

150

NISHIMATSU
150th Anniversary



Consolidated

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Financial Report 2023

Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Assets			
Current assets:			
Cash and time deposits (Notes 2 and 18).....	¥ 47,122	¥ 53,727	\$ 402,356
Notes and accounts receivable, trade:			
Notes (Notes 14 and 18)	7,023	7,046	52,767
Accounts (Note 18).....	176,441	183,461	1,373,929
Allowance for doubtful accounts (Note 2)	(20)	(20)	(151)
Marketable securities	—	1	10
Inventories	15,270	22,009	164,823
Advance paid.....	10,993	12,412	92,953
Other current assets	5,463	12,109	90,688
Total current assets	262,292	290,745	2,177,375
Property and equipment (Notes 2 and 14):			
Land	95,721	100,727	754,343
Buildings.....	97,278	88,575	663,332
Machinery and equipment.....	10,175	10,130	75,865
Accumulated depreciation.....	(41,042)	(36,062)	(270,073)
Total property and equipment.....	162,132	163,370	1,223,467
Investments and other assets:			
Investment securities (Notes 2, 9, 14 and 18).....	34,668	35,031	262,343
Investments in subsidiaries and affiliates (Note 14)	817	838	6,272
Long-term loans receivable (Note 5).....	1,048	998	7,477
Retirement benefit asset (Note 5)	2,802	2,572	19,262
Deferred tax assets	6,096	7,437	55,696
Others (Note 5)	7,834	12,704	95,141
Allowance for doubtful accounts (Note 2).....	(76)	(71)	(528)
Total investments and other assets.....	53,189	59,509	445,663
Total assets	¥477,613	¥513,624	\$3,846,505

The accompanying notes are an integral part of this statement.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Liabilities and Net assets			
Current liabilities:			
Short-term debt (Notes 10 and 18)	¥ 43,039	¥ 59,239	\$ 443,638
Current portion of bonds payable (Note 18).....	10,000	15,000	112,334
Commercial papers (Note 18).....	20,000	—	—
Notes and accounts payable, trade:			
Notes (Note 18)	18,278	23,950	179,358
Accounts (Note 18).....	42,255	49,877	373,526
Advances received on uncompleted contracts	14,802	17,237	129,084
Provision for warranties for completed construction (Notes 2 and 3)	7,923	1,658	12,416
Provision for bonuses (Note 2).....	3,731	2,859	21,410
Provision for loss on construction contracts (Note 2)	2,820	7,920	59,313
Accrued income taxes	5,879	1,906	14,271
Provision for loss on real estate business and other (Note 2)	38	34	255
Asset retirement obligations (Note 20)	28	—	—
Deposits received	45,883	64,421	482,449
Lease obligations (Note 5)	32	28	212
Other current liabilities (Note 5).....	2,956	3,542	26,531
Total current liabilities.....	217,664	247,671	1,854,797
Long-term liabilities:			
Bonds payable (Notes 10 and 18)	87,000	91,000	681,495
Long-term debt (Notes 10 and 18)	—	3,157	23,643
Deferred tax liabilities (Notes 2 and 12).....	293	306	2,289
Provision for share awards for directors (and other officers) (Note 2)	54	107	800
Retirement benefit liability.....	6,510	6,741	50,481
Asset retirement obligations (Note 20)	734	758	5,676
Lease obligations (Notes 5 and 18)	1,014	986	7,387
Other long-term liabilities (Note 5).....	6,628	6,749	50,550
Total long-term liabilities.....	102,233	109,804	822,321
Total liabilities.....	319,897	357,475	2,677,118
Net assets:			
Common stock :			
Authorized-160,000,000 shares			
Issued and outstanding-55,591,502 shares	23,514	23,514	176,093
Capital surplus	20,795	20,793	155,716
Retained earnings	158,486	157,327	1,178,213
Treasury stock, at cost	(57,335)	(57,338)	(429,404)
Valuation difference on available-for-sale securities	6,389	4,467	33,456
Deferred gains or losses on hedges	—	9	69
Equity adjustment from foreign currency translation.....	327	1,637	12,256
Remeasurements of defined benefit plans.....	(847)	(1,567)	(11,731)
Non-controlling interests	6,387	7,307	54,719
Total net assets	157,716	156,149	1,169,387
Total liabilities and net assets	¥477,613	¥513,624	\$3,846,505

The accompanying notes are an integral part of this statement.

Consolidated Statement of Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net sales (Note 2):			
Completed construction contract	¥304,194	¥304,392	\$2,279,580
Real estate business and other	19,560	35,365	264,847
	323,754	339,757	2,544,427
Cost of sales (Notes 2 and 15):			
Cost of completed construction contract	267,730	284,120	2,127,767
Cost of real estate business and other	12,251	21,917	164,133
	279,981	306,037	2,291,900
Gross profit	43,773	33,720	252,527
Selling, general and administrative expenses (Note 15)	20,233	21,104	158,048
Income from operations	23,540	12,616	94,479
Other income (expenses):			
Interest and dividend income	693	653	4,893
Foreign currency exchange gain	424	195	1,458
Gain on investments in silent partnerships	134	155	1,164
Reversal of allowance for doubtful accounts	149	5	38
Compensation for delay	499	—	—
Interest expenses	(578)	(707)	(5,296)
Financing expenses	(790)	(109)	(817)
Advisory Expenses	(632)	—	—
Gain on sales of investment securities	2,107	707	5,297
Gains on sales of non-current assets	1,273	238	1,779
Provision for warranties for completed construction	(2,998)	—	—
Loss on valuation of investment securities	(21)	(311)	(2,329)
Loss on valuation of golf club membership (Note 5)	(37)	(74)	(555)
Loss on retirement of non-current assets (Note 5)	(24)	(24)	(177)
Loss on sales of non-current assets	(73)	(8)	(63)
Impairment losses	(952)	—	—
Other - net (Note 5)	(18)	260	1,947
	(844)	980	7,339
Profit before income taxes	22,696	13,596	101,818
Income taxes (Notes 2 and 12):			
Current	8,269	4,185	31,344
Deferred	(667)	(343)	(2,574)
	7,602	3,842	28,770
Profit	15,094	9,754	73,048
Loss attributable to non-controlling interests	(9)	106	793
Profit attributable to owners of parent	¥ 15,103	¥ 9,648	\$ 72,255
	Yen		U.S. dollars
Per share of common stock			
Net income (loss)	¥ 312.34	¥ 244.43	\$ 1.831
Cash dividends applicable to the year	221.00	221.00	1.655

The accompanying notes are an integral part of this statement.

Consolidated Statement of Comprehensive Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Profit	¥15,094	¥9,754	\$73,048
Other comprehensive income:			
Valuation difference on available-for-sale securities (Note 16)	(4,238)	(1,922)	(14,394)
Deferred gains and losses on hedges	—	18	136
Equity adjustment from foreign currency translation (Note 16)	639	2,062	15,446
Remeasurements of defined benefit plans (Note 16)	(341)	(719)	(5,386)
	(3,940)	(561)	(4,198)
Comprehensive income	¥11,154	¥9,193	\$68,850
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥11,148	¥8,326	\$62,354
Comprehensive income attributable to non-controlling interests	6	867	6,496

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2022 and 2023

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Equity adjustment from foreign currency translation	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2021	¥23,514	¥20,780	¥154,041	¥ (2,177)	¥10,627	¥0	¥ (296)	¥ (507)	¥1,555	¥207,537
Dividends declared (Note 17)			(10,666)							(10,666)
Profit attributable to owners of parent.....			15,103							15,103
Change of scope of consolidation			7							7
Purchase of treasury shares.....				(55,158)						(55,158)
Change in ownership interest of parent.....										
due to transactions with non-controlling interests.....		15								15
Net changes of items other than shareholder's equity.....					(4,238)		623	(340)	4,832	877
Balance at April 1, 2022	¥23,514	¥20,795	¥158,486	¥(57,335)	¥ 6,389	¥0	¥ 327	¥ (847)	¥6,387	¥157,716
Dividends declared (Note 17)			(10,758)							(10,758)
Profit attributable to owners of parent.....			9,648							9,648
Change of scope of consolidation			(49)							(49)
Purchase of treasury shares.....				(5)						(5)
Disposal of treasury shares		0		2						2
due to transactions with non-controlling interests.....		(2)								(2)
Net changes of items other than shareholder's equity.....					(1,922)	9	1,310	(720)	920	(403)
Balance at March 31, 2023	¥23,514	¥20,793	¥157,327	¥(57,338)	¥ 4,467	¥9	¥1,637	¥(1,567)	¥7,307	¥156,149

	Thousands of U.S. dollars									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Equity adjustment from foreign currency translation	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2022	\$176,093	\$155,736	\$1,186,893	\$(429,383)	\$ 47,850	\$ 0	\$ 2,447	\$ (6,346)	\$47,835	\$1,181,125
Dividends declared (Note 17)			(80,568)							(80,568)
Profit attributable to owners of parent.....		7,834	72,255							72,255
Change of scope of consolidation			(367)							(367)
Purchase of treasury shares.....				(38)						(38)
Disposal of treasury shares		0		17						17
due to transactions with non-controlling interests.....		(20)								(20)
Net changes of items other than shareholder's equity.....					(14,394)	69	9,809	(5,385)	6,884	(3,017)
Balance at March 31, 2023	\$176,093	\$155,716	\$1,178,213	\$(429,404)	\$ 33,456	\$69	\$12,256	\$(11,731)	\$54,719	\$1,169,387

The accompanying notes are an integral part of this statement.

Consolidated Statement of Cash Flows

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash flows from operating activities:			
Profit before income taxes	¥22,696	¥13,596	\$101,818
Adjustment for:			
Depreciation and amortization	3,729	3,967	29,707
Amortization of goodwill	4	8	60
Loss on impairment.....	952	—	—
Increase (decrease) in allowance for doubtful accounts	(149)	(5)	(34)
Increase (decrease) in provision for loss on construction contracts	1,332	5,100	38,194
Increase (decrease) in provision for real estate business and other	10	(4)	(30)
Increase (decrease) in provision for warranties for completed construction.....	(1,893)	(6,265)	(46,920)
Increase (decrease) in accrued retirement benefit.....	(2,162)	(591)	(4,428)
Interest and dividend income.....	(693)	(653)	(4,893)
Interest expenses	578	707	5,296
Loss (gain) on sales of property and equipment.....	(1,200)	(229)	(1,716)
Loss (gain) on sales of investment securities.....	(2,107)	(707)	(5,297)
Loss (gain) on valuation of investment securities.....	21	311	2,329
Decrease (increase) in trade receivables	19,707	(6,957)	(52,102)
Decrease (increase) in inventories	2,531	10,627	79,588
Increase (decrease) in notes and accounts payable.....	4,211	13,129	98,325
Increase (decrease) in advances received on uncompleted contracts	(3,906)	2,396	17,943
Increase (decrease) in deposits received.....	11,570	18,537	138,824
Others	(3,856)	(10,168)	(76,145)
Sub-total.....	51,375	42,799	320,519
Interest and dividend received	693	654	4,889
Interest paid	(563)	(700)	(5,243)
Income taxes paid	(10,262)	(8,006)	(59,954)
Net cash provided by (used in) operating activities	41,243	34,747	260,221
Cash flows from investing activities:			
Payment for purchases of marketable and investment securities	(200)	(3,852)	(28,849)
Proceeds from sale of marketable and investment securities	5,441	1,625	12,170
Acquisition of property and equipment	(29,834)	(26,043)	(195,036)
Proceeds from sale of property and equipment	3,121	570	4,270
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(62)	—	—
Payments of loans receivable	(454)	(282)	(2,115)
Proceeds from collection of loans	347	720	5,397
Net decrease (increase) in time deposits.....	195	—	—
Others	(1,086)	(189)	(1,415)
Net cash provided by (used in) investing activities	(22,532)	(27,451)	(205,578)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	8,000	16,200	121,321
Net increase (decrease) in commercial paper.....	—	(20,000)	(149,779)
Proceeds from long-term borrowings	—	3,157	23,643
Proceeds from issuance of bonds	37,000	19,000	142,290
Redemption of bonds.....	—	(10,000)	(74,890)
Proceeds from share issuance to non-controlling shareholders... ..	4,800	51	383
Net decrease (increase) in treasury stock, at cost	(55,158)	(3)	(22)
Cash dividends paid	(10,652)	(10,728)	(80,342)
Dividends paid to non-controlling interests.....	(37)	(5)	(38)
Others	(28)	(37)	(280)
Net cash provided by (used in) financing activities	(16,075)	(2,365)	(17,714)
Effect of exchange rate changes on cash and cash equivalents	915	1,314	9,842
Net increase (decrease) of cash and cash equivalents	3,551	6,245	46,771
Cash and cash equivalents at beginning of year (Note 2).....	43,575	47,122	352,893
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(4)	360	2,692
Cash and cash equivalents at end of year (Note 2)	¥47,122	¥53,727	\$402,356

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

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

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

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

(b) Scope of consolidation

The Company, its seventeen subsidiaries (of which fifteen are included in the scope of consolidation), constitute the Nishimatsu Construction Group (the "Group").

Nishimatsu Hotel Management Co., Ltd. has been included in the scope of consolidation as they are more quantitative materiality.

Sanyo Onoda Green Energy Co., Ltd., Nishimatsu Real Estate & Development (USA) Inc., and Nishimatsu Real Estate & Development (Thailand) Co., Ltd. which was established in the consolidated fiscal year ended March 31, 2023, have been included in the scope of consolidation.

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

Major non-consolidated subsidiaries are Shimashizu Corporation Co., Ltd, and Shin Urayasu Ekimae PFI. The non-consolidated subsidiaries have

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

(c) Application of the equity method

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

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

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

(d) Fiscal year end of consolidated subsidiaries

The fiscal year end of our consolidated subsidiaries, Thai Nishimatsu Construction Co., Ltd., Lao Nishimatsu Construction Co., Ltd., Nishimatsu Vietnam Co., Ltd., Nishimatsu Real Estate & Development (Asia) Pte. Ltd., Hanoi PH investment Pte. Ltd., Sangenjaya Ichigou Co., Ltd., Bangkok Sathorn Hotel Management Co., Ltd., Nishimatsu Hotel Management Co., Ltd., Nishimatsu Real Estate & Development (USA) Inc., and Nishimatsu Real Estate & Development (Thailand) 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.

profitability is recognized, their book values on balance sheets are devaluated.

(c) Depreciation and amortization

Property, plant and equipment (excluding lease assets):

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

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

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

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

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

Intangible assets (excluding lease assets):

Intangible assets are carried at cost.

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

Lease assets:

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

(d) Accrued retirement benefits

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

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

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

(e) Recognition of sales and related costs

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

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

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

(2) Revenue recognition by other methods

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

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

(f) Income taxes

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

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

(g) Foreign currency transactions

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

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

(h) Hedge accounting

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

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the net

amount to be paid or received under the interest rate swap contracts are recognized and included in interest expense and income as incurred.

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

(i) Allowance for doubtful accounts

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

(j) Provision for warranties for completed construction

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

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

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

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

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

(m) Provision for bonuses

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

(n) Provision for loss on construction contracts

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

(o) Provision for loss on real estate business

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

(p) Other accounting policies on preparing consolidated financial statements

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

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

(q) Goodwill amortization method and period

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

percentage of completion method) are ¥298,114 million (\$2,232,560 thousand).

Provision for loss on construction contracts are ¥7,920 million (\$59,313 thousand).

In applying the method of recognizing revenue over time (former the percentage of completion method), the amount of completed construction work is recorded based on the progress rate calculated by the ratio of the costs already incurred to the total estimated construction cost (i.e., the input method). We make the best estimate for the total construction

revenue, total construction cost, and construction progress on the settlement date for each individual construction contract based on all the information available on the settlement date.

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

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

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

(b) Provision for warranties for completed construction

FY2021

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

4. Changes in accounting policy

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, Jun 27, 2021; "Implementation Guidance on Accounting Standard" hereinafter) has been applied since the beginning of the fiscal year ended March 31, 2023. In accordance with the provisional handling described in Paragraph 27-2 of Implementation Guidance on Accounting Standard, the new accounting policies set forth in Implementation Guidance on Accounting Standard and related standards

FY2022

Provision for warranties for completed construction are ¥1,658 million (\$12,416 thousand).

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

We make the best estimates for these provisions based on all the information available at this moment, but due to changes in the assumptions of the estimates such as price fluctuations of outsourcing costs and material costs may have a significant impact on the consolidated financial statements for the next consolidated fiscal year.

have been applied to future accounts. This change has little effect on consolidated financial statements for the fiscal year ended March 31, 2023.

In the notes on investment trusts in the items related to the breakdown of the fair value of financial instruments in the Notes on Financial Instruments is not disclosed, in accordance with the transitional treatment stipulated in paragraph 27-3 of the "Implementation Guidance on Accounting Standard."

5. Changes in presentations

(a) Notes to consolidated statement of Balance Sheets

"Long-term loans receivable" and "Retirement benefit asset" which was listed in "Others" under "Investments and other assets" and "Lease obligations" which was listed in "Other current liabilities" under "Current liabilities" and "Lease obligations" which was listed in "Others" under "Long-term liabilities" in the previous fiscal year, are separately listed from the fiscal year ended March 31, 2023, for the understanding of users of consolidated financial statements.

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

As a result, ¥11,684 million of presented in "Others" in the consolidated balance sheet of the previous fiscal year has been reclassified as ¥1,048 million of "Long-term loans receivable," ¥2,802 million of "Retirement benefit asset" and ¥7,834 million of "Others."

And ¥2,988 million of presented in "Other current liabilities" under "Current liabilities" in the consolidated balance sheets of the previous fiscal year has been reclassified as ¥32 million of "Lease obligations" and ¥2,956 million of "Other current liabilities". ¥7,642 million of presented in "Other long-term

liabilities" under "Long-term liabilities" in the consolidated balance sheets of the previous fiscal year has been reclassified as ¥1,014 million of "Lease obligations" and ¥6,628 million of "Other long-term liabilities."

(b) Notes to consolidated statement of Income

"Loss on valuation of investment securities" and "Loss on valuation of golf club membership" which was listed in "Other-net" under "Other income (expenses)" in the previous fiscal year, is separately listed from the fiscal year ended March 31, 2023, because of more quantitative materiality.

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

As a result, ¥(10) million of presented in "Infectious disease related costs" and ¥(66) million of presented in "Other-net" under "Other income (expenses)" in the consolidated statements of income of the previous fiscal year have been reclassified as ¥21 million of "Loss on valuation of investment securities," ¥37 million of "Loss on valuation of golf club membership" and ¥(18) million of "Other-net."

6. Additional information

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

(a) Transaction overview

Pursuant to the resolution of the 84 Regular General Meeting of Shareholders held on June 29, 2021, the Company adopts a "Board Benefit Trust (BBT)," which provides Company's ordinary shares and money

equivalent to the market value of the Company's ordinary shares as part of remuneration, as a share-based remuneration linked to business performance for the directors (excluding members of the Audit Committee and other outside directors) and executive officers of the Company (hereinafter, the eligible persons are collectively referred to as the "Directors, etc. of the Company").

Due to the addition of this BBT, the Company purchased the corresponding shares by depositing cash with Custody Bank of Japan, Ltd. (Trust E account), a sub-trustee of Mizuho Trust & Banking Co., Ltd., the trustee.

(b) Company shares remaining in trust

In accordance with the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (ASBJ PITF No. 30, March 26, 2015), the total amount method is applied to the processing

of the BBT account. As a result, the Company's own shares held by the trust are recorded as treasury shares in shareholders' equity at their carrying amount. Disposals of treasury shares are recognized when the shares are issued to the Directors and other beneficiaries through the trust.

At the end of the previous fiscal year under review, the book value and number of treasury shares remaining in the trust were ¥762 million and 225,000 shares, respectively. At the end of the fiscal year under review, the book value and number of the Company's shares remaining in the trust were ¥760 million and 225,000 shares, respectively.

7. Significant subsequent events

(Issue of unsecured bonds)

The Company has issued unsecured bonds (Sustainability-Linked Bond) with a payment date of July 27, 2023, under the following conditions. This issuance is based on a comprehensive resolution of the board meeting held on June 27, 2023, which determined the total amount to be offered, etc.

1. The total amount of issued corporate bonds	20 billion yen
2. Issued price	100 yen for every 100 yen offered
3. Interest rate	0.600% per year
4. Payment date	July 27, 2023
5. Redemption deadline	July 27, 2028
6. Use of funds	Bond redemption and capital investment funds
7. Financial covenants	"Collateral provision restriction clause" is attached.

8. 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 ¥133.53 = US\$1, which was the exchange rate prevailing as of March 31, 2023

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.

9. Investment in securities

As of March 31, 2022 and 2023, 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		
	2022	2023	2023	2022	2023	2023
	Acquisition cost	Fair value	Unrealized gains (losses)	Acquisition cost	Fair value	Unrealized gains (losses)
Held-to-maturity securities whose market values exceed in the balance sheet:						
Debt securities.....	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Sub-total	—	—	—	—	—	—
Held-to-maturity securities whose market values do not exceed in the balance sheet:						
Debt securities.....	1	1	(0)	1	1	(0)
Sub-total	1	1	(0)	1	1	(0)
Total	¥ 1	¥ 1	¥ (0)	¥ 1	¥ 1	¥ (0)

Other securities with quoted market prices

	Millions of yen			Thousands of U.S. dollars		
	2022	2023	2023	2022	2023	2023
	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	¥16,468	¥25,569	¥9,101	¥15,830	¥22,507	¥6,677
Others	—	—	—	300	426	126
Sub-total	16,468	25,569	9,101	16,130	22,933	6,803
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:						
Equity securities	2,002	1,486	(515)	2,002	1,632	(370)
Sub-total	2,002	1,486	(515)	2,002	1,632	(370)
Total	¥18,470	¥27,055	¥8,586	¥18,132	¥24,565	¥6,433

Available-for-sale securities sold during the fiscal year ended March 31, 2022 and 2023

	Millions of yen			Thousands of U.S. dollars					
	2022		2023	2023		2023			
	Proceeds	Total gain on sales	Total loss on sales	Proceeds	Total gain on sales	Total loss on sales			
Equity securities	¥2,906	¥2,107	¥—	¥1,357	¥707	¥—	\$10,164	\$5,297	\$—

Loss on valuation of investment securities

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

As of March 31, 2022, an impairment loss of ¥21 million is recognized for securities (other securities of unlisted stocks)

FY2022 (April 1, 2022 to March 31, 2023)

As of March 31, 2023, an impairment loss of ¥311 million is recognized for 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.

10. Short-term and long-term debt

(a) The weighted average interest rates on short-term debt outstanding as of March 31, 2023 was approximately 0.335 per cent.

(b) Long-term debt comprised the following:

	Issuer	Type	Date of issue	Millions of yen			Thousands of U.S. dollars		
				2022	2023	2023	2022	2023	2023
0.810 per cent Unsecured Japanese Yen bond due Jul 22, 2022	Nishimatsu Construction Co., Ltd	The 7th unsecured Japanese Yen bonds	Jul 24, 2015	¥10,000	¥—	—	\$—	—	
0.180 per cent Unsecured Japanese Yen bond due Sep 20, 2024	Nishimatsu Construction Co., Ltd	The 8th unsecured Japanese Yen bonds	Sep 20, 2019	20,000	20,000	149,779			
0.180 per cent Unsecured Japanese Yen bond due Jul 20, 2023	Nishimatsu Construction Co., Ltd	The 9th unsecured Japanese Yen bonds	Jul 20, 2020	15,000	15,000	112,334			
0.330 per cent Unsecured Japanese Yen bond due Jul 18, 2025	Nishimatsu Construction Co., Ltd	The 10th unsecured Japanese Yen bonds	Jul 20, 2020	15,000	15,000	112,334			
0.420 per cent Unsecured Japanese Yen bond due Mar 1, 2027	Nishimatsu Construction Co., Ltd	The 11th unsecured Japanese Yen bonds	Mar 1, 2022	19,000	19,000	142,290			
0.600 per cent Unsecured Japanese Yen bond due Mar 1, 2029	Nishimatsu Construction Co., Ltd	The 12th unsecured Japanese Yen bonds	Mar 1, 2022	18,000	18,000	134,802			
0.580 per cent Unsecured Japanese Yen bond due Jul 14, 2027	Nishimatsu Construction Co., Ltd	The 13th unsecured Japanese Yen bonds	Jul 14, 2022	—	19,000	142,290			
				97,000	106,000	793,829			
Less: Portion due within 1 year				—	15,000	112,334			
				¥97,000	¥106,000	\$793,829			

The aggregate annual maturities of lease on March 31, 2023 were as follows:

	Millions of yen	Thousands of U.S. dollars
2023	¥ 19	\$ 144
2024	¥ 14	\$ 101
2025	¥953	\$7,140
2026 and thereafter	¥ 0	\$ 2

11. Retirement benefits and pension plan

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

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

(a) Retirement benefit obligation

Recognition of retirement benefit obligation:

	Millions of yen
Retirement benefit obligation as of April 1, 2021	¥26,524
Service cost	1,284
Interest cost	182
Actuarial gain or loss	74
Retirement benefits paid	(1,139)
Others	—
Retirement benefit obligation as of March 31, 2022	¥26,925

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, 2021	¥21,144
Expected return on plan assets	508
Actuarial gain or loss	(408)
Contribution by the Company	2,782
Retirement benefits paid	(809)
Plan assets as of March 31, 2022	¥23,217

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

	Millions of yen
	2022
Funded retirement benefit obligation	¥26,722
Plan assets	(23,217)
	3,505
Unfunded retirement benefit obligation	203
Net liability for retirement benefit in the Consolidated Balance Sheet	3,708
	2023
Net defined benefit liability	6,510
Retirement benefit asset	(2,802)
Net liability for retirement benefit in the Consolidated Balance Sheet	¥ 3,708

(d) Components of net periodic pension cost for the year ended March 31, 2022

	Millions of yen
	2022
Service cost	¥1,284
Interest cost	182
Expected return on plan assets	(508)
Amortization of actuarial gain or loss	(7)
Total	¥ 951

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

(e) Remeasurements of defined benefit plans

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

	Millions of yen
	2022
Actuarial gain or loss	¥(491)
Total	¥(491)

(f) Cumulative remeasurements of defined benefit plans

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

	Millions of yen
	2022
Unrecognized actuarial gain or loss	¥1,221
Total	¥1,221

(g) Pension assets

Details of plan assets

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

	2022
Bonds	65%
Securities	4%
General accounts	23%
Others	8%
Total	100%

Retirement benefits trust established for corporate pension plans accounts for 17% 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

	2022
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 ¥207 million.

FY2022 (April 1, 2022 to March 31, 2023)

(a) Retirement benefit obligation

Recognition of retirement benefit obligation:

	Millions of yen		Thousands of U.S. dollars	
	2023	2023	2023	2023
Retirement benefit obligation as of April 1, 2022	¥26,925	—	\$201,642	—
Service cost	1,321	—	9,891	—
Interest cost	185	—	1,386	—
Actuarial gain or loss	63	—	476	—
Retirement benefits paid	(1,280)	—	(9,589)	—
Others	16	—	119	—
Retirement benefit obligation as of March 31, 2023	¥27,230	—	\$203,925	—

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	
	2023	2023	2023	2023
Plan assets as of April 1, 2022	¥23,217	—	\$173,874	—
Expected return on plan assets	560	—	4,198	—
Actuarial gain or loss	(1,000)	—	(7,492)	—
Contribution by the Company	1,176	—	8,809	—
Retirement benefits paid	(892)	—	(6,683)	—
Plan assets as of March 31, 2023	¥23,061	—	\$172,706	—

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

	Millions of yen		Thousands of U.S. dollars	
	2023	2023	2023	2023
Funded retirement benefit obligation	¥ 27,009	—	\$ 202,274	—
Plan assets	(23,061)	—	(172,706)	—
	3,948	—	29,568	—
Unfunded retirement benefit obligation	221	—	1,651	—
Net liability for retirement benefit in the Consolidated Balance Sheet	4,169	—	31,219	—
	2022		2022	
Net defined benefit liability	6,741	—	50,481	—
Retirement benefits paid	(2,572)	—	(19,262)	—
Net liability for retirement benefit in the Consolidated Balance Sheet	¥ 4,169	—	\$ 31,219	—

(d) Components of net periodic pension cost for the year ended March 31, 2023

	Thousands of U.S. dollars	
	2023	2023
Service cost.....	\$ 9,891	\$ 9,891
Interest cost.....	1,387	1,387
Expected return on plan assets.....	(4,198)	(4,198)
Amortization of actuarial gain or loss.....	207	207
Total	\$ 7,287	\$ 7,287

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

(e) Remeasurements of defined benefit plans

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

	Thousands of U.S. dollars	
	2023	2023
Actuarial gain or loss.....	\$(7,760)	\$(7,760)
Total	\$(7,760)	\$(7,760)

(f) Cumulative remeasurements of defined benefit plans

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

	Thousands of U.S. dollars	
	2023	2023
Unrecognized actuarial gain or loss.....	\$16,904	\$16,904
Total	\$16,904	\$16,904

(g) Pension assets

Details of plan assets

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

	2023
Bonds	57%
Securities.....	7%
General accounts	24%
Others	12%
Total	100%

Retirement benefits trust established for corporate pension plans accounts for 16% 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

	2023
Discount rate	0.7%
Expected return on plan assets	
Except pension trust.....	2.5%
Expected return on pension trust	2.0%

(i) Defined contribution

Amount payable for defined contribution of the Company and consolidated subsidiary was ¥216 million.

12. Income taxes

Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities at March 31, 2022 and 2023 are as follows:

	Thousands of U.S. dollars		
	2022	2023	2023
Deferred tax assets:			
Retirement benefit liability.....	\$ 18,372	\$ 18,372	\$ 18,372
Provision for allowance for loss on construction projects.....	18,150	2,424	2,424
Impairment loss of long-lived assets	17,761	2,372	2,372
Provision for warranties for completed construction.....	16,262	2,172	2,172
Carryforwards.....	7,060	943	943
Provision for bonuses.....	6,490	866	866
Loss on valuation of real estate.....	1,897	253	253
Valuation loss on investment securities	1,439	192	192
Others	25,452	3,398	3,398
Subtotal deferred tax assets.....	112,883	15,073	15,073
Valuation allowance for net operating loss carryforwards (*1).....	(6,850)	(915)	(915)
Valuation allowance for the sum of deductible temporary differences.....	(29,141)	(3,891)	(3,891)
Valuation allowance.....	(35,991)	(4,806)	(4,806)
Gross deferred tax assets	\$ 76,892	\$ 10,267	\$ 10,267
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities.....	(14,751)	(1,970)	(1,970)
Reserve for reduction entry of replaced property..	(3,582)	(478)	(478)
Others	(5,153)	(638)	(638)
Gross deferred tax liabilities.....	\$(23,486)	\$(3,136)	\$(3,136)
Net deferred tax assets (liabilities).....	\$ 53,406	\$ 7,131	\$ 7,131

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

Previous fiscal year (As of March 31, 2022)

	Millions of yen						
	2022						
	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	Total
Net operating loss carryforwards (a).....	¥ —	¥ 16	¥ 324	¥ 86	¥ 108	¥ 224	¥ 758
Valuation allowance.....	—	(16)	(324)	(86)	(90)	(204)	(720)
Deferred tax assets.....	—	—	0	—	19	19	38

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

Current fiscal year (As of March 31, 2023)

	Millions of yen						
	2023						
	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	Total
Net operating loss carryforwards (a).....	¥ 8	¥ 324	¥ 80	¥ 61	¥ 83	¥ 387	¥ 943
Valuation allowance.....	(8)	(313)	(80)	(61)	(83)	(370)	(915)
Deferred tax assets.....	—	11	—	—	—	17	28

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

	Thousands of U.S. dollars						
	2023						
	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	Total
Net operating loss carryforwards (a).....	\$ 63	\$ 2,422	\$ 602	\$ 457	\$ 619	\$ 2,897	\$ 7,060
Valuation allowance.....	(63)	(2,342)	(602)	(457)	(619)	(2,767)	(6,850)
Deferred tax assets.....	—	80	—	—	—	130	210

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

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

	2022	2023
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Permanent non-deductible items	1.2%	2.8%
Permanent non-taxable items	(0.3)%	(0.3)%
Inhabitant taxes on per capita levy	0.6%	1.1%
Valuation allowance	0.2%	(0.9)%
Tax credit.....	(0.8)%	(3.6)%
Others	2.0%	(1.4)%
Effective tax rate	33.5%	28.3%

13. Lease transactions

Finance lease transactions that transfer ownership

1. Leased assets consist of the following types of assets
Tangible assets
Mainly accommodations for the hotel project of subsidiary company.

2. Depreciation method for lease assets
i) Method Same method as depreciation method applied to self-owned fixed assets

Finance lease transactions that do not transfer ownership

1. Leased assets consist of the following types of assets
Tangible assets
Mainly vehicles for the Company.

2. Depreciation method for lease assets
i) Method Straight-line method
ii) Term Lease term
iii) Residual value Zero

14. Notes to Consolidated Balance sheets

(a) Contract assets in notes and accounts receivable as of 2023 were as follows:

	Thousands of U.S. dollars		
	2022	2023	2023
Notes	\$ 52,767	\$ 7,046	\$ 7,046
Accounts receivable from completed construction contracts	386,078	51,553	51,553
Contract assets	982,381	131,177	131,177
Total.....	\$ 1,421,226	\$ 189,776	\$ 189,776

(b) Contract liabilities in advances received on uncompleted contracts as of March 31, 2023 were as follows:

	Thousands of U.S. dollars		
	2022	2023	2023
Contract liabilities.....	\$ 127,049	\$ 16,965	\$ 16,965

(c) Investments in non-consolidated subsidiaries and affiliates as of March 31, 2022 and 2023 were as follows:

	Thousands of U.S. dollars		
	2022	2023	2023
Investment securities	\$ 6,272	\$ 638	\$ 638

(d) Collateral assets and secured liabilities:

Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligations as of March 31, 2022 and 2023 were as follows:

	Thousands of U.S. dollars		
	2022	2023	2023
Pledged assets:			
Land.....	\$ 76,215	\$ 10,177	\$ 10,177
Total.....	\$ 76,215	\$ 10,177	\$ 10,177

	Thousands of U.S. dollars		
	2022	2023	2023
Secured liabilities:			
Long-term debt	\$ 23,643	\$ 3,157	\$ 3,157
Total.....	\$ 23,643	\$ 3,157	\$ 3,157

	Thousands of U.S. dollars		
	2022	2023	2023
Pledged assets for loans on subsidiaries and affiliates:			
Building and structures	\$ 1,839	\$ 245	\$ 245
Land.....	275	37	37
Investment securities	1,032	138	138
Total.....	\$ 3,146	\$ 420	\$ 420

(e) Loan guarantee:
The Company provides guarantee for employees' housing loans from banks.

	Thousands of U.S. dollars		
	2022	2023	2023
Total.....	\$ 12	\$ 2	\$ 2

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

	Thousands of U.S. dollars		
	2022	2023	2023
MHC Nishimatsu Property (Thailand) Co.,Ltd	\$ 622	\$ 83	\$ 83
Total.....	\$ 622	\$ 83	\$ 83

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

	Thousands of U.S. dollars		
	2022	2023	2023
Total amount of loan commitment.....	\$ 149,779	\$ 20,000	\$ 20,000
Loans outstanding	—	—	—

(g) The Company transfers property and equipment to assets for sale of estate included in inventories due to purpose of possession:
A portion of the assets transferred in the current fiscal year were sold, and the amount of ¥6,305 million was recorded in cost of real estate business and other:

	Thousands of U.S. dollars		
	2022	2023	2023
Building and structures.....	\$ 51,499	\$ 6,877	\$ 6,877
Land.....	73,279	9,785	9,785
Total.....	\$ 124,778	\$ 16,662	\$ 16,662

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

	Thousands of U.S. dollars		
	2022	2023	2023
Building and structures.....	\$ —	\$ —	\$ —
Construction in progress.....	1	0	0
Total.....	\$ 1	\$ 0	\$ 0

15. Notes to Consolidated Statements of income

(a) Revenue from Contracts with Customers

Revenues from contracts with customers and other revenues are not listed separately.

With customers the amount of revenue from the contract is listed in the consolidated financial statements Note 21. Revenue recognition, information about disaggregation of revenue from the contract with the customer.

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
	¥2,020	¥6,680	\$50,026

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Employees' salary and allowances.....	¥9,915	¥10,487	\$78,357
Retirement benefit expenses.....	455	469	3,514
Provision for bonuses.....	439	4	33

(d) Research and development expenses for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
	¥1,748	¥2,038	\$15,263

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings and structures.....	¥ 372	¥ —	\$ —
Land.....	896	—	—
Machinery.....	5	27	198
Other.....	—	211	1,581
Total.....	¥1,273	¥238	\$1,779

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings and structures.....	¥ —	¥1	\$11
Land.....	70	7	52
Machinery.....	3	0	0
Total.....	¥73	¥8	\$63

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings and structures.....	¥ 3	¥ 1	\$ 4
Machinery.....	18	5	39
Fixtures.....	1	3	22
Other.....	2	15	112
Total.....	¥24	¥24	\$177

(h) Impairment losses

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

The Group recognized impairment loss on the following asset groups for the year ended March 31, 2022.

The asset grouping is made by business location for assets used by the

Group and by property for individual assets for rent.

The book value of the following real estate for rent was reduced to the recoverable amount due to the decision to withdraw from the business, the decline in profitability, and the inability to recover the investment amount.

The difference between the book value and the recoverable amount was posted as loss on impairment (¥952 million).

Location	Purpose	Type of asset	Millions of yen
			2022
Ichihara-shi, Chiba	For business	Building, Structures	¥925
Saitama-shi, Saitama	For business	Building	¥27

In addition, the recoverable value of the rental property was estimated based on the memorandum value since cash flows are not expected in the future.

FY2022 (April 1, 2022 to March 31, 2023)

Not applicable.

16. Notes to Consolidated Comprehensive income

Other comprehensive income for the year ended March 31, 2022 and 2023 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
	2022	2023	2023
Unrealized gain on available for sale securities			
Amount arising during the year.....	¥(4,104)	¥(1,465)	\$(10,971)
Reclassification adjustments.....	(2,104)	(1,120)	(8,390)
Deferred gains or losses on hedges			
Amount arising during the year.....	—	23	170
Equity adjustment from foreign currency translation			
Amount arising during the year.....	639	2,062	15,446
Remeasurements of defined benefit plans			
Amount arising during the year.....	(483)	(1,064)	(7,968)
Reclassification adjustments.....	(8)	28	207
Amount before income tax effect.....	(6,060)	(1,536)	(11,506)
Income tax effect.....	2,120	975	7,307
Total.....	¥(3,940)	¥ (561)	\$ (4,199)

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Unrealized gain on available for sale securities			
Amount before income tax effect.....	¥(6,208)	¥(2,585)	\$(19,361)
Income tax effect.....	1,970	663	4,967
Amount after adjustment of income tax effect.....	¥(4,238)	¥(1,922)	\$(14,394)
Deferred gains or losses on hedges			
Amount before income tax effect.....	¥ —	¥ 23	\$ 170
Income tax effect.....	—	(5)	(34)
Amount after adjustment of income tax effect.....	—	¥ 18	\$ 136
Foreign currency translation adjustment			
Amount before income tax effect.....	¥ 639	¥ 2,062	\$ 15,446
Income tax effect.....	—	—	—
Amount after adjustment of income tax effect.....	¥ 639	¥ 2,062	\$ 15,446
Remeasurements of defined benefit plans			
Amount before income tax effect.....	¥ (491)	¥(1,036)	\$(7,760)
Income tax effect.....	150	317	2,374
Amount after adjustment of income tax effect.....	¥ (341)	¥ (719)	\$(5,386)
Other comprehensive income			
Amount total of other comprehensive income....	¥(6,060)	¥(1,536)	\$(11,506)
Income tax effect.....	2,120	975	7,307
Amount after adjustment of income tax effect.....	¥(3,940)	¥ (561)	\$ (4,199)

17. Notes to Consolidated statements of changes in net assets

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

Common stock	Thousand shares	
	2022	2023
Number of shares at the beginning of year.....	55,592	55,592
Number of shares increased.....	—	—
Number of shares decreased.....	—	—
Number of shares at the end of year.....	55,592	55,592

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

Common stock	Thousand shares	
	2022	2023
Number of shares at the beginning of year.....	891	16,118
Number of shares increased.....	15,227	1
Number of shares decreased.....	—	0
Number of shares at the end of year.....	16,118	16,119

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

1. The number of treasury shares of common stock at the end of the consolidated FY 2021 includes 226 thousand shares held by "Board Benefit Trust (BBT)"

(c) Dividends

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

1. Dividends paid

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

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

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

Total amount of dividends determined by Ordinary general meeting of shareholders on June 29, 2022 includes dividends of ¥29 million on shares held by "Board Benefit Trust (BBT)."

FY2022 (April 1, 2022 to March 31, 2023)

1. Dividends paid

Resolution	Class of shares	Total dividend		Dividend per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 29, 2022	Common stock	¥5,201	\$38,947	¥131	\$0.981	March 31, 2022	June 30, 2022
Board meeting on October 27, 2022	Common stock	¥5,558	\$41,622	¥140	\$1.048	September 30, 2022	December 2, 2022

Total amount of dividends determined by Ordinary general meeting of shareholders on June 29, 2022 includes dividends of ¥29 million on shares held by "Board Benefit Trust (BBT)."

Total amount of dividends determined by Board of meeting on October 27, 2022 includes dividends of ¥32 million on shares held by "Board Benefit Trust (BBT)."

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

Resolution	Class of shares	Source of dividend	Total dividend		Dividend per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 28, 2023	Common stock	Retained earnings	¥3,216	\$24,081	¥81	\$0.607	March 31, 2023	June 29, 2023

Total amount of dividends determined by Ordinary general meeting of shareholders held on the June 28, 2023 includes dividends of ¥18 million on shares held by "Board Benefit Trust (BBT)."

18. Financial instruments

(a) Disclosure on financial instruments

(1) Policy on financial instruments

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

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

(2) Types of financial instruments, related risks, and financial risk management
Notes receivable, accounts receivable from completed construction contracts and other are subject to customer credit risk.

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

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

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

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

The Group evaluates each customer's credit in advance.

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

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

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

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

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

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

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

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

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

(3) Supplemental explanation for fair value of financial instruments

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

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

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

(b) Fair value of financial instruments

1. Redemption schedule for receivable and securities to maturity at March 31, 2022 and 2023

	Millions of yen			
	2022			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 47,122	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	163,526	19,046	893	—
Investment in securities				
Debt security held to maturity (government bonds)	—	1	—	—
Long-term loan	—	457	569	21
Total	¥210,648	¥19,504	¥1,462	¥ 21

	Millions of yen			
	2023			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 53,727	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	165,598	24,908	—	—
Investment in securities				
Debt security held to maturity (government bonds)	1	—	—	—
Long-term loan	—	785	198	15
Total	¥219,326	¥25,693	¥198	¥ 15

	Thousands of U.S. dollars			
	2023			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	\$ 402,356	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,240,158	186,538	—	—
Investment in securities				
Debt security held to maturity (government bonds)	9	—	—	—
Long-term loan	—	5,877	1,486	114
Total	\$1,642,523	\$192,415	\$1,486	\$114

2. Redemption schedule for bond, long-term debt, and lease liability as of March 31, 2022 and 2023.

	Millions of yen					
	2022					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond	¥10,000	¥15,000	¥20,000	¥15,000	¥19,000	¥18,000
Long-term debt	—	—	—	—	—	—
Lease liability	32	28	19	14	953	—
Total	¥10,032	¥15,028	¥20,019	¥15,014	¥19,953	¥18,000

	Millions of yen					
	2023					
	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	¥20,000	¥15,000	¥19,000	¥19,000	¥18,000
Long-term debt	—	—	—	424	2,734	—
Lease liability	28	19	14	953	0	—
Total	¥15,028	¥20,019	¥15,014	¥20,377	¥21,734	¥18,000

	Thousands of U.S. dollars					
	2023					
	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	\$112,334	\$149,779	\$112,335	\$142,290	\$142,290	\$134,801
Long-term debt	—	—	—	3,172	20,471	—
Lease liability	212	144	101	7,140	2	—
Total	\$112,546	\$149,923	\$112,436	\$152,602	\$162,763	\$134,801

The book value, fair value, and difference of the financial instruments on the consolidated balance sheet as of March 31, 2022 and 2023 were as follows.

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

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

*1 The description of "Cash and deposit" is omitted because it is cash and the market value is close to the book value because the deposit is settled in a short period of time.
*2 "Notes payable, accounts payable for construction contracts and other," "Short-term debt," "Commercial paper," "Current portion of bonds payable," "Short term lease liability" are omitted because these are settled in a short period of time.
*3 The following financial products are not included in "Securities and investment securities" because there is no market price.

Classification	Millions of yen	
	2022	Book value
Unlisted securities	¥4,247	—
Silent partnerships	3,365	—
Stock for non-consolidated subsidiaries and affiliates	817	—

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

	Millions of yen		
	2023		
	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	¥190,507	¥190,312	¥(195)
Investment in securities (*3)	24,566	24,566	(0)
Long-term loans	998	—	—
Allowance for doubtful accounts (*4)	(66)	—	—
Assets	932	910	(22)
Bond	¥216,005	¥215,788	¥(217)
Long-term debt	¥ 91,000	¥ 90,843	¥(158)
Lease liability	986	986	—
Liabilities	¥ 95,143	¥ 94,986	¥(158)

	Thousands of U.S. dollars		
	2023		
	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	\$1,426,697	\$1,425,238	\$(1,457)
Investment in securities (*3)	183,972	183,972	0
Long-term loans	7,477	—	—
Allowance for doubtful accounts (*4)	(493)	—	—
Assets	6,984	6,816	(169)
Bond	\$1,617,653	\$1,616,026	\$(1,626)
Long-term debt	\$ 681,495	\$ 680,314	\$(1,180)
Lease liability	23,643	23,643	—
Liabilities	7,387	7,387	—
Liabilities	\$ 712,525	\$ 711,344	\$(1,180)

*1 The description of "Cash and deposit" is omitted because it is cash and the market value is close to the book value because the deposit is settled in a short period of time.
*2 "Notes payable, accounts payable for construction contracts and other," "Short-term debt," "Commercial paper," "Current portion of bonds payable," "Short term lease liability" are omitted because these are settled in a short period of time.
*3 The following financial products are not included in "Securities and investment securities" because there is no market price.

Classification	Thousands of U.S. dollars	
	2023	2022
Unlisted securities	¥4,100	\$30,702
Silent partnerships	6,367	47,679
Stock for non-consolidated subsidiaries and affiliates	838	6,272

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

(c) Explanation of the valuation methods and inputs used in calculating fair value

The fair values of financial instruments are categorized into the following three levels, in accordance with the observability and importance of the inputs used in the fair value calculation.

Explanation of the evaluation techniques used in the calculation of the fair value and the inputs to the calculation of the fair value.

Level 1 fair value: Fair value calculated using inputs that are directly or indirectly observable, the (unadjusted) market price in an active market for an identical asset or liability.

Level 2 fair value: Fair value calculated using inputs that are directly or indirectly observable, other than the Level 1 inputs.

Level 3 fair value: Fair value calculated using important inputs that cannot be observed. If multiple inputs that have a significant impact on the calculation of the fair value are used, among the levels to which each of these inputs belongs, the fair value is classified into the lowest priority level in the calculation of the fair value.

1. Financial assets and financial liabilities with the carrying amount recorded using the fair value

Category	Millions of yen			
	2022			
	Fair value			Total
Level 1	Level 2	Level 3		
Investment securities				
Available-for-sale securities				
Shares	¥27,055	¥ —	¥ —	¥27,055

Category	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	¥24,138	¥ —	¥ —	¥24,138
Others	—	427	—	427
Assets	¥24,138	¥427	¥ —	¥24,565

Category	Thousands of U.S. dollars			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	\$180,771	\$ —	\$ —	\$180,771
Others	—	3,191	—	3,191
Assets	\$180,771	\$3,191	\$ —	\$183,962

2. Financial assets and financial liabilities with the carrying amount not recorded using the fair value

Category	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	¥ —	¥182,650	¥ —	¥182,650
Investment securities				
Held-to-maturity securities				
Debt securities	1	—	—	1
Long-term loans	—	928	—	928
Assets	¥ 1	¥183,578	¥ —	¥183,579
Bonds payable	86,912	—	—	86,912
Long-term debt	—	—	—	—
Lease liability	—	1,014	—	1,014
Liabilities	¥86,912	¥ 1,014	¥ —	¥ 87,926

Category	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	¥ —	¥190,312	¥ —	¥190,312
Investment securities				
Held-to-maturity securities				
Debt securities	1	—	—	1
Long-term loans	—	910	—	910
Assets	¥1	¥191,222	¥ —	¥191,223
Bonds payable	90,842	—	—	90,842
Long-term debt	—	3,157	—	3,157
Lease liability	—	987	—	987
Liabilities	¥90,842	¥ 4,144	¥ —	¥ 94,986

Category	Thousands of U.S. dollars			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	\$ —	\$1,425,239	\$ —	\$1,425,239
Investment securities				
Held-to-maturity securities				
Debt securities	9	—	—	9
Long-term loans	—	6,816	—	6,816
Assets	\$9	\$1,432,055	\$ —	\$1,432,064
Bonds payable	680,314	—	—	680,314
Long-term debt	—	23,643	—	23,643
Lease liability	—	7,387	—	7,387
Liabilities	\$680,314	\$ 31,030	\$ —	\$ 711,344

Investment securities

Listed shares and government bonds are valued using the market price. Because listed shares are traded on active markets, their fair value is categorized as a level 1 fair value. The fair value of real estate investment trusts is the net assets value because no market price is available. This is categorized as a level 2 fair value.

Notes receivable, accounts receivable from completed construction contracts and other

The fair value of notes receivable, accounts receivable from completed construction contracts and other is calculated using the discounted cash flow method based on interest rates considering the claim amount, the period until maturity, and the credit risk for each claim divided into set periods, and this is categorized as a level 2 fair value.

Long-term loans

The fair value of long-term loans is calculated using the discounted cash flow method based on interest rates considering the future cash flow, the period until the payment due date, and the credit risk for each obligation divided into set periods, and this is categorized as a level 2 fair value.

Bond

The fair value of bond is calculated based on the market price if there is a market price, and the market fair value is classified as level 1 fair value.

Those without a market price are calculated by the discounted cash flow method based on the total amount of principal and interest, the remaining maturity of the bond, and the interest rate that takes into account credit risk, and this is categorized as a level 2 fair value.

Long-term borrowings

The fair value of long-term borrowings is calculated using the discounted cash flow method based on interest rates considering the total amount of the sum of principal and interest, the remaining period of the concerned obligation, and the credit risk for each obligation, and this is categorized as a level 2 fair value.

Lease obligations

The fair value of lease obligations is calculated by the discounted cash flow method based on interest rates considering when a new lease contract is concluded, which is the same as the total amount of principal, and this is categorized as a level 2 fair value.

19. 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 2022 was ¥3,509 million, in 2023 was ¥3,255 million (\$24,380 thousand).

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

Millions of yen			
Carrying amount		Fair value	
April 1, 2021	Increased (decreased)	March 31, 2022	March 31, 2022
¥115,824	¥13,709	¥129,533	¥171,807

Millions of yen			
Carrying amount		Fair value	
April 1, 2022	Increased (decreased)	March 31, 2023	March 31, 2023
¥129,533	¥(6,926)	¥122,607	¥154,308

Thousands of U.S. dollars			
Carrying amount		Fair value	
April 1, 2022	Increased (decreased)	March 31, 2023	March 31, 2023
\$970,066	\$(6,1867)	\$918,199	\$1,155,602

- Carrying amount is net of accumulated depreciation and accumulated impairment losses from acquisition cost.
- The main reason for the increase in 2022 was a purchase of ¥21,144 million (\$172,759 thousand), the reasons for the decrease were transfers to sales of real estate of ¥3,398 million (\$27,761 thousand), depreciation of ¥2,309 million (\$18,866 thousand), selling of ¥1,728 million (\$14,120 thousand).
- The main reason for the increase in 2023 was a purchase of ¥18,208 million (\$136,357 thousand), the reasons for the decrease were transfers to sales of real estate of ¥22,704 million (\$170,031 thousand), depreciation of ¥2,324 million (\$17,403 thousand).
- Fair value at the end of fiscal year is assessed by the Company mainly based on "real-estate appraisal criterion."

20. Asset retirement obligations

The asset retirement obligations included in the financial statements for the years ended March 31, 2022 and 2023 were as follows:

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

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

The estimated period of service of the building is 6 to 31 years from acquisition and the discount rate has calculated the adjustment amount of asset retirement obligations by having used 0.000 to 2.308%.
- Obligation to soil investigation based on Soil Contamination Countermeasures Act

The estimated period of service of the building is 8 to 24 years from acquisition and the discount rate has calculated the adjustment amount of an asset retirement obligation by having used 0.583 to 1.989%.
- Rationally estimated cost of obligation to restore to original state based on real estate rental contract

The estimated period of service of rental stores owned by the Group is from 19 years to 47 years based on periodical lease contract and the discount rate has calculated the adjustment amount of an asset retirement obligations by having used 0.189 to 2.155%. The estimated period of service of the offices which the Group rents is from 1 year to 42 years based on periodical lease contract and the discount rate has calculated the adjustment amount of asset retirement obligations by having used from 0.000 to 0.889%.

(b) Increase (decrease) of asset retirement obligations as of March 31, 2022 and 2023 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2022	2023	2023	
Balance at beginning of year	¥637	¥762	¥5,704	
New obligations by acquisition of fixed assets	117	19	141	
Increase because a reasonable estimate can be made	3	—	—	
Adjustment for time's passage	5	5	37	
Decrease because of executed obligation	—	(28)	(206)	
Balance at end of year	¥762	¥758	¥5,676	

21. Revenue recognition

1. Information about disaggregation of revenue from the contract with the customer

For the year ended March 31, 2022

Net sales:	Millions of yen			
	2022			
	Civil Engineering	Building Construction	Development and Real Estate	Total
Goods or services transferred over time	¥119,995	¥178,031	¥ —	¥298,026
Goods or services to be transferred at one time	1,978	6,232	7,328	15,538
Revenue from contracts with customers	121,973	184,263	7,328	313,564
Other revenue	—	—	10,190	10,190
Sales to customers	¥121,973	¥184,263	¥17,518	¥323,754

For the year ended March 31, 2023

Net sales:	Millions of yen			
	2023			
	Civil Engineering	Building Construction	Development and Real Estate	Total
Goods or services transferred over time	¥119,459	¥178,729	¥ —	¥298,188
Goods or services to be transferred at one time	351	8,756	21,880	30,987
Revenue from contracts with customers	119,810	187,485	21,880	329,175
Other revenue	—	—	10,582	10,582
Sales to customers	¥119,810	¥187,485	¥32,462	¥339,757

Net sales:	Thousands of U.S. dollars			
	2023			
	Civil Engineering	Building Construction	Development and Real Estate	Total
Goods or services transferred over time	\$894,622	\$1,338,496	\$ —	\$2,233,118
Goods or services to be transferred at one time	2,632	65,572	163,854	232,058
Revenue from contracts with customers	897,254	1,404,068	163,854	2,465,176
Other revenue	—	—	79,251	79,251
Sales to customers	\$897,254	\$1,404,068	\$243,105	\$2,544,427

2. Information to understand the amount of revenue for the current period and the following period

(a) Balance of contract assets and contract liabilities, etc.

	Millions of yen		Thousands of U.S. dollars
	2023	2023	
Receivables arising from contracts with customers as of April 1, 2022	¥ 60,942	¥456,395	
Receivables arising from contracts with customers as of March 31, 2023	58,599	438,846	
Contract assets as of April 1, 2022	121,675	911,219	
Contract assets as of March 31, 2023	131,177	982,381	
Contract liabilities as of April 1, 2022	14,563	109,059	
Contract liabilities as of March 31, 2023	15,965	127,049	

Contract assets are mainly related to consideration for works that meet performance obligations at the end of the fiscal year but have not yet claimed.

Contract assets are transferred to receivables when the right to payment becomes unconditional.

Contract liabilities are primarily related to advances received on construction contracts in progress.

In the construction industry, the normal payment time differs depending on the contract, and there is no clear relationship with the time when the performance obligation is satisfied.

Regarding the revenue recognized for the year ended March 31, 2022, the amount included in the contract liability balance as of the beginning of the period was ¥8,436 million.

Revenue recognized from performance obligations that have been met or partially met in the past period are not significant.

Regarding the revenue recognized for the year ended March 31, 2023, the amount included in the contract liability balance as of the beginning of the period was ¥10,620 million.

Revenue recognized from performance obligations that have been met or partially met in the past period is not significant.

(b) Transaction price allocated to residual performance obligations

The total transaction price allocated to the remaining performance obligations of the Company is as follows.

In addition, all costs arising from contracts with customers, and undecided cost which is the estimated amount of additional and design change construction, are included.

	Millions of yen		
	2022		
	Civil Engineering	Building Construction	Total
Residual performance obligation	¥362,155	¥311,393	¥673,548

	Millions of yen		
	2023		
	Civil Engineering	Building Construction	Total
Residual performance obligation	¥399,963	¥313,668	¥713,631

	Thousands of U.S. dollars		
	2023		
	Civil Engineering	Building Construction	Total
Residual performance obligation	\$2,995,307	\$2,349,046	\$5,344,353

It is expected that the performance obligation of the civil engineering business will be satisfied within 7 years and the performance obligation of the construction business will be satisfied within 3 years.

There is no significant amount of consideration that results from the contract with the customer that is not included in the transaction price.

22. Segment information

(a) Decision of reportable segments

The Group's 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 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 transferred 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, 2022 and 2023

	Millions of yen				
	2022				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers.....	¥121,973	¥184,263	¥17,517	¥ —	¥323,754
Intersegment or transfer....	—	—	223	(223)	—
Total.....	¥121,973	¥184,263	¥17,740	¥(223)	¥323,754
Operating income (loss)	12,356	6,404	4,780	—	23,540
Depreciation and amortization.....	658	662	2,408	—	3,728

- Operating income (loss) is consistent with the consolidated financial statement.
- Assets of each segment are not mentioned due to the absence of distribution to the business segment.

	Millions of yen				
	2023				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers.....	¥119,810	¥187,485	¥32,462	¥ —	¥339,757
Intersegment or transfer....	—	946	251	(1,197)	—
Total.....	¥119,810	¥188,431	¥32,713	¥(1,197)	¥339,757
Operating income (loss)	7,723	(5,426)	10,343	(24)	12,616
Depreciation and amortization.....	624	612	2,731	—	3,967

- "Adjustments" of negative 24 million yen in "Operating income (loss)" is due to the deletion of segment transactions.
- Adjustments are made between "Segment profit" and "Operating income (loss)" reported in the consolidated statement of income.
- Assets of each segment are not mentioned due to the absence of distribution to the business segment.

	Thousands of U.S. dollars				
	2023				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers.....	\$897,254	\$1,404,068	\$243,105	\$ —	\$2,544,427
Intersegment or transfer....	—	7,086	1,875	(8,961)	—
Total.....	\$897,254	\$1,411,154	\$244,980	\$(8,961)	\$2,544,427
Operating income (loss)	57,836	(40,637)	77,459	(179)	94,479
Depreciation and amortization.....	4,669	4,587	20,451	—	29,707

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, 2022 and 2023."

(2) Geographical areas

Information by geographical segment for the years ended March 31, 2022 and 2023 were summarized as follows:

	Millions of yen			
	2022			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	¥299,966	¥23,788	¥ —	¥323,754

	Millions of yen			
	2023			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	¥311,632	¥28,125	¥ —	¥339,757

	Thousands of U.S. dollars			
	2023			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	\$2,333,802	\$210,625	\$ —	\$2,544,427

Information about tangible assets

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

(3) Major customers

Net sales to single customer representing 10% or more of total net sales of the consolidated statement of income for the years ended March 31, 2022 and 2023 were as follows:

	Millions of yen	
	2022	
	Sales	Segments
Ministry of Land, Infrastructure, Transport and Tourism.....	¥39,071	Civil Engineering, Building Construction

	Millions of yen	
	2023	
	Sales	Segments
Ministry of Land, Infrastructure, Transport and Tourism.....	¥38,627	Civil Engineering, Building Construction

	Thousands of U.S. dollars	
	2023	
	Sales	Segments
Ministry of Land, Infrastructure, Transport and Tourism.....	\$289,277	Civil Engineering, Building Construction

(4) Impairment losses

Information on impairment losses for the years ended March 31, 2022 was summarized as follows:

	Millions of yen				
	2022				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Impairment losses	¥ —	¥ —	¥952	¥ —	¥952

There is no impairment loss transaction for the year ended March 31, 2023.

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

Information by amortization of goodwill and unamortized balance by reportable business segment for the year ended March 31, 2022 and 2023 were summarized as follows:

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

	Millions of yen				
	2023				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Depreciation for the year.....	¥ —	¥ —	¥ 8	¥ —	¥ 8
Balance at March 31, 2023 ..	—	—	68	—	68

	Thousands of U.S. dollars				
	2023				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Depreciation for the year.....	\$ —	\$ —	\$ 60	\$ —	\$ 60
Balance at March 31, 2023 ..	—	—	509	—	509

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

(7) Information on Related Party Transaction

There is no related party transaction for the year ended March 31, 2022.

The detail for the year ended March 31,2023 was as follows:

	Millions of yen				
	2023				
	Capital or Investment	Business Content	Voting Rights Ownership Ratio	Transaction Details	Transaction Amount
ITOCHU Corporation	¥253,448	General trading company	10%	Land-Buildings	¥6,245
ITOCHU Property Development, Ltd	10,255	Real estate business	—	Buildings	565

	Thousands of U.S. dollars				
	2023				
	Capital or Investment	Business Content	Voting Rights Ownership Ratio	Transaction Details	Transaction Amount
ITOCHU Corporation	\$1,898,060	General trading company	10%	Land-Buildings	\$46,769
ITOCHU Property Development, Ltd	76,799	Real estate business	—	Buildings	4,231

Prices and other transaction conditions are negotiated each time a contract is concluded, taking into consideration the prevailing market conditions.

23. 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, 2022 and 2023.

a) Per share information

	yen		U.S. dollars
	2022	2023	2023
Net income:			
Net assets:	¥3,833.71	¥3,770.77	\$28.239
Basic:	¥ 312.34	¥ 244.43	\$ 1.831

1. Diluted net income per share for the years ended March 31, 2022 and 2023 were not presented because the Company had no shares with dilutive effects.

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Profit attributable to owners of parent	¥15,103	¥ 9,648	\$72,255
Amount that does not belong to general shareholders	—	—	—
Profit attributable to owners of parent	15,103	9,648	72,255
Average number of shares of common stock during the year (Unit:1000)	48,356	39,473	

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Total amount under net assets	¥157,716	¥156,149	\$1,169,387
Amount deducted from the total amount under net assets	6,387	7,307	54,719
(Of which non-controlling interests)	(6,387)	(7,307)	(54,719)
Net assets at the end of the year related to common stock	151,328	148,842	1,114,667
Number of shares of common stock at the end of the year used in the calculation of net assets per share (Unit:1000)	39,473	39,472	

- The Company's shares in the "Board Benefit Trust (BBT)," which are reported as treasury shares under Shareholders' equity, are counted as the number of treasury shares as of the average number of shares outstanding for the period for the purpose of not including for computing earnings and net assets per share.
- In calculating the amount of net assets per share, the number of stock deducted was 225 thousand shares at the end of the previous consolidated fiscal year and at the end of the fiscal year.

24. Quarterly Information for FY2022 (April 1, 2022 to March 31, 2023)

a) Accumulated period

	Millions of yen			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2022 Jun 30, 2022	Jul 1, 2022 Sep 30, 2022	Oct 1, 2022 Dec 31, 2022	Jan 1, 2023 Mar 31, 2023
Net sales	¥69,722	¥157,274	¥245,065	¥339,757
Profit before income taxes	4,237	10,668	12,613	13,596
Profit attributable to owners of parent	2,802	7,365	8,777	9,648
Per share of net income (Yen)	70.99	186.58	222.36	244.43

	Thousands of U.S. dollars			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2022 Jun 30, 2022	Jul 1, 2022 Sep 30, 2022	Oct 1, 2022 Dec 31, 2022	Jan 1, 2023 Mar 31, 2023
Net sales	\$522,145	\$1,177,814	\$1,835,282	\$2,544,427
Profit before income taxes	31,732	79,893	94,461	101,818
Profit attributable to owners of parent	20,985	55,154	65,732	72,255
Per share of net income (U.S. dollars)	0.532	1.397	1.665	1.831

b) Each period

	Yen			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2022 Jun 30, 2022	Jul 1, 2022 Sep 30, 2022	Oct 1, 2022 Dec 31, 2022	Jan 1, 2023 Mar 31, 2023
Per share of net income	¥70.99	¥115.59	¥35.78	¥22.07

	U.S. dollars			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2022 Jun 30, 2022	Jul 1, 2022 Sep 30, 2022	Oct 1, 2022 Dec 31, 2022	Jan 1, 2023 Mar 31, 2023
Per share of net income	\$0.532	\$0.866	\$0.268	\$0.165

- Diluted net income per share for the years ended March 31, 2022 and 2023 were not presented because the Company had no shares with dilutive effects.
- The Company's shares in the "Board Benefit Trust (BBT)," which are reported as treasury shares under Shareholders' equity, are counted as the number of treasury shares as of the average number of shares outstanding for the period for the purpose of not including for computing earnings and net assets per share.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Nishimatsu Construction Co., Ltd. and its subsidiaries (the Group) which comprise the consolidated balance sheets as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Details of key audit matters and reasons for the decision

As stated in the explanatory notes (Important accounting estimates), sales from completed construction work calculated by applying the percentage of completion method of the Group are ¥298,113 million and account for 87.7% of the total net sales in the consolidated statement of income.

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

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

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

Audit procedures

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

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

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

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

Other Information

The other information comprises the information included in the Financial Report, but does not include the financial statements and our auditor's report thereon.

We conclude that there is no other information and have not conducted any procedures to the other information.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The procedures selected and applied depend on the auditor's judgement.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation, in addition, evaluate whether the presentation of consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Convenience Translation

The United States dollar amounts shown in the consolidated financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note. 8.

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

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

中川 修之

Takayuki Nakagawa
Designated Engagement Partner
Certified Public Accountant

金井 匠志

Tadashi Kanai
Designated Engagement Partner
Certified Public Accountant

Gyosei & Co.

Tokyo, Japan
September 26, 2023

Non-Consolidated Five-Year Summary

Nishimatsu Construction Co., Ltd.
March 31, 2022 and 2023

	Millions of yen				2023
	2019	2020	2021	2022	
Orders received	¥340,302	¥361,014	¥312,278	¥328,094	¥327,401
Orders received from overseas	11,088	(1,384)	2,089	42,298	44,835
Percentage of orders received from overseas	3.3%	(0.4%)	0.7%	12.9%	13.7%
Net sales	336,854	377,167	328,253	317,707	328,386
Cost of sales	294,629	334,773	290,118	274,686	296,488
Selling, general and administrative expenses	17,688	17,742	17,867	19,169	19,832
Profit before income taxes	26,659	25,510	25,663	22,610	13,061
Profit	18,626	19,143	18,087	15,003	9,394
Percentage of income against net sales	5.5%	5.1%	5.5%	4.7%	2.9%
Total assets	452,214	483,112	464,220	462,400	490,939
Net assets	192,845	193,587	203,231	147,941	145,070
Percentage of net assets against total assets	42.6%	40.1%	43.8%	32.0%	29.6%
Common stock	23,514	23,514	23,514	23,514	23,514
Per share of common stock (in yen)					
Net income	¥ 340.48	¥ 349.94	¥ 330.64	¥ 310.27	¥ 237.98
Cash dividends applicable to the year	105.00	105.00	105.00	221.00	221.00
Net assets	3,525.31	3,538.96	3,715.32	3,747.90	3,675.22
Number of shareholders	17,535	17,854	17,170	16,582	33,977
Number of employees	2,606	2,684	2,762	2,794	2,804

Note:

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

*2 Highest stock price and lowest stock price were those recorded on the First Section of the Tokyo Stock Exchange until April 3, 2022, and those recorded on the Prime Market of the Tokyo Stock Exchange on April 4, 2022 and onwards.

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

Non-Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd.
March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Assets			
Current assets:			
Cash and time deposits (Note 18).....	¥ 36,812	¥ 38,291	\$ 286,757
Notes and accounts receivable, trade:			
Notes (Note 18).....	7,023	7,039	52,714
Accounts (Note 18).....	175,642	181,619	1,360,137
Allowance for doubtful accounts (Notes 2 and 17).....	(19)	(20)	(151)
Marketable securities (Note 15).....	—	1	10
Inventories (Notes 2 and 9).....	15,250	21,067	157,766
Short-term loans to subsidiaries and affiliates.....	122	314	2,352
Advance paid (Note 18).....	11,015	12,437	93,140
Prepaid expenses.....	482	618	4,631
Other current assets.....	3,925	9,606	71,939
Total current assets.....	250,252	270,972	2,029,295
Property and equipment (Notes 2 and 16):			
Land.....	80,067	83,657	626,504
Buildings.....	92,793	82,345	616,680
Machinery and equipment.....	9,897	9,802	73,404
Accumulated depreciation.....	(39,654)	(34,472)	(258,160)
Total property and equipment.....	143,103	141,332	1,058,428
Investments and other assets:			
Investment securities (Notes 2 and 15).....	34,508	33,804	253,159
Investments in subsidiaries and affiliates (Notes 2 and 10).....	12,132	16,013	119,924
Investments in capital of subsidiaries and affiliates.....	4,712	4,661	34,904
Long-term loans to subsidiaries and affiliates.....	1,137	1,357	10,164
Deferred tax assets (Notes 2 and 11).....	5,582	6,655	49,841
Long-term loans receivable.....	71	326	2,440
Long-term prepaid expenses.....	44	42	311
Investments in capital.....	26	26	193
Others.....	10,909	15,822	118,485
Allowance for doubtful accounts (Notes 2 and 17).....	(76)	(71)	(528)
Total investments and other assets.....	69,045	78,635	588,893
Total assets.....	¥462,400	¥490,939	\$3,676,616

The accompanying notes are an integral part of this statement.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Liabilities and Net assets			
Current liabilities:			
Short-term debt from banks (Note 18).....	¥ 43,039	¥ 59,239	\$ 443,638
Current portion of bonds payable (Note 18).....	10,000	15,000	112,334
Commercial papers.....	20,000	—	—
Notes and accounts payable, trade:			
Notes (Note 18).....	18,278	23,950	179,358
Accounts (Note 18).....	40,804	46,321	346,895
Advances received on uncompleted contracts (Note 18).....	14,485	16,637	124,591
Provision for warranties for completed construction (Notes 2 and 17).....	7,923	1,658	12,416
Provision for bonuses (Notes 2 and 17).....	3,635	2,771	20,755
Provision for loss on construction contracts (Notes 2 and 17).....	2,820	7,920	59,313
Accrued income taxes.....	5,832	1,784	13,361
Provision for loss on real estate business and other (Notes 2 and 17).....	38	34	255
Lease obligations.....	25	22	161
Accounts payable - other.....	2,127	2,580	19,322
Accrued expenses.....	72	83	619
Deposits received.....	45,864	64,365	482,027
Unearned revenue.....	5	4	29
Asset retirement obligations.....	28	—	—
Other current liabilities.....	38	120	910
Total current liabilities.....	215,013	242,488	1,815,984
Long-term liabilities:			
Bonds payable (Note 18).....	87,000	91,000	681,495
Accrued retirement benefits.....	5,904	6,066	45,425
Provision for share awards for directors (and other officers) (Note 17).....	54	107	800
Asset retirement obligations.....	705	729	5,459
Lease obligations.....	42	21	159
Other long-term liabilities.....	5,741	5,458	40,875
Total long-term liabilities.....	99,446	103,381	774,213
Total liabilities.....	314,459	345,869	2,590,197
Net assets:			
Common stock :			
Authorized - 160,000,000 shares			
Issued and outstanding - 55,591,502 shares.....	23,514	23,514	176,093
Capital surplus.....	20,780	20,780	155,623
Legal reserve.....	5,878	5,878	44,022
Retained earnings.....	149,133	147,769	1,106,629
Treasury stock, at cost.....	(57,335)	(57,338)	(429,404)
Valuation difference on available-for-sale securities.....	5,971	4,467	33,456
Total net assets.....	147,941	145,070	1,086,419
Total liabilities and net assets.....	¥462,400	¥490,939	\$3,676,616

The accompanying notes are an integral part of this statement.

Non-Consolidated Statement of Income

Nishimatsu Construction Co., Ltd.
March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net sales (Note 2):			
Completed construction contract.....	¥299,682	¥295,642	\$2,214,051
Real estate business and other	18,025	32,744	245,215
	317,707	328,386	2,459,266
Cost of sales (Notes 2 and 19):			
Cost of completed construction contract	263,592	276,107	2,067,757
Cost of real estate business and other	11,094	20,381	152,630
	274,686	296,488	2,220,387
Gross profit.....	43,021	31,897	238,879
Selling, general and administrative expenses	19,169	19,832	148,523
Income from operations	23,852	12,065	90,356
Other income (expenses):			
Interest and dividend income	752	652	4,882
Compensation for delay	499	—	—
Foreign currency exchange gain.....	277	185	1,387
Gain on investments in silent partnerships.....	134	155	1,164
Reversal of allowance for doubtful accounts	149	5	38
Interest expenses.....	(521)	(652)	(4,880)
Financing expenses	(790)	(109)	(817)
Advisory Expenses.....	(632)	—	—
Gain on sales of investment securities.....	2,107	707	5,297
Gain on sales of non-current assets.....	1,273	238	1,779
Provision for warranties for completed construction	(2,998)	—	—
Impairment losses.....	(925)	—	—
Loss on support of subsidiaries.....	(387)	—	—
Loss on valuation of investment securities.....	(21)	(311)	(2,329)
Loss on valuation of golf club membership.....	—	(74)	(555)
Loss on retirement of non-current assets	(24)	(23)	(173)
Loss on sales of non-current assets.....	(73)	(8)	(63)
Infectious disease related costs.....	(10)	—	—
Other-net.....	(52)	231	1,730
	(1,242)	996	7,460
Profit before income taxes	22,610	13,061	97,816
Income taxes (Note 2)			
Current	8,241	4,078	30,540
Deferred.....	(634)	(411)	(3,073)
	7,607	3,667	27,467
Profit	¥ 15,003	¥ 9,394	\$ 70,349
Per share of common stock			
Net income (loss)	¥310.27	¥237.98	\$1.782
Cash dividends applicable to the year	221.00	221.00	1.655

The accompanying notes are an integral part of this statement.

Non-Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd.
March 31, 2022 and 2023

	Millions of yen						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Total net assets
Balance at April 1, 2021	¥23,514	¥20,780	¥5,878	¥144,796	¥ (2,177)	¥10,440	¥203,231
Dividends declared				(10,666)			(10,666)
Profit				15,003			15,003
Purchase of treasury shares.....					(55,158)		(55,158)
Net changes of items other than shareholder's equity						(4,469)	(4,469)
Balance at April 1, 2022	¥23,514	¥20,780	¥5,878	¥149,133	¥(57,335)	¥ 5,971	¥147,941
Dividends declared				(10,758)			(10,758)
Profit				9,394			9,394
Purchase of treasury shares.....					(5)		(5)
Disposal of treasury shares		0			2		2
Net changes of items other than shareholder's equity						(1,504)	(1,504)
Balance at March 31, 2023	¥23,514	¥20,780	¥5,878	¥147,769	¥(57,338)	¥ 4,467	¥145,070
	Thousands of U.S. dollars						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Total net assets
Balance at April 1, 2022	\$176,093	\$155,623	\$44,022	\$1,116,849	\$(429,383)	\$ 44,720	\$1,107,924
Dividends declared				(80,569)			(80,569)
Profit				70,349			70,349
Purchase of treasury shares.....					(38)		(38)
Disposal of treasury shares		0			17		17
Net changes of items other than shareholder's equity						(11,264)	(11,264)
Balance at March 31, 2023	\$176,093	\$155,623	\$44,022	\$1,106,629	\$(429,404)	\$ 33,456	\$1,086,419

The accompanying notes are an integral part of this statement.

Notes to Non-Consolidated Financial Statements

1. Basis of presenting non-consolidated financial statements

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

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

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

2. Summary of significant accounting policies

(a) Foreign currency transactions

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

(b) Investments in securities

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

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

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

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

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

(c) Inventories

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

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

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

(d) Depreciation and amortization

Property and equipment (excluding lease assets):

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

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

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

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

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

Intangible assets (excluding lease assets):

Intangible assets are carried at cost.

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

Lease assets:

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

Long-term prepaid expenses

The straight-line method is applied.

(e) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost.

(f) Accrued retirement benefits

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

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

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

(g) Recognition of sales and related costs

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

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

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

(2) Revenue recognition by other methods

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

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

(h) Income taxes

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

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

(i) Hedge accounting

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

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

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

(j) Appropriations of retained earnings

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

(k) Allowance for doubtful accounts

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

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

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

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

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

(o) Provision for bonuses

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

(p) 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.

(q) Provision for loss on real estate business

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

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

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

(2) Accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly defined

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

3. Important accounting estimates

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

FY2021

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

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

FY2022

Sales from the method of recognizing revenue over time (former the percentage of completion method) are ¥289,364 million (\$2,167,030 thousand).

Provision for loss on construction contracts is ¥7,920 million (\$59,313 thousand).

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

(b) Provision for warranties for completed construction

FY2021

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

FY2022

Provision for warranties for completed construction are ¥1,658 million (\$12,416 thousand).

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

4.Changes in Accounting Policy

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, Jun 27, 2021; "Implementation Guidance on Accounting Standard" hereinafter) has been applied since the beginning of the fiscal year ended March 31, 2023. In accordance with the provisional handling described in Paragraph 27-2 of Implementation Guidance on Accounting Standard, the new accounting policies set forth in Implementation Guidance on Accounting Standard and related standards have been applied to future accounts. This change has little effect on non-consolidated financial statements for the fiscal year ended March 31, 2023.

5.Changes in presentation

(a) Notes to non-consolidated Balance Sheet

"Prepaid expenses" which was listed in "Other current assets" under "Current assets" and "Long-term loans receivable," "Long-term prepaid expenses" and "Investments in capital" which were listed in "Others" under "Investments and other assets" and "Lease obligations," "Accounts payable - other," "Accrued expenses," "Unearned revenue" which were listed in "Other current liabilities" under "Current liabilities" and "Lease obligations" which was listed in "Other long-term liabilities" under "Long-term liabilities" in the previous fiscal year, are separately listed from the fiscal year ended March 31, 2023, for the understanding of users of non-consolidated financial statements.

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

As a result, ¥4,407 million presented in "Other current assets" in the

non-consolidated balance sheet of the previous fiscal year have been reclassified as ¥482 million of "Prepaid expenses" and ¥3,925 million of "Other current assets."

And ¥11,050 million presented in "Others" under "Investments and other assets" in the non-consolidated balance sheet of the previous fiscal year have been reclassified as ¥71 million of "Long-term loans receivable," ¥44 million of "Long-term prepaid expenses", ¥26 million of "Investments in capital" and ¥10,909 million of "Others."

And ¥2,267 million presented in "Other current liabilities" in the non-consolidated balance sheet of the previous fiscal year have been reclassified as ¥25 million of "Lease obligations," ¥2,127 million of "Accounts payable - other," ¥72 million of "Accrued expenses", ¥5 million of "Unearned revenue" and ¥38 million of "Other current liabilities."

And ¥5,783 million presented in "Other long-term liabilities" under "Long-term liabilities" in the non-consolidated balance sheet of the previous fiscal year have been reclassified as ¥42 million of "Lease obligations" and ¥5,741 million of "Other long-term liabilities."

(b) Notes to non-consolidated statement of Income

"Loss on valuation of investment securities," which was listed in "Other-net" under "Other income (expenses)" in the previous fiscal year, is separately listed from the fiscal year ended March 31, 2023, because of more quantitative materiality.

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

8. Significant subsequent events

(Issue of unsecured bonds)

The Company has issued unsecured bonds (Sustainability-Linked Bond) with a payment date of July 27, 2023, under the following conditions. This issuance is based on a comprehensive resolution of the board meeting held on June 27, 2023, which determined the total amount to be offered, etc.

1. The total amount of issued corporate bonds	20 billion yen
2. Issued price	100 yen for every 100 yen offered
3. Interest rate	0.600% per year
4. Payment date	July 27, 2023
5. Redemption deadline	July 27, 2028
6. Use of funds	Bond redemption and capital investment funds
7. Financial covenants	"Collateral provision restriction clause" is attached.

9. Inventories

Inventories comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Costs on uncompleted construction contracts.....	¥ 6,202	¥ 6,045	\$ 45
Real estate for sale.....	8,755	14,415	108
Raw materials and supplies.....	293	607	5
Total.....	¥15,250	¥21,067	\$158

As a result, ¥73 million presented in "Other-net" under "Other income (expenses)" in the non-consolidated statements of income of the previous fiscal year have been reclassified as ¥21 million of "Loss on valuation of investment securities" and ¥52 million of "Other-net."

6. Additional information

The notes on the Transactions involving issue of Company stock to Directors and others via trust are omitted because the same content is described in the "Notes (Additional Information)" section of the consolidated financial statements.

7. United States dollar amounts

The United States dollar amounts presented in the accompanying non-consolidated financial statements are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥133.53 = US\$1, which was the exchange rate prevailing as of March 31, 2023.

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

10. Securities

As no quoted market prices are available, the fair value of stocks of subsidiaries and affiliates is not mentioned.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Stocks of subsidiaries.....	¥11,949	¥15,830	\$118,549
Stocks of affiliates.....	183	183	1,375
Total.....	¥12,132	¥16,013	\$119,924

11. Income taxes

Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities as of March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deferred tax assets:			
Provision for allowance for loss on construction projects.....	¥ 863	¥ 2,424	\$ 18,150
Impairment loss of long-lived assets.....	2,441	2,362	17,688
Provision for warranties for completed construction.....	3,573	2,172	16,262
Accrued retirement obligations.....	1,933	1,710	12,807
Provision for bonuses.....	1,095	838	6,279
Loss on valuation of real estate.....	253	253	1,897
Valuation loss on investment securities.....	154	192	1,439
Other.....	2,511	3,141	23,529
Subtotal deferred tax assets.....	¥12,823	¥13,092	\$ 98,051
Valuation allowance.....	(3,880)	(3,722)	(27,874)
Gross deferred tax assets.....	¥ 8,943	¥ 9,370	\$ 70,177
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities...	¥ (2,633)	¥ (1,970)	\$(14,752)
Reserve for reduction entry of replaced property	(380)	(378)	(2,835)
Others.....	(348)	(367)	(2,749)
Gross deferred tax liabilities.....	¥ (3,361)	¥ (2,715)	\$(20,336)
Net deferred tax assets (liabilities).....	¥ 5,582	¥ 6,655	\$ 49,841

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

	2022	2023
Statutory tax rate (Adjustment).....	30.6%	30.6%
Permanent non-deductible items.....	1.7%	2.9%
Permanent non-taxable items.....	(0.4)%	(0.4)%
Inhabitant taxes on per capita levy.....	0.6%	1.1%
Valuation allowance.....	0.0%	(1.2)%
Tax credit.....	(0.8)%	(3.8)%
Other.....	1.9%	(1.1)%
Effective tax rate.....	33.6%	28.1%

12. Revenue recognition

Information that forms the basis for understanding revenue from contracts with customers is same as described in Note 21. Revenue recognition in the consolidated financial statements.

13. Notes to non-consolidated balance sheet

Collateral assets and secured liabilities

(a) Pledged assets for loans on subsidiaries, affiliates and other obligations as of March 31, 2022 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Pledged assets for loans on subsidiaries and affiliates:			
Buildings.....	¥255	¥245	\$1,839
Land.....	37	37	275
Investment securities.....	128	138	1,032
Total.....	¥420	¥420	\$3,146

(b) Loan guarantee

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
	¥4	¥2	\$12

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Total amount of loan commitment.....	¥20,000	¥20,000	\$149,779
Loans outstanding.....	¥10,000	¥—	\$—

(d) The Company transfers 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
	2022	2023	2023
Buildings.....	¥ 606	¥ 6,734	\$ 50,426
Structures.....	—	143	1,073
Land.....	2,924	9,785	73,279
Total.....	¥3,530	¥16,662	\$124,778

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings.....	¥20	¥—	\$—
Construction in progress.....	—	0	1
Total.....	¥20	¥0	\$1

14. 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
	2022	2023	2023
Buildings and structures.....	¥ 372	¥—	\$—
Land.....	897	—	—
Machinery.....	4	27	198
Other.....	—	211	1,581
Total.....	¥1,273	¥238	\$1,779

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings and structures.....	¥—	¥1	\$11.00
Land.....	70	7	52
Machinery.....	3	0	0
Total.....	¥73	¥8	\$63

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

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings and structures.....	¥ 3	¥ 0	\$ 0
Machinery.....	18	5	39
Fixtures.....	1	3	22
Others.....	2	15	112
Total.....	¥24	¥23	\$173

15. Details on securities

(a) Stock

Investment Securities - Available-for-sale securities

Issuer	Number of shares	Millions of yen	Thousands of U.S. dollars
		Balance as of March 31, 2023 on balance sheets	
SUMITOMO REALTY & DEVELOPMENT CO., LTD.	5,000,000	¥14,910	\$111,660
TEIKOKU SEN-I CO., LTD.	1,000,000	1,653	12,379
HULIC CO., LTD.	1,405,500	1,528	11,442
MIZUHO FINANCIAL GROUP, INC.	705,548	1,325	9,923
TSURUYA DEPARTMENT STORE INC.	12,000	1,104	8,268
KYUSHU RAILWAY COMPANY	274,300	809	6,058
JAPAN NUCLEAR FUEL LIMITED	66,664	667	4,993
CENTRAL JAPAN RAILWAY COMPANY	32,500	514	3,848
SHIKOKU ELECTRIC POWER CO.,INC	625,055	471	3,525
KYUSHU ELECTRIC POWER COMPANY,INC.	437,788	331	2,482
KANSAI INTERNATIONAL AIRPORT LAND COMPANY, LTD.	6,300	315	2,359
KANSAI ELECTRIC POWER CO.,INC.	233,607	301	2,259
METROPOLITAN INTERCITY RAILWAY COMPANY	6,000	300	2,247
EAST JAPAN RAILWAY COMPANY	37,500	275	2,060
TOKYO ELECTRIC POWER COMPANY HOLDINGS, INC.	579,375	274	2,052
WEST JAPAN RAILWAY COMPANY	50,000	273	2,043
KEIKYU CORPORATION	211,103	266	1,990
ELECTRIC POWER DEVELOPMENT CO.,LTD.	118,000	251	1,883
OTHER (85 ISSUES)	2,916,193	2,587	19,375
Total	13,717,433	¥28,154	\$210,846

(b) Bonds

Securities - Held to maturity securities

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

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

(c) Other

Investment Securities - Available-for-sale securities

Type and issue	Number of investment units, etc	Millions of yen	Thousands of U.S. dollars
		Figure on balance sheet	
Investment in anonymous association (Kohoku capital Godokaiha).....	—	¥1,784	\$13,363
Investment in anonymous association (Toranomom Nigo Godokaiha).....	—	1,112	8,324
Investment in anonymous association (Kamiamacho Property Godokaiha).....	—	873	6,534
Investment in anonymous association (Toranomom Ichigo Godokaiha).....	—	750	5,617
Investment in anonymous association (Genesis two Godokaiha).....	—	452	3,388
Mitsui Fudosan Private REIT Inc.....	300	426	3,191
Investment in limited investment association (2 issues).....	103	91	680
Investment in anonymous association (2 issues).....	—	162	1,216
Total	—	¥5,650	\$42,313

16. Details of fixed assets

Type of assets	Millions of yen						
	Balance at April 1, 2022	Increase during the year	Decrease during the year	Balance at March 31, 2023	Accumulated depreciation or accumulated amortization at March 31, 2022	Depreciation for the year	Net balance at March 31, 2023
Tangible assets							
Buildings.....	¥ 87,937	¥ 4,813	¥14,536	¥ 78,214	¥24,476	¥2,742	¥ 53,738
Structures.....	3,583	15	593	3,005	1,558	106	1,447
Machinery and equipment.....	7,323	365	499	7,189	6,377	299	812
Vehicles.....	364	8	53	319	301	16	18
Tools, furniture, and supplies.....	2,083	138	45	2,176	1,682	238	494
Land.....	80,067	13,467	9,877	83,657	—	—	83,657
Lease assets.....	126	—	9	117	78	23	39
Construction in progress.....	1,274	4,446	4,593	1,127	—	—	1,127
Total tangible assets	¥182,757	¥23,252	¥30,205	¥175,804	¥34,472	¥3,424	¥141,332
Intangible assets							
Leasehold interests in land.....	—	300	—	300	—	—	300
Software.....	3,836	526	102	4,260	3,204	312	1,056
Others.....	533	4,594	29	5,098	263	14	4,835
Total intangible assets	4,369	5,420	131	9,658	3,467	326	6,191
Long-term prepaid expenses.....	73	16	6	83	41	19	42
Deferred assets.....	—	—	—	—	—	—	—
Total deferred assets	—	—	—	—	—	—	—

Type of assets	Thousands of U.S. dollars						
	Balance at April 1, 2022	Increase during the year	Decrease during the year	Balance at March 31, 2023	Accumulated depreciation or accumulated amortization at March 31, 2022	Depreciation for the year	Net balance at March 31, 2023
Tangible assets							
Buildings.....	\$ 658,553	\$ 36,049	\$108,861	\$ 585,741	\$183,300	\$20,535	\$ 402,441
Structures.....	26,834	112	4,440	22,506	11,666	791	10,840
Machinery and equipment.....	54,842	2,730	3,740	53,832	47,752	2,240	6,080
Vehicles.....	2,730	62	395	2,397	2,260	121	137
Tools, furniture, and supplies.....	15,602	1,033	335	16,300	12,598	1,781	3,702
Land.....	599,622	100,851	73,969	626,504	—	—	626,504
Lease assets.....	941	—	66	875	584	173	291
Construction in progress.....	9,538	33,294	34,399	8,433	—	—	8,433
Total tangible assets	\$1,368,662	\$174,131	\$226,205	\$1,316,588	\$258,160	\$25,641	\$1,058,428
Intangible assets							
Leasehold interests in land.....	—	2,247	—	2,247	—	—	2,247
Software.....	28,729	3,941	761	31,909	23,997	2,338	7,912
Others.....	3,988	34,401	217	38,172	1,968	106	36,204
Total intangible assets	32,717	40,589	978	72,328	25,965	2,444	46,363
Long-term prepaid expenses.....	547	120	48	619	308	140	311
Deferred assets.....	—	—	—	—	—	—	—
Total deferred assets	—	—	—	—	—	—	—

(a) Major increase during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Buildings	Fukuoka-shi, Fukuoka	For rent	¥2,807	\$21,022
Buildings	Osaka-shi, Osaka	For rent	410	3,070
Land	Sapporo-shi, Hokkaido	For rent	2,280	17,075
Land	Minato-ku, Tokyo	For rent	2,090	15,577
Land	Osaka-shi, Osaka	For rent	1,640	12,280

(b) Major decrease during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Buildings	Minato-ku, Tokyo	For rent	¥2,967	\$22,219
Buildings	Sapporo-shi, Hokkaido	For rent	2,777	20,796
Land	Sapporo-shi, Hokkaido	For rent	3,465	25,947
Land	Minato-ku, Tokyo	For rent	2,947	22,073

17. Details on provision

	Millions of yen				
	Balance at April 1, 2022	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2023
Allowance for doubtful accounts.....	¥ 95	¥ 20	¥ —	¥ 24	¥ 91
Provision for warranties for completed construction.....	7,923	805	7,070	—	1,658
Provision for bonus.....	3,577	2,740	3,577	—	2,740
Provision for bonuses for directors (and other officers) ..	58	33	60	—	31
Provision for loss on construction contracts.....	2,820	6,680	727	853	7,920
Provision for loss on real estate business and other.....	38	34	38	—	34
Provision for share awards for directors (and other officers) ..	54	58	5	—	107

	Thousands of U.S. dollars				
	Balance at April 1, 2022	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2023
Allowance for doubtful accounts.....	\$ 713	\$ 152	\$ —	\$ 186	\$ 679
Provision for warranties for completed construction.....	59,336	6,029	52,949	—	12,416
Provision for bonus.....	26,791	20,520	26,791	—	20,520
Provision for bonuses for directors (and other officers) ..	434	252	451	—	235
Provision for loss on construction contracts.....	21,119	50,026	5,441	6,391	59,313
Provision for loss on real estate business and other.....	285	255	285	—	255
Provision for share awards for directors (and other officers) ..	408	431	39	—	800

(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 20 million yen and collection of loans receivable of 5 million yen.

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

18. Major assets and liabilities

(Assets)

1. Cash and deposits

	Millions of yen	Thousands of U.S. dollars
Cash and deposits		
Cash.....	¥ 31	\$ 235
Deposits		
Current deposits.....	13,639	102,138
Saving deposits.....	23,840	178,539
Time deposits.....	718	5,374
Others.....	63	471
Total	¥38,291	\$286,757

2. Notes receivable

a) Breakdown by payer

Payer	Millions of yen	Thousands of U.S. dollars
Chiyoda Corporation.....	¥3,906	\$29,252
TAKJUMA CO., LTD.....	1,342	10,054
AEON Mall Co., Ltd.....	369	2,759
Honda Auto Body Co., Ltd.....	341	2,554
TAIHEYO ENGINEERING CORPORATION.....	144	1,075
Others.....	937	7,020
Total	¥7,039	\$52,714

b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2023, April.....	¥1,448	\$10,847
May.....	632	4,730
June.....	4,461	33,407
July.....	184	1,380
August.....	189	1,418
September and beyond.....	125	932
Total	¥7,039	\$52,714

The figure for May includes items unsettled as of April 30 (worth ¥15 million) as April 30, 2023 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.....	¥ 20,759	\$ 155,462
Central Nippon Expressway Company Limited.....	19,564	146,512
TODA CORPORATION.....	11,616	86,995
NAGAREYAMA KYOUDOUKAIHATU.....	10,678	79,965
Sumitomo Realty & Development Co., Ltd.....	10,276	76,960
Others.....	108,726	814,243
Total.....	¥181,619	\$1,360,137

b) Stagnation

	Millions of yen	Thousands of U.S. dollars
Posted in fiscal year 2023.....	¥178,645	\$1,337,855
Posted in fiscal year 2022 or before.....	2,974	22,282
Total.....	¥181,619	\$1,360,137

4. Real estate for sale

Item	Millions of yen	Thousands of U.S. dollars
Land for sale.....	¥ 1,043	\$ 7,813
Building for sale.....	10,250	76,758
Total.....	¥11,293	\$84,571

Breakdown of land is as follows:

Region	Square meter	Millions of yen	Thousands of U.S. dollars
Tohoku region.....	26,764.16	¥ 996	\$7,463
Kanto region.....	6,383.00	47	350
Total.....	33,147.16	¥1,043	\$7,813

5. Cost on uncompleted construction contract

	Millions of yen			
	Balance at April 1, 2022	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2023
Work in progress.....	¥6,202	¥275,950	¥276,107	¥6,045

	Thousands of U.S. dollars			
	Balance at April 1, 2022	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2023
Work in progress.....	\$46,450	\$2,066,580	\$2,067,756	\$45,274

Breakdown of the balance at March 31, 2023 is as follows:

Item	Millions of yen	Thousands of U.S. dollars
Materials cost.....	¥4,215	\$31,563
Labor cost.....	11	80
Subcontracts cost.....	767	5,749
Others.....	1,052	7,881
Total.....	¥6,045	\$45,273

6. Payment on estate trade

Item	Millions of yen	Thousands of U.S. dollars
Operation cost payment.....	¥ 326	\$ 2,443
Other part-time business disbursements.....	2,495	18,681
Others.....	301	2,254
Total.....	¥3,122	\$23,378

7. Raw materials & supplies

Item	Millions of yen	Thousands of U.S. dollars
Materials for sale.....	¥343	\$2,567
Unused material.....	6	41
Raw materials & supplies.....	10	78
Others.....	248	1,859
Total.....	¥607	\$4,545

8. Advance paid

Item	Millions of yen	Thousands of U.S. dollars
JV, such as advances paid.....	¥12,301	\$92,124
Others.....	136	1,016
Total.....	¥12,437	\$93,140

(Liabilities)

1. Notes payable

a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
MINAMITEKKEN.,CO.LTD.....	¥ 273	\$ 2,042
NISSEI BUILD KOGYO CO., LTD.....	214	1,603
TSUTSUMIKOGYO Co., Ltd.....	197	1,476
FUJIPASS Co., Ltd.....	103	771
Futaba Steel Co., Ltd.....	69	519
Others.....	1,066	7,986
Total	¥1,922	\$14,397

b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2023, April.....	¥ 704	\$ 5,277
May.....	1,218	9,120
Total	¥1,922	\$14,397

2. Electronically recorded obligation

a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
Hanwa Co., Ltd.....	¥ 1,417	\$ 10,609
Marubeni Itochu Sumisho Techno Steel.....	876	6,558
KINDEN CORPORATION.....	704	5,276
TAKEHARA STEEL CONSTRUCTION.....	562	4,211
JFE Shoji Steel Construction Materials Corp.....	528	3,953
Others.....	17,940	134,354
Total	¥22,027	\$164,961

b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2023, April.....	¥ 9,866	\$ 73,886
May.....	12,161	91,075
Total	¥22,027	\$164,961

3. Accounts for payable for construction

Recipient	Millions of yen	Thousands of U.S. dollars
Marubeni Itochu Sumisho Techno Steel.....	¥ 1,558	\$ 11,670
TAKEHARA STEEL CONSTRUCTION.....	1,455	10,892
Kobayashi Kogyo Co.,LTD.....	875	6,556
Hanwa Co., Ltd.....	721	5,398
Tanimura Corporation.....	652	4,884
Others.....	41,060	307,495
Total.....	¥46,321	\$346,895

4. Short-term debt

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Bank, Ltd.....	¥19,000	\$142,290
Sumitomo Mitsui Banking Corporation.....	15,850	118,700
Resona Bank, Ltd.....	5,858	43,870
The Norinchukin Bank.....	5,500	41,189
MUFG Bank, Ltd.....	5,000	37,445
Higo Bank, Ltd.....	3,000	22,467
Sumitomo Mitsui Trust Bank, Limited.....	1,000	7,489
Mizuho Trust & Banking Co., Ltd.....	867	6,493
Others.....	3,164	23,695
Long-term debt due within one year.....	¥ —	\$ —
Total.....	¥59,239	\$443,638

5. Advances received on uncompleted construction

	Millions of yen			
	Balance at April 1, 2022	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2023
	¥14,485	¥156,757	¥154,605	¥16,637

	Thousands of U.S. dollars			
	Balance at April 1, 2022	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2023
	\$108,476	\$1,173,943	\$1,157,828	\$124,591

Independent Auditor's Report

The difference of ¥173,781 million between total sales of ¥328,386 million on the non-consolidated statement of income and the amount transferred to net sales of ¥154,605 million indicated above is equal to the sum of accounts receivable from completed construction contracts of ¥175,630 million for fiscal 2022 and the decrease of ¥1,850 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	¥40,949	\$306,665
Deposit consumption tax.....	22,796	170,718
Others	620	4,644
Total.....	¥64,365	\$482,027

7. Corporate bonds

Issued by	Millions of yen	Thousands of U.S. dollars
Corporation (8th unsecured straight bond).....	¥ 20,000	\$149,779
Corporation (9th unsecured straight bond).....	15,000	112,334
Corporation (10th unsecured straight bond).....	15,000	112,334
Corporation (11th unsecured straight bond).....	19,000	142,290
Corporation (12th unsecured straight bond).....	18,000	134,801
Corporation (13th unsecured straight bond).....	19,000	142,290
Total.....	¥106,000	\$793,828

More details are mentioned at FINANCIAL SECTION, 1 CONSOLIDATED FINANCIAL STATEMENTS.

19. Cost of completed construction

1. Cost of completed construction

Item	Millions of yen		Millions of yen		Thousands of U.S. dollars
	2022	% to Total	2023	% to Total	2023
Raw materials.....	¥ 56,765	21.5%	¥ 65,235	23.6%	\$ 488,543
Labor.....	14,700	5.6%	14,585	5.3%	109,225
(of which, outsourced labor cost)	(14,700)	(5.6)%	(14,585)	(5.3)%	(109,225)
Outsourcing cost.....	149,750	56.8%	150,732	54.6%	1,128,830
Expenses.....	42,377	16.1%	45,555	16.5%	341,159
(of which, personnel expenses).....	(15,075)	(5.7)%	(15,335)	(5.6)%	(114,844)
Total.....	¥263,592	100.0%	¥276,107	100.0%	\$2,067,757

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
	2022	% to Total	2023	% to Total	2023
Land.....	¥ 2,872	25.9%	¥ 7,453	36.5%	\$ 55,813
Buildings.....	3	0.0%	3,560	17.5%	26,658
Expenses.....	6,146	55.4%	6,459	31.7%	48,375
Sub-total	9,021	81.3%	17,472	85.7%	130,846
Other.....	2,073	18.7%	2,909	14.3%	21,784
Total.....	¥11,094	100.0%	¥20,381	100.0%	\$152,630

Cost is calculated under the job-order cost method.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the non-consolidated financial statements of Nishimatsu Construction Co., Ltd. (the Company) which comprise the non-consolidated balance sheets as at March 31, 2023, and the non-consolidated statements of income, comprehensive income, changes in net assets for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at March 31, 2023, and its non-consolidated financial performance and for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Details of key audit matters and reasons for the decision

As stated in the explanatory notes (Important accounting estimates), sales from completed construction work calculated by applying the percentage of completion method of the Company are ¥289,363 million and account for 88.1% of the total net sales in the non-consolidated statement of income.

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

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

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

Audit procedures

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

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

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

- We asked questions to the manager of the construction department in branch offices about the total construction revenue and the total construction cost and, as necessary, browsed documents that constitute grounds for the estimates, such as instructions and estimation documents concerning additional and design change construction.

- If any significant change had been made to the total construction revenue or the total construction cost, we asked questions to the manager of the business division and browsed additional contracts, estimation documents, etc. concerning the construction.

- We asked questions to the site manager about the items included in the estimates of the total construction revenue and the total construction cost. We also visited sites to confirm the consistency between the work schedule and the progress rate at the construction site.

Other Information

The other information comprises the information included in the Financial Report, but does not include the financial statements and our auditor's report thereon.

We conclude that there is no other information and have not conducted any procedures to the other information.

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

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

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

Audit & Supervisory Committee are responsible for overseeing the Company's financial

reporting process.

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

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The procedures selected and applied depend on the auditor's judgement.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation, in addition, evaluate whether the presentation of non-consolidated financial statements and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan.

We communicate with Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Convenience Translation

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

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

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

中川 隆之

Takayuki Nakagawa
Designated Engagement Partner
Certified Public Accountant

金井 匡志

Tadashi Kanai
Designated Engagement Partner
Certified Public Accountant

Gyosei & Co.

Tokyo, Japan
September 26, 2023



Inquiries:

Nishimatsu Construction Co., Ltd.
Sustainability Promotion Department, Strategy Management Office
Toranomom Hills Business Tower,
17-1, Toranomom 1-chome, Minato-ku, Tokyo,
105-6407 Japan
<https://www.nishimatsu.co.jp/eng/>