	¥56	¥6	\$57

Investment securities-Held-to-maturity securities

Issuer	Millions of yen		Thousands of U.S. dollars	
	Total face value	Figure on balance sheet	Total face value	Figure on balance sheet
Government bond (2 issues)	¥130	¥1,224	¥127	\$1,195
Total	¥136	¥1,280	¥133	\$1,252

(c) Other

Investment Securities-Available-for-sale securities

Type and issue	Number of investment units, etc.	Millions of yen		Thousands of U.S. dollars	
		Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Investment in anonymous association (Toranomon Ichigo Godogaisha).....	—	¥ 750	\$ 7,059		
Mitsui Fudosan Private REIT Inc.	300	300	2,824		
Investment in limited investment association (1 issue).....	3	295	2,775		
Investment in anonymous association (1 issue).....	—	0	0		
Total	303	¥1,345	\$12,658		

11. Details of fixed assets

Type of assets	Millions of yen						
	Balance at April 1, 2017	Increase during the year	Decrease during the year	Balance at March 31, 2018	Accumulated depreciation or accumulated amortization at March 31, 2018	Depreciation for the year	Net balance at March 31, 2018
Tangible assets							
Buildings.....	¥ 49,296	¥ 2,855	¥1,677	¥ 50,475	¥25,158	¥1,361	¥25,318
Structures.....	2,379	391	26	2,744	1,707	65	1,037
Machinery and equipment.....	6,442	729	213	6,957	5,843	222	1,114
Vehicles.....	436	24	166	294	252	18	42
Tools, furniture, and supplies	1,609	99	116	1,592	1,387	96	205
Land.....	47,194	9,634	4,223	52,604	—	—	52,604
Lease assets.....	390	—	—	390	321	39	68
Construction in progress.....	8,712	6,816	1,829	13,699	—	—	13,699
Total tangible assets.....	¥116,458	¥20,547	¥8,250	¥128,755	¥34,668	¥1,801	¥94,087
Intangible assets							
Software	—	—	—	2,610	2,129	158	480
Others	—	—	—	460	272	1	189
Total intangible assets.....	—	—	—	3,070	2,401	159	669
Long-term prepaid expenses.....	25	1	2	23	18	4	5
Deferred assets	—	—	—	—	—	—	—
Total deferred assets.....	—	—	—	—	—	—	—
Thousands of U.S. dollars							
Type of assets	Balance at April 1, 2017	Increase during the year	Decrease during the year	Balance at March 31, 2018	Accumulated depreciation or accumulated amortization at March 31, 2018	Depreciation for the year	Net balance at March 31, 2018
Tangible assets							
Buildings.....	\$ 464,022	\$ 26,869	\$15,785	\$ 475,107	\$236,802	\$12,816	\$238,305
Structures.....	22,389	3,679	242	25,826	16,068	611	9,758
Machinery and equipment.....	60,633	6,857	2,005	65,486	54,997	2,086	10,489
Vehicles.....	4,107	223	1,561	2,769	2,372	173	397
Tools, furniture, and supplies	15,146	932	1,091	14,987	13,053	901	1,934
Land.....	444,216	90,681	39,755	495,142	—	—	495,142
Lease assets.....	3,668	—	—	3,668	3,026	368	642
Construction in progress.....	81,999	64,157	17,215	128,941	—	—	128,941
Total tangible assets.....	\$1,096,180	\$193,398	\$77,654	\$1,211,926	\$326,318	\$16,955	\$885,608
Intangible assets							
Software	—	—	—	24,567	20,044	1,485	4,522
Others	—	—	—	4,333	2,557	13	1,776
Total intangible assets.....	—	—	—	28,900	22,601	1,498	6,298
Long-term prepaid expenses.....	231	5	19	217	169	39	47
Deferred assets	—	—	—	—	—	—	—
Total deferred assets.....	—	—	—	—	—	—	—

(a) Major increase during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Land	Urayasu-shi, Chiba	For rent	¥1,028	\$ 9,676
Land	Chiyoda-ku, Tokyo	For rent	2,271	21,376
Land	Minato-ku, Tokyo	For rent	3,808	35,843
Construction in progress	Minato-ku, Tokyo	For rent	4,686	44,108

(b) Major decrease during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Building	Chuo-ku, Tokyo	For rent	¥2,935	\$27,629

(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.

12. Details of provision

	Millions of yen					
	Balance at April 1, 2017	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2018	
Allowance for doubtful accounts.....	¥ 272	¥ 20	¥ 5	¥34	¥ 253	
Provision for warranties for completed construction	2,101	788	628	—	2,261	
Provision for bonus.....	2,792	3,122	2,792	—	3,122	
Provision for loss on construction contracts.....	805	—	36	96	673	
Provision for loss on real estate business and other....	7	1	7	—	1	
Provision for environmental measures	309	—	—	—	309	
Thousands of U.S. dollars						
	Balance at April 1, 2017	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2018	
Allowance for doubtful accounts.....	\$ 2,561	\$ 190	\$ 43	\$323	\$ 2,385	
Provision for warranties for completed construction	19,777	7,418	5,912	—	21,283	
Provision for bonus.....	26,284	29,388	26,284	—	29,388	
Provision for loss on construction contracts.....	7,577	—	339	903	6,335	
Provision for loss on real estate business and other....	66	9	66	—	9	
Provision for environmental measures	2,911	—	—	—	2,911	

(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 yen and collect of loans receivable of ¥17 million yen.

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

13. Major assets and liabilities

(Assets)

1. Cash and deposits

Cash and deposits	Millions of yen	Thousands of U.S. dollars
Cash	¥ 37	\$ 347
Deposits		
Current deposits	14,433	135,857
Saving deposits	9,574	90,119
Time deposits	290	2,728
Total	¥24,334	\$229,051

2. Notes receivable

(a) Breakdown by payer

Payer	Millions of yen	Thousands of U.S. dollars
AEON MALL Co., Ltd.....	¥4,440	\$41,794
KATO WORKS Co., Ltd.....	710	6,683
Chiyoda Corporation	427	4,022
SEKISUI PLASTICS Co., Ltd.....	300	2,820
Aeon Retail Co., Ltd	263	2,480
Other	1,383	13,008
Total	¥7,523	\$70,807

(b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2018, April.....	¥2,653	\$24,972
May	2,929	27,566
June	210	1,974
July	1,185	11,157
August	387	3,638
September and beyond	159	1,500
Total	¥7,523	\$70,807

The figure for April includes items unsettled as of March 30 (worth ¥274 million) as March 31 2018 was a bank holiday.

The figure for May includes items unsettled as of April 30 (worth ¥346 million) as April 30 2018 was a bank holiday.

The figure for July includes items unsettled as of June 31 (worth ¥66 million) as May 31 2018 was a bank holiday.

3. Accounts receivable from completed construction contracts

(a) Breakdown by payer

Payer	Millions of yen	Thousands of U.S. dollars
The Organization of the Ministry of Land, Infrastructure, Transport and Tourism	¥ 14,511	\$ 136,589
Urban Renaissance Agency.....	12,943	121,828
Sumitomo Realty & Development Co., Ltd.....	9,532	89,723
Aeon Mall Co., Ltd.....	8,753	82,386
Toshin Development Co., Ltd and Tokyu Land Corporation.....	7,852	73,906
Other	77,817	732,463
Total	¥131,408	\$1,236,895

(b) Stagnation

	Millions of yen	Thousands of U.S. dollars
Posted in fiscal year 2018.....	¥128,190	\$1,206,604
Posted in fiscal year 2017 or before.....	3,218	30,291
Total.....	¥131,408	\$1,236,895

4. Real estate for sale

Item	Millions of yen	Thousands of U.S. dollars
Land for sale.....	¥1,431	\$13,469
Building for sale.....	1,742	16,399
Total.....	¥3,173	\$29,868

Breakdown of land is as follows:

Region	Square meters	Millions of yen	Thousands of U.S. dollars
Tohoku region.....	38,690.34	¥1,325	\$12,471
Other region.....	4,264.58	106	998
Total.....	42,954.92	¥1,431	\$13,469

5. Cost on uncompleted construction contracts

	Millions of yen			
	Balance at April 1, 2017	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2018
Work in progress.....	¥3,416	¥229,512	¥230,902	¥2,026

	Thousands of U.S. dollars			
	Balance at April 1, 2017	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2018
Work in progress.....	\$32,150	\$2,160,321	\$2,173,403	\$19,068

Breakdown of the balance at March 31, 2018 is as follows:

Item	Millions of yen	Thousands of U.S. dollars
Materials cost	¥1,204	\$11,333
Labor cost	24	225
Subcontracts cost	505	4,752
Other region.....	293	2,758
Total.....	¥2,026	\$19,068

6. Payment on estate trade

Item	Millions of yen	Thousands of U.S. dollars
Operation cost payment.....	¥ 737	\$ 6,938
Other part-time business disbursements.....	935	8,799
Others.....	877	8,254
Total.....	¥2,549	\$23,991

7. Raw materials & supplies

Item	Millions of yen	Thousands of U.S. dollars
Raw materials & supplies	¥351	\$3,305
Materials for sale	43	402
Others.....	29	275
Total.....	¥423	\$3,982

8. Advance paid

Item	Millions of yen	Thousands of U.S. dollars
JV, such as advances paid	¥19,849	\$186,834
Others.....	169	1,587
Total.....	¥20,018	\$188,421

(Liabilities)

1. Notes payable

(a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
TOMOE Corporation.....	¥ 274	\$ 2,583
Nakai Ironworks Construction Co., Ltd.....	191	1,796
Hatasaiseki Joint Order Business Entity.....	174	1,641
Miki Industrial INC.....	160	1,504
JR Kyusyu Traiding Co., Ltd.....	150	1,417
Other	2,246	21,133
Total.....	¥3,195	\$30,074

(b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2018, April.....	¥ 836	\$ 7,871
May	641	6,032
June	847	7,974
July	871	8,197
Total.....	¥3,195	\$30,074

2. Electrically recorded obligation

(a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
Kinden Corporation.....	¥ 1,737	\$ 16,353
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION	1,027	9,663
Itochu-Marubeni-Sunishou Techno Steel Inc.....	993	9,344
OBAYASHI ROAD CORPORATION.....	684	6,437
Takasago Thermal Engineering Co., Ltd.....	586	5,515
Other	21,233	199,865
Total.....	¥26,260	\$247,177

(b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2018, April.....	¥ 7,103	\$ 66,856
May	6,304	59,340
June	5,937	55,880
July	6,916	65,101
Total.....	¥26,260	\$247,177

3. Accounts for payable for construction

Recipient	Millions of yen	Thousands of U.S. dollars
CONCHEM Co., Ltd.	¥ 4,436	\$ 41,763
Kyudenko Corporation	1,700	16,000
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION.....	1,160	10,920
Kawasaki Heavy Industries, Ltd	676	6,363
JFE shoji Trade Steel Construction Materials Corporation	645	6,068
Other	38,353	361,002
Total.....	¥46,970	\$442,116

4. Short-term debt

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Bank, Ltd.	¥ 4,720	\$ 44,428
Higo Bank, Ltd.	2,050	19,296
Resona Bank, Ltd.	1,398	13,159
Mizuho Trust & Banking Co., Ltd.	1,287	12,114
Sumitomo Mitsui Banking Corporation	1,270	11,954
The Norinchukin Bank	620	5,836
The Hyaku Jushi Bank, Ltd.	620	5,836
The Chiba Bank, Ltd.	514	4,838
Other	3,730	35,109
Long-term debt due within one year	—	—
Total	¥16,209	\$152,570

The above borrowing amount includes part of the balance of syndicated loans from 11 financial institutions.

5. Advances received on uncompleted construction

Millions of yen			
Balance at April 1, 2017	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2018
¥14,913	¥145,462	¥148,786	¥11,589

Thousands of U.S. dollars			
Balance at April 1, 2017	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2018
\$140,372	\$1,369,183	\$1,400,468	\$109,087

The difference of ¥127,371 million between total sales of ¥276,156 million on the non-consolidated statements of income and the amount of transferred to net sales of ¥148,785 million indicated above is equal to the sum of accounts receivable from completed construction contracts of ¥126,602 million for fiscal 2018 and the increase of ¥769 million as a result of making adjustment to the contract value of prior-period settled construction contracts.

6. Deposits received

Classification	Millions of yen	Thousands of U.S. dollars
JV deposits	¥13,889	\$130,730
Deposit consumption tax	7,237	68,123
Other	653	6,146
Total	¥21,779	\$204,999

7. Corporate bonds

Issued by	Millions of yen	Thousands of U.S. dollars
Corporation (6th unsecured straight bond)	¥15,000	\$141,190
Corporation (7th unsecured straight bond)	10,000	94,126
Total	¥25,000	\$235,316

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

14. Cost of completed construction

1. Cost of completed construction

Item	Millions of yen		Millions of yen		Thousands of U.S. dollars
	2017	% to Total	2018	% to Total	
Raw materials	¥ 44,700	17.1%	¥ 41,084	17.8%	\$ 386,714
Labor	13,198	5.1%	11,538	5.0%	108,599
(of which, outsourced labor cost)...	(13,198)	(5.1%)	(11,538)	(5.0%)	(108,599)
Outsourcing cost	162,272	62.2%	141,244	61.2%	1,329,484
Expenses	40,829	15.6%	37,036	16.0%	348,605
(of which personnel expenses)...	(17,752)	(6.8%)	(13,636)	(5.9%)	(128,349)
Total	¥260,999	100.0%	¥230,902	100.0%	\$2,173,403

Cost is calculated under the job-order cost method.

2. Cost of sales on estate business and other

Item	Millions of yen		Millions of yen		Thousands of U.S. dollars
	2017	% to total	2018	% to total	
Land	¥ 66	1.4%	¥ 211	3.8%	\$ 1,987
Buildings	837	16.7%	578	10.3%	5,437
Expenses	2,830	56.5%	3,179	56.7%	29,923
Sub-Total	3,733	74.6%	3,968	70.8%	37,347
Other	1,272	25.4%	1,633	29.2%	15,368
Total	¥5,005	100.0%	¥5,601	100.0%	\$52,715

Cost is calculated under the job-order cost method.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Nishimatsu Construction Co., Ltd. which comprise the balance sheet as of March 31, 2018, 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, 2018, 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 Note4.

Tokyo, Japan
June 28, 2018

Gyosei & Co.

GYOSEI & Co.
Certified Public Accountants

Corporate Outline (As of June 30, 2018)

Registered Name	Nishimatsu Construction Co., Ltd.	Founded	1874
Head Office	10th Floor Toranomon Hills Mori Tower, 23-1, Toranomon 1-chome, Minato-ku, Tokyo, 105-6310 Japan	Established	September 20, 1937
Representative	Nobutoshi Takase, Representative Director and President	Paid-up Capital	¥23,513,643,819
		Number of Employees	2,536 (As of March 31, 2018)

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, Kamitakorokami 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, Kokutajimachi 2-chome, Naka-ku,
Hiroshima, 730-8589 Japan
Phone: 81-82-247-9281

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

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

Overseas Offices

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

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
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
24th Floor, Ngoc Khanh Plaza, 1 Pham Huy
Thong Street, Ngoc Khanh Ward, Ba Dinh
District, Hanoi, Vietnam
Phone: 84-24-3772-3034
Fax: 84-24-3772-3032

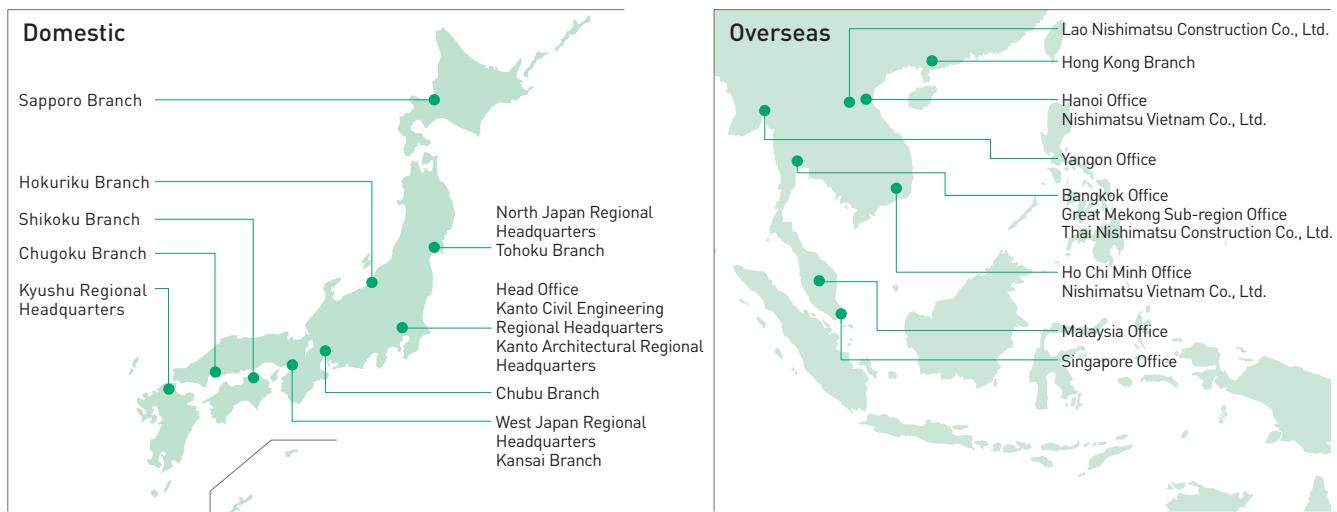
Ho Chi Minh Office
8 Floor, Thien Phuoc 2 Building, 110 CMT
8 Street, Ward 7, District 3, Ho Chi Minh City, Vietnam
Phone: 84-28-6263-8380
Fax: 84-28-6298-3716

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, 2018)

Total number of authorized shares: 160,000,000

Total number of issued shares: 55,951,502 (including 887,759 shares of treasury stock)

Number of shareholders: 20,172

Major Shareholders

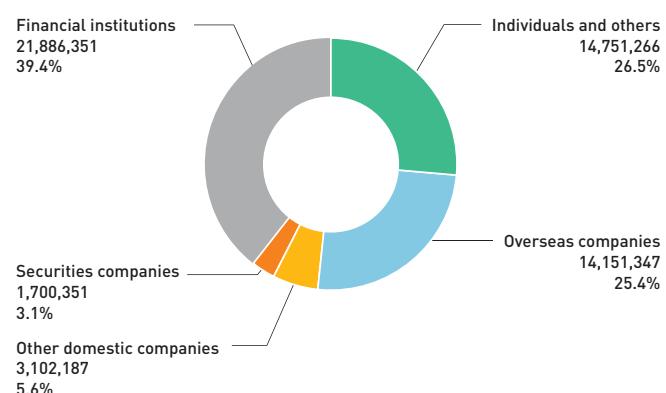
	Shares held (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan Ltd. (Trust account)	4,449	8.13
Japan Trustee Services Bank Ltd. (Trust account)	3,715	6.79
Japan Trustee Services Bank Ltd. (Trust account 4)	2,049	3.75
Japan Trustee Services Bank Ltd. (Trust account 9)	1,968	3.60
Japan Trustee Services Bank Ltd. (Trust account 5)	989	1.81
Meiji Yasuda Life Insurance Company	915	1.67
DFA INTL SMALL CAP VALUE PORTFOLIO	863	1.58
STATE STREET BANK AND TRUST COMPANY 505103	837	1.53
Japan Trustee Services Bank Ltd. (Trust account 1)	728	1.33
Japan Trustee Services Bank Ltd. (Trust account 2)	712	1.30

Notes: 1. Our treasury stock of 887,759 shares is excluded from the above list.

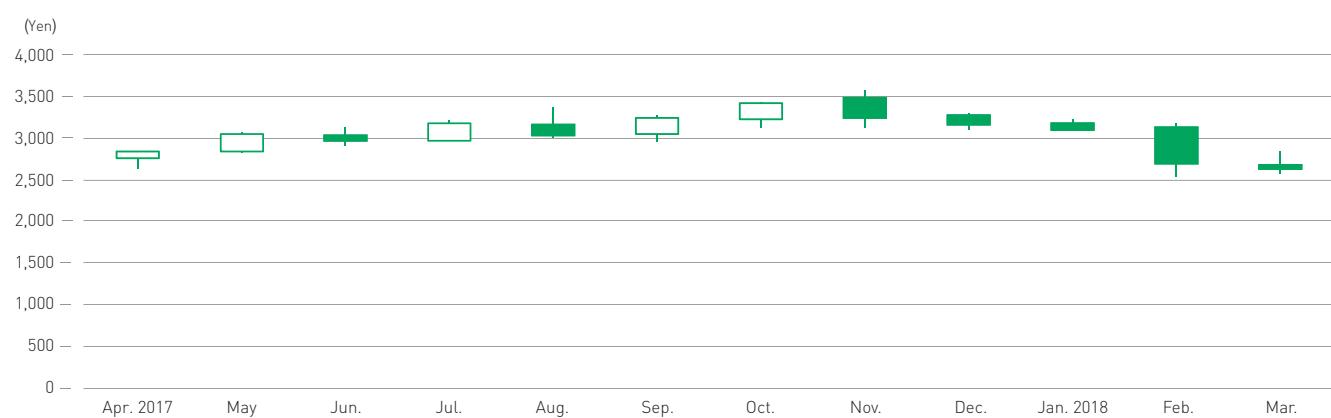
The shareholding ratio is calculated excluding treasury stock.

- On October 1, 2017, the Company conducted a 5-to-1 share consolidation and changed the size of the share unit from 1,000 to 100 shares.

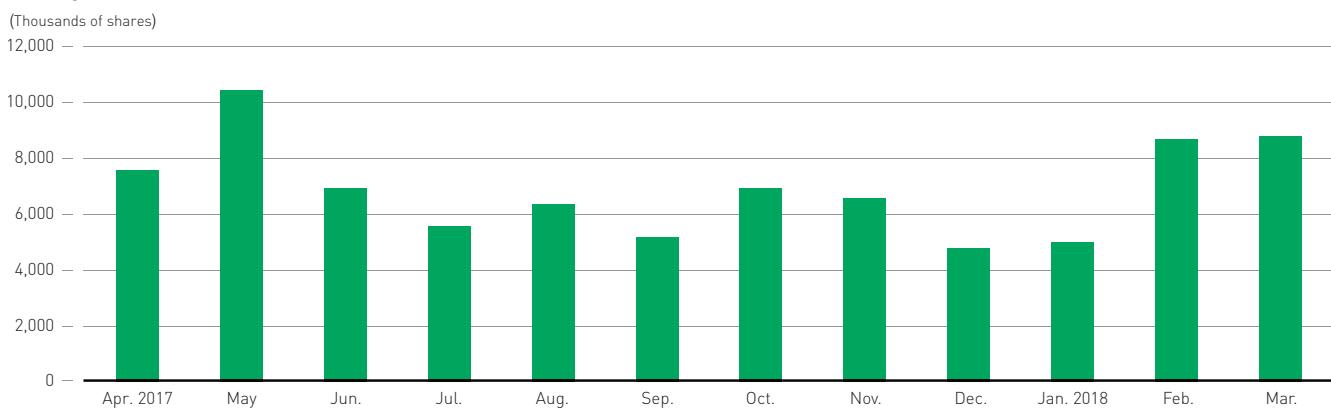
Shareholder Distribution



Stock Performance



Trading Volume



On October 1, 2017, the Company conducted a 5-to-1 share consolidation and changed the size of the share unit from 1,000 to 100 shares.

Share prices and trading volumes noted above are calculated assuming the share consolidation took place on April 1, 2017.

**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