



Integrated Report  
2021



**Company Motto**

**Courage, Courtesy, and Justice**

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

**Corporate Philosophy**

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



**Nishimatsu-Vision 2027**

**Becoming a Company with Overall Capabilities That Provides New Value**

By expanding our business areas and evolving the construction business, we will transform into a company with overall capabilities that provides better value to stakeholders through its business activities.

**Further Realize Our Corporate Philosophy**

We will help establish a sustainable society and environment by providing better value.

**Provide Better Value to Stakeholders**

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

**Transform into a Company with Overall Capabilities**

We will invest in growth to expand our business areas and evolve our construction business to become a company with overall capabilities.



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### Editorial Policy

From fiscal 2017 to 2020, Nishimatsu Construction published a Corporate Report that combined its Annual Report and Sustainability Report (printed version) to communicate its corporate value through both financial and non-financial information. Aiming to further enhance report content, from fiscal 2021, Nishimatsu Construction is disclosing material issues for sustainable value creation in the form of an Integrated Report. In addition to financial information, the purpose of this report is to deepen understanding of the Nishimatsu Construction Group's value creation as well as the content of initiatives aimed at the realization of our long-term vision based on our Medium-Term Management Plan 2023.

### Coverage

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

### Applicable Period

In principle, the applicable period for this report is the financial reporting period from April 1, 2020 to March 31, 2021, although it also covers some activities conducted in fiscal 2021 due to the importance of presenting the most current information.

### Topics Covered

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

### Referenced Guidelines

We refer to the International Integrated Reporting Council's (IIRC)\* international framework for Integrated Reporting (IR) and report on Nishimatsu Construction's value provision. IR is based on the seven basic principles below and strives for reporting that covers a company's short-, medium- and long-term value provision, which we believe is aligned with Nishimatsu Construction's basic aspirations and aims for integrated reporting. A) Strategic focus and future orientation, B) Connectivity of information, C) Stakeholder relationships, D) Materiality, E) Conciseness, F) Reliability and completeness, G) Consistency and comparability

### Forward-Looking Statements

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

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

\* An organization comprised of private companies, investors, accounting groups, government agencies, NGOs, etc., IIRC was founded in 2010 with the purpose of providing an international framework for corporate reports. In June 2021, IIRC was reorganized as the Value Reporting Foundation (VRF).

# Creating the Future

**To Achieve a Comfortable Environment to Live In**

- Expand renewable energy
- Promote net zero energy buildings (ZEB)
- Reduce CO<sub>2</sub> emissions of business activities  
Eco-First Commitment: Net zero CO<sub>2</sub> emissions by 2030

**Hands-on Capabilities for Creating the Future**  
 The hands-on capabilities touted by Nishimatsu Construction refer to the construction management capabilities for detailed management of worksites and the ability to independently identify and resolve the various potential issues on-site. The world around us is undergoing unprecedentedly rapid changes, such as global warming, increased natural disasters, a declining working population due to the low birthrate and aging population, and the full-fledged transition to a digital society. In this, of all ages, the hands-on capabilities we have cultivated in the more than 145 years since our founding can be utilized to create structures and services which will be of value to future generations. Nishimatsu's hands-on capabilities, demonstrated in a diverse variety of worksites daily by specialists in every field, will create a valuable future.

**To Achieve a Safe and Secure Society**

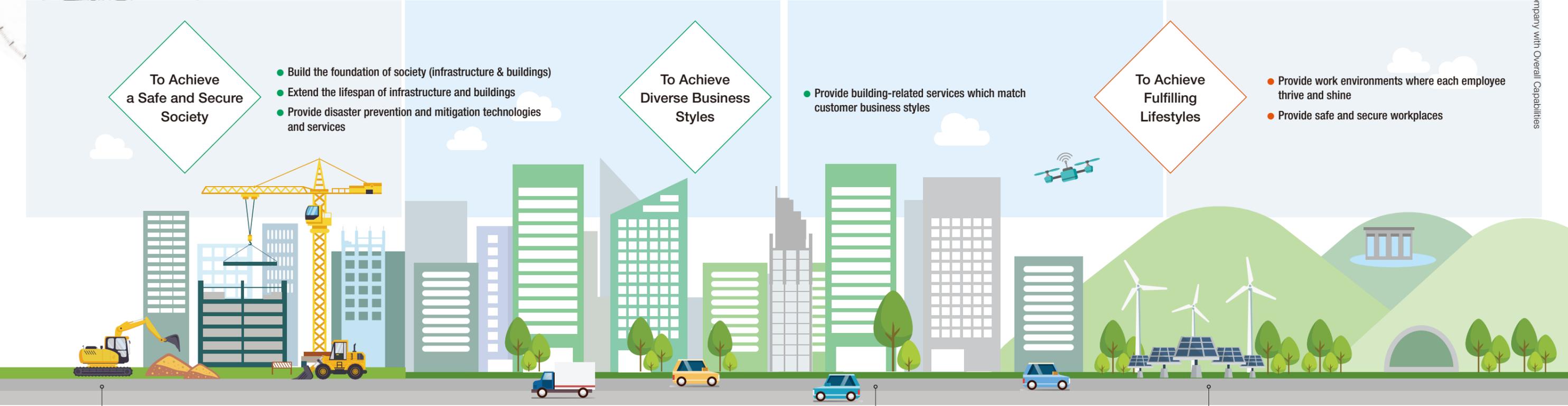
- Build the foundation of society (infrastructure & buildings)
- Extend the lifespan of infrastructure and buildings
- Provide disaster prevention and mitigation technologies and services

**To Achieve Diverse Business Styles**

- Provide building-related services which match customer business styles

**To Achieve Fulfilling Lifestyles**

- Provide work environments where each employee thrive and shine
- Provide safe and secure workplaces



## Construction

In our Civil Engineering Business, among tunnel works, shield tunneling and mountain tunneling are particular strengths of ours, and we possess industry-leading technical capabilities and accomplishments. Currently, we are moving forward with the development and introduction of automation and operator-less technologies with the aim of increasing productivity and alleviating a shortage of labor. We have already developed, and introduced on-site on a trial basis, technologies for the remote, unmanned operation of excavating equipment, and we have established the goal of utilizing these technologies for the primary work in

tunnels by fiscal 2023. In the Construction Business, we have stepped up activities to receive orders for distribution facilities, a field in which we can demonstrate our design and construction capabilities, and are aiming to meet customer needs more fully and at a higher level through the application of Building Information Modeling (BIM), integrating everything from design to construction. Our history of international construction projects dates back approximately 60 years, and in this area, we are engaging in ODA projects anew, and have also commenced market research in Southeast Asian countries in order to enter new markets.



## Urban Development and Real Estate

Through collaboration with our Civil Engineering Business and Building Business, the strength of our Urban Development and Real Estate Business is its ability to provide one-stop solutions for comprehensive urban development. We are proactively engaging in investment with a focus on five anticipated growth fields, and, furthermore, through organic coordination with the Construction Business, are implementing initiatives aimed at expanding earnings via land readjustment projects, urban redevelopment projects, in-house development projects and projects that increase the value of real estate.



## Environment and Energy

We reorganized our New Business Management Division into the Environment and Energy Business Management Division in fiscal 2021. In addition to achieving our commitment to net zero CO<sub>2</sub> emissions by 2030 as an Eco-First Company, we are aiming to realize a sustainable society, and are engaged in the creation and monetization of renewable energy projects and infrastructure services projects.



# What Nishimatsu Construction Considers Important



## → Outstanding Environmental Technology



**Masanari Hasegawa**  
 Manager  
 Environment & Quality Section  
 Environment & Quality Department  
 Safety, Environment & Quality Division

Nishimatsu Construction has positioned the formation of a carbon-free society as its most important mission and is strengthening initiatives in this area. Since 2015, we have been engaged in environmental management and the Environment & Quality Department has been playing a leading role in these efforts. In 2019, we announced our long-term vision of achieving net zero CO<sub>2</sub> emissions from all business activities by fiscal 2030 and we renewed our Eco-First Commitment to the Minister of the Environment. In fiscal 2020, we took the concrete step to achieve our vision by formulating the Zero 30 Roadmap and launching a variety of initiatives aimed at reducing emissions to net zero, such as further strengthening measures to reduce CO<sub>2</sub> emissions at worksites, using renewable energy sources to generate the energy consumed by business activities, and finding new ways to generate energy. Another extremely important factor in these efforts is environmental technology. Even with these various initiatives, it is not possible to truly get CO<sub>2</sub> emissions to zero, so even if it isn't available now, innovative decarbonizing technology is necessary. We are coordinating with the Technical Research Institute and the Environment and Energy Business Management Division on measures such as adopting newly developed useful technologies at an early stage and developing our own technology. We will aim to be CO<sub>2</sub> free in our business activities by heading toward the government's goal of finally becoming carbon free.

## → Diverse Services



**Koichi Oniki**  
 General Manager  
 Development Business Department No. 1  
 Urban Development & Real Estate  
 Business Division

As the business styles of our customers become increasingly diverse and their needs change, we aim to provide a unified set of construction-related services spanning from planning to operation and management. Our division constantly strives to find ways to expand our use of real estate into new business areas and I feel this is differentiating us from our industry competitors. A specific example of this is the Hotel JAL City Toyama project. We have been involved in this project from start to finish, beginning with the acquisition of the site for the project, followed by design and construction, and then, once construction is completed, operating the hotel through a subsidiary (Nishimatsu Hotel Management Co., Ltd.). The actual operation of the hotel will be carried out in collaboration with expert partners and preparations for the opening are currently underway. We will use the knowledge we obtain from engaging in new projects and the constant real-time feedback we receive from customers regarding their needs to further improve services and expand business opportunities.

## → Appealing Work Style Reform



**Manabu Horibe**  
 General Manager  
 Human Resource Department  
 Management Division

We are currently advancing the creation of working environments that enable employees to continue to work with peace of mind. With respect to our maternity leave system, after giving birth, female employees are taking a year to 18 months of leave, until their child is old enough to be looked after by someone else. However, use of our system by male employees is still insufficient, with them taking no more than about a month to spend this precious time with their partner and child. The number of people using the system has been rising compared to several years ago and we will continue to promote it throughout the Company. We also provide health checks not only for employees, but also their spouses, and we are putting effort into health and productivity management initiatives such as encouraging people to get further tests if their health check results advise it.

I want employees to understand that if they can find a flexible work style that fits with their individual lifestyle, they will see the benefits in the long term. We will continue to transform mindsets and improve systems across the entire Company so employees can stay healthy and they can take sufficient time off for various life events, and continue to demonstrate their capabilities with peace of mind.

Nishimatsu Construction works to provide new value based on its Corporate Philosophy of "providing society with important structures and services using the technologies and experience we have acquired to help establish a sustainable society and environment where people can live with peace of mind." One of our key environmental initiatives is achieving net zero CO<sub>2</sub> emissions in fiscal 2030. Also, in addition to providing diverse services that meet customers' changing needs, we are also engaged in health and productivity management, and work style reform.

As part of efforts to create a corporate culture in which each individual employee can create value by working in a way they find appealing, we are transforming employee mindsets and improving benefits with the aim of increasing corporate value.



**Arisa Kawashima**  
 Assistant Manager  
 Environment & Quality Section  
 Environment & Quality Department  
 Safety, Environment & Quality Division

One of our current initiatives for achieving the Zero 30 Roadmap is the development of decarbonizing technologies, wherein the Technical Research Institute is playing a central role. Geopolymer concrete is a type of low-carbon concrete created using materials such as fly ash or ground granulated blast furnace slag as the main constituent and it can be used without cement. This means that CO<sub>2</sub> emissions can be reduced by as much as 80% compared to regular concrete construction that uses cement. HiBD (high-quality biodiesel) is a next-generation biodiesel fuel that can be manufactured from waste cooking oil or oil-containing biomass. It is a carbon neutral fuel that is highly compatible with new types of diesel engines. In addition to these, we are also developing environmental technologies aimed at forming a recycling-based society. The production of methane with a CO<sub>2</sub> conversion cell that applies the microbial fuel cell method is a technology that uses electrogenic bacteria to generate electrical energy while converting atmospheric CO<sub>2</sub> into useful substances such as methane. Technology for recovering phosphorus from sewage sludge incineration ash efficiently recovers phosphorus from sewage sludge, which cannot be procured naturally in Japan. About 80% of the recovered phosphorus can be used as a fertilizer without further processing. These diverse and useful environmental technologies will play an increasingly important role in the Company's environmental efforts going forward.



**Osamu Kanai**  
 Supervising Section Manager  
 Business Development Section  
 Development Business Department No. 1  
 Urban Development & Real Estate  
 Business Division

Currently, our engagement in the tourism and accommodation field is divided into a rental business targeting hotel companies and a hotel operations business. We expect the rental business to bring in stable earnings. Furthermore, the accumulation of expertise through the operations business is one initiative toward achieving our goal of becoming a company with overall capabilities that provides new value to society.

We are currently in an era of collaboration between various companies and industries. I think we will be able to produce better results if we leverage the expertise in construction and building management we have accumulated to advance projects with professionals in various areas.

We are a company of craftsmanship at heart and one of the slogans of our workplace has always been to "fill every corner of our workplaces with warm kindness and consideration." This is important not only to provide customers with excellent quality, but also in aiming to create comfortable working environments for everyone, including our own employees and employees from partner companies. In this way, we have shared our awareness of the importance of hospitality, which is necessary for providing services such as hotel operation, throughout the Company. I hope to leverage this spirit, which is deeply rooted within the Company, to provide services that differentiate us from our competitors.



**Masanori Ota**  
 Manager  
 Working Style Innovation Promotion Section  
 Civil Engineering Department  
 Civil Engineering Division

Amid a social environment in which the population is aging and birth rates are low, the entire construction industry is working to raise the appeal of construction work to bring young people into the industry. Addressing long working hours at construction sites has been a long-term challenge for the Company but from fiscal 2024, an upper limit on working hours will be applied to the construction industry, so our first goal is to realize working patterns that comply with this law.

To date, we have enhanced systems through a variety of measures. The introduction of systems such as a flextime system with no set core time, a work-from-home system, and a system for taking paid leave in hourly units have gradually provided employees with a little more freedom to choose a working style that fits with their lifestyle. However, we have also received feedback from construction sites saying that the measures do not fit the workplace or that they are difficult to use, so we are in a situation where the systems are in place but they are not necessarily being used.

An important focus going forward will be to create environments that make it easier to use these systems and to reduce the differences in working conditions between company offices and building sites. I want to nurture a culture in which the entire Company can come together to engage in work style reform.

# History of Value Creation

## Technologies and experience acquired over the years



**Founding spirit**

In the more than 145 years since our founding in 1874, backed by advanced technical capabilities, Nishimatsu Construction has been involved in the construction of numerous high-rise buildings and public facilities, both domestically and internationally, such as roads, railroads, and dams. Throughout history and to the present day, we have maintained the spirit of marshaling our intellect to overcome difficulties and endeavoring to maintain social infrastructure and provide safe, comfortable living environments. Now we are expanding our business areas into fields such as urban redevelopment, environment, and energy, and through the provision of important structures and services, we are contributing to the development of society.



**Founder Keisuke Nishimatsu**



Polder zone, circa 1980 (Gifu Prefecture)

**1850-1926**

Our founder, Keisuke Nishimatsu, was born in Ampachi District, Mino Province (present-day Gifu Prefecture) in 1850. The area was what is known as a polder and was surrounded by the Kiso, Nagara, and Ibi rivers. Since ancient times, the area experienced many floods, and this fact is likely related to Keisuke's interest in civil engineering from the time of his youth. After growing Nishimatsu Construction into a prominent subcontractor for Hazama Corporation, Keisuke handed the reins to his eldest son Kojiro. In 1914, Nishimatsu was independently contracted to do the construction of a new line in Construction Area 12 of the Miyazaki Railway Line in Kyushu. Staking the future of Nishimatsu as an independent company on this project, Kojiro personally took command to successfully complete construction.

**Major events**

- 1850** Founder Keisuke Nishimatsu is born.
- 1874** Nishimatsu was founded.
- 1903** Keisuke Nishimatsu retires from the civil engineering trade.
- 1906** Start of the period of coexistence with Hazama Corporation. Conclusion of the 39 provision agreement.
- 1914** Nishimatsu independently contracted to do the construction of a new line in Construction Area 12 of the Miyazaki Railway Line in Kyushu. A fortuitous construction project.
- 1916** Changed company name to Nishimatsu Gumi.
- 1926** Nippon Chisso (Chosen Hydroelectric) Pujon River Hydropower Plant channel construction (Areas 3 and 4).

**1927-1944**

In 1929, Nishimatsu Gumi was established as a limited partnership company, becoming a corporation. In 1931, the head office was moved from Kyoto to Tokyo and the management base was expanded into eastern Japan. In 1935, with the passing of Kojiro Nishimatsu, Komeshichi Hayashi assumed office as the corporation's second president. In 1937, major dam construction to close off the Yalu River, a large river on the border between China and Korea, commenced, with Nishimatsu handling construction on the right bank Manchurian side. Said to have been the largest in the East, the Yalu River Dam was one of Nishimatsu's most ambitious pre-war construction projects.

- 1927** Construction of the new Chosen Chisso (Nippon Chisso) Hungnam Factory.
- 1929** Nishimatsu Gumi established as a limited partnership company.
- 1931** Nishimatsu Gumi head office relocated to Tokyo.
- 1932** Opened branch office in Dalian, Manchuria.
- 1933** Construction of headrace tunnels and dams for the hydroelectric power generation on the Changjin River in Korea.
- 1935** Kojiro Nishimatsu passes away; Komeshichi Hayashi assumed office as the second corporate president.
- 1937** Transitioned to Nishimatsu Gumi Co., Ltd.
- 1940** Established Manchuria Nishimatsu Gumi.

**1945-1968**

After Japan's defeat in the war, Nishimatsu lost all of its foreign assets and almost its entire management base. Against this backdrop, in 1945, Nishimatsu established the Morioka Branch and, the following year, the Nagoya Branch and Hiroshima Branch, making a new start together with the existing Kumamoto Branch. In 1948, the company name was changed to Nishimatsu Construction Co., Ltd. In 1953, the construction work Nishimatsu performed on the Arase Dam in Kumamoto Prefecture became the company's first mechanized construction project. In 1960, Nishimatsu was contracted to build the Otemachi Government Building. Although Nishimatsu lacked experience with such a large-scale building construction project, the company overcame a variety of difficulties to complete construction.

- 1946** Constructed Ishibuchi Dam on the Kitakami River system (Iwate Prefecture), Japan's first rock-fill dam.
- 1948** Changed company name to Nishimatsu Construction Co., Ltd.
- 1953** Utilized Arase Dam (Kumamoto Prefecture) as a model worksite for mechanized construction.
- 1960** Constructed the Otemachi Joint Government Building.
- 1961** Constructed Amagasaki Steelworks Sakai Steel Mill. Received the BCS Prize in 1964.
- 1965** Employed ground freezing in the Kanasugi Bridge Area of Toei Subway Line 1.
- 1967** Constructed the then-world's largest bowling alley.

**1969-1989**

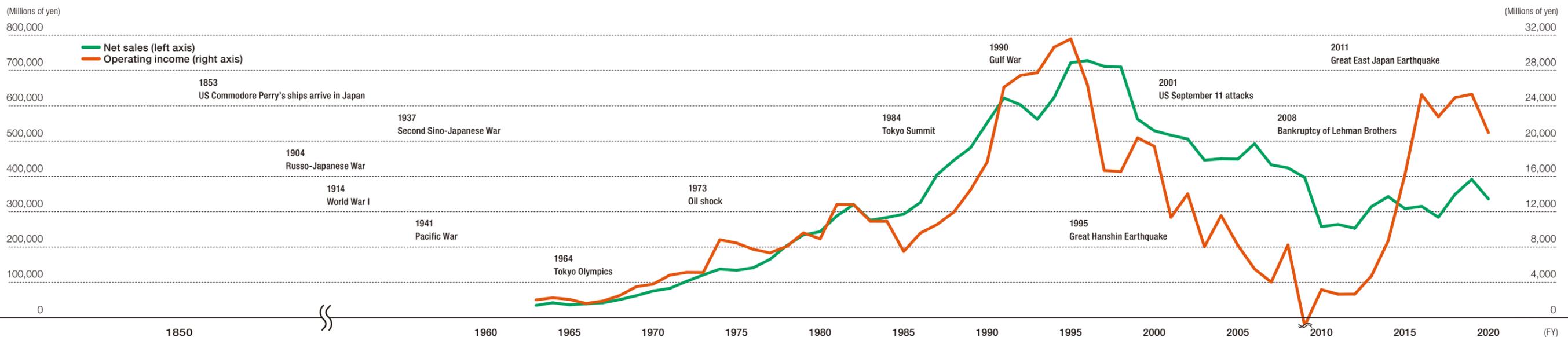
In 1969, Nishimatsu constructed the Keiyo Line Haneda Tunnel using large section slurry shield tunneling for the first time ever anywhere in the world. With the success of this project, the application of this same method rapidly increased in Japan. In 1972, conducting strict construction management, Nishimatsu constructed the Geihinkan's Japanese Style Annex (the Yushintei), a project which stylishly fused traditional and modern technologies. In 1988, Nishimatsu started construction of Gassan Dam in Yamagata Prefecture, one of the largest concrete gravity dams in Japan. Making use of methods such as RCD utilizing a conveyor belt system, construction was completed in 2001.

- 1971** Constructed a container yard in Hong Kong. Received the International Medal from the UK-based Institution of Civil Engineers.
- 1984** Contracted for subway construction work in Singapore.
- 1984** Constructed the Nagai River Bridge on the Kan-Etsu Expressway. The bridge stands on the tallest bridge piers in Japan.
- 1984** Constructed a skyscraper in Thailand.
- 1986** Tsubayama Dam (Wakayama Prefecture) received the Minister of Labour's Excellence Award.
- 1987** Completed construction of Daimon Dam (Yamanashi Prefecture). Received the 1986 Outstanding Civil Engineering Achievement Award from the Japan Society of Civil Engineers.
- 1988** Contracted to construct the Tate's Cairn Tunnel BOT project in Hong Kong.
- 1988** Started construction of Gassan Dam (Yamagata Prefecture), one of the largest concrete gravity dams in Japan.

**1990~**

To unravel the mechanisms of building destruction caused by the massive shocks and oscillations of major earthquakes like the Great Hanshin Earthquake, Nishimatsu Construction established the Aikawa Technical Research Institute (Aiko-gun, Kanagawa Prefecture) in 1998, a facility outfitted with equipment which can recreate such earthquakes. In 2015, Nishimatsu established the first joint Japanese general contractor company in Laos. That same year, we formulated our new corporate slogan—“Successfully Building a Better Future”—expressing the hands-on capabilities which are our strength, and our intention to contribute to society into the future.

- 1998** Established the Aikawa Technical Research Institute.
- 1999** Concluded a technical cooperation agreement with Toda Corporation.
- 2000** Nishimatsu's shield tunnel excavations reached 182 kilometers.
- 2003** Nishimatsu participated in Esaka-Minami Parking Service, the first PFI project in Japan.
- 2012** Commenced industry-academia collaboration project with Tamagawa University.
- 2015** Established the first joint Japanese general contractor company in Laos.
- 2015** Established “Successfully Building a Better Future” as our new corporate slogan.
- 2016** Certified as an Eco-First Company.
- 2017** Opened Hareno Terrace, Nishimatsu's first commercial facility development and operation project.



# Nishimatsu Construction's Value Creation Model

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



## Inputs

- Human Capital**
  - Training investment costs per employee ¥120,000
  - No. of employees globally 3,060
- Intellectual Capital**
  - Research and development costs ¥1.53 billion
- Manufactured Capital**
  - No. of offices Japan 52, Overseas 9
  - No. of construction sites 252 (as of March 31, 2021)
- Social and Relationship Capital**
  - N-NET (Nishimatsu Subcontractor's Network) 1,028 companies
- Natural Capital**
  - Energy usage
- Financial Capital**
  - Total capital ¥207.5 billion
  - Interest-bearing debt ¥115.0 billion

## Business Model → P.13



Providing Further Value

**Nishimatsu-Vision 2027**  
 Medium-Term Management Plan 2023 → P.26

**A Company with Overall Capabilities**

- Best mix of "flow business" and "stock business"
- Getting out of the simple built-to-order business

**New Value**

- Superior environmental technologies
- Diverse services
- Appealing work styles

## Outputs

- Develop Linked Businesses**
  - One-Stop Solutions
  - Domestic Civil Engineering Business
- Domestic Civil Engineering Business** → P.30
  - Mountain and shield tunneling
  - Infrastructure renovation
- Domestic Building Business** → P.32
  - Logistics facilities
  - Urban redevelopment projects
- International Business** → P.34
  - ODA
  - Building projects
- Urban Development and Real Estate Business** → P.36
  - Our own development projects
  - Value improvement business
  - Urban redevelopment projects
  - Land readjustment association projects
  - One-stop real estate solutions service
- Environment and Energy Business** → P.38
  - Renewable energy business
  - Infrastructure-related services

## Outcomes

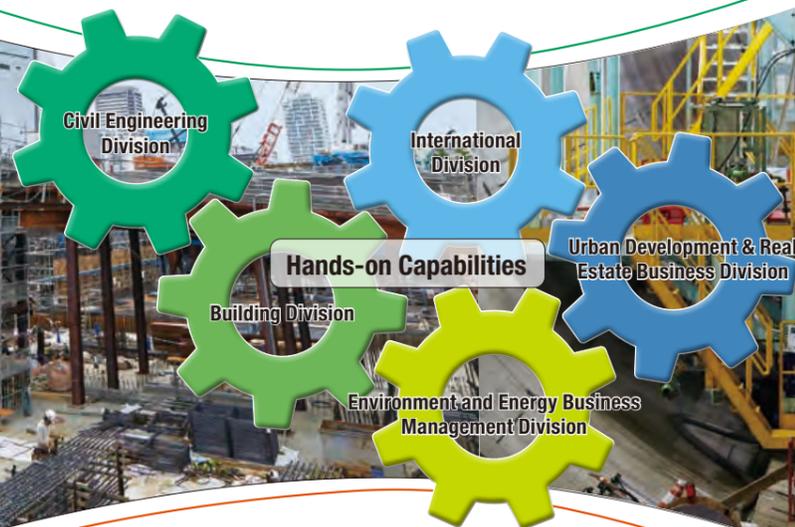
- Human Capital** → P.46
  - No. of training participants (non-consolidated) 2,324 (total)
  - Employee satisfaction (non-consolidated) 74.2%
- Intellectual Capital**
  - No. of patents owned 309
- Manufactured Capital**
  - No. of new projects started 127
- Social and Relationship Capital** → P.49
  - No. of occupational injuries requiring four or more days of absence from work 19 (-10 year-on-year)
  - No. of certified Nishimatsu meisters 85
  - Ministry of Land, Infrastructure, Transport and Tourism construction evaluation Score (average) 80.3
  - Percentage of A ratings in customer surveys 86.8
- Natural Capital**
  - Reductions of CO<sub>2</sub> emissions 4,317t-CO<sub>2</sub>
- Financial Capital** → P.22
  - Dividend payout ratio 33.5%
  - TSR 40.7%

## Management Base

- E → P.44 Environment**
  - Prevent global warming
  - Preserve biodiversity
  - Emit zero waste
- S → P.46 Social**
  - Improve employee mindset and capabilities
  - Create a motivated workplace
  - Optimally deploy people companywide
  - Ensure that workplaces are safe and comfortable for everyone
- G → P.50 Governance**
  - Increase capital efficiency
  - Increase shareholder returns

# The Sources of Value Creation

To provide the kind of society the world wants (a safe and secure society, a comfortable environment to live in, diverse business styles, and fulfilling lifestyles), and in response to the changes in society and the environment, Nishimatsu Construction is transforming into a company with the overall capabilities needed to produce better value.



## Strengths and Features

No matter how perfect the preparations and how much cutting-edge technology a company may possess, there are always unforeseen issues which emerge at the construction site. The hands-on capabilities, which are Nishimatsu Construction's strength, consist of the construction management capabilities for detailed management of worksites and the ability to independently identify and resolve the various potential issues on-site. We will create the future through these capabilities.

## Inputs

### Human Capital

To adapt to a social environment undergoing drastic daily changes, as well as meeting diversifying customer needs, we are striving to improve our competitiveness based on an integrated, companywide human resource strategy by cultivating capable people possessing outstanding job performance capabilities and experience.

### Intellectual Capital

Based on our accumulated civil engineering and construction knowhow, we are working to accurately perceive customer needs and develop technologies useful to society in order to create new value which will lead to the future.

### Manufactured Capital

Based in 61 offices and sales offices, and 252 construction sites in Japan and around the world, the Nishimatsu Construction Group is leveraging its accumulated technologies and experience to provide important buildings and services to society.

### Social and Relationship Capital

Nishimatsu Construction possesses a broad customer base, and has long continued to meet customers' high expectations. In addition, based on fair and honest business with the partner companies, who are important stakeholders, we engage in a variety of initiatives which enable the building of win-win relationships.

### Natural Capital

As an Eco-First Company, we have engaged in initiatives aimed at realizing a decarbonized society. By accelerating our utilization of renewable energy and development of technologies which contribute to reducing CO<sub>2</sub> emissions, we will fulfill our responsibility to society as a construction business which coexists with the natural environment.

### Financial Capital

Nishimatsu Construction will focus on increasing profitability by enhancing capital efficiency and maintaining a solid financial structure, providing shareholders and other stakeholders with a balanced return of profits, and positioning that to lead to sustainable growth as a pillar of our financial strategy.

## Business Model

Nishimatsu Construction commits a variety of management resources and develops its business activities. In addition, we are aiming to increase the value we provide to our stakeholders and ourselves through initiatives to resolve material financial and management issues.

Specifically, aiming to "Transform into a Company with Overall Capabilities," we will be organically linking our various businesses and transforming our business model to sustainably improve corporate value. Phase 1 of Nishimatsu-Vision 2027 is building the foundation for becoming a company with overall capabilities, and as part of this, we have engaged in highly capital efficient investment for growth to evolve the Construction Business and grow our Urban Development and Real Estate Business and new businesses and, in turn, expand our business areas.

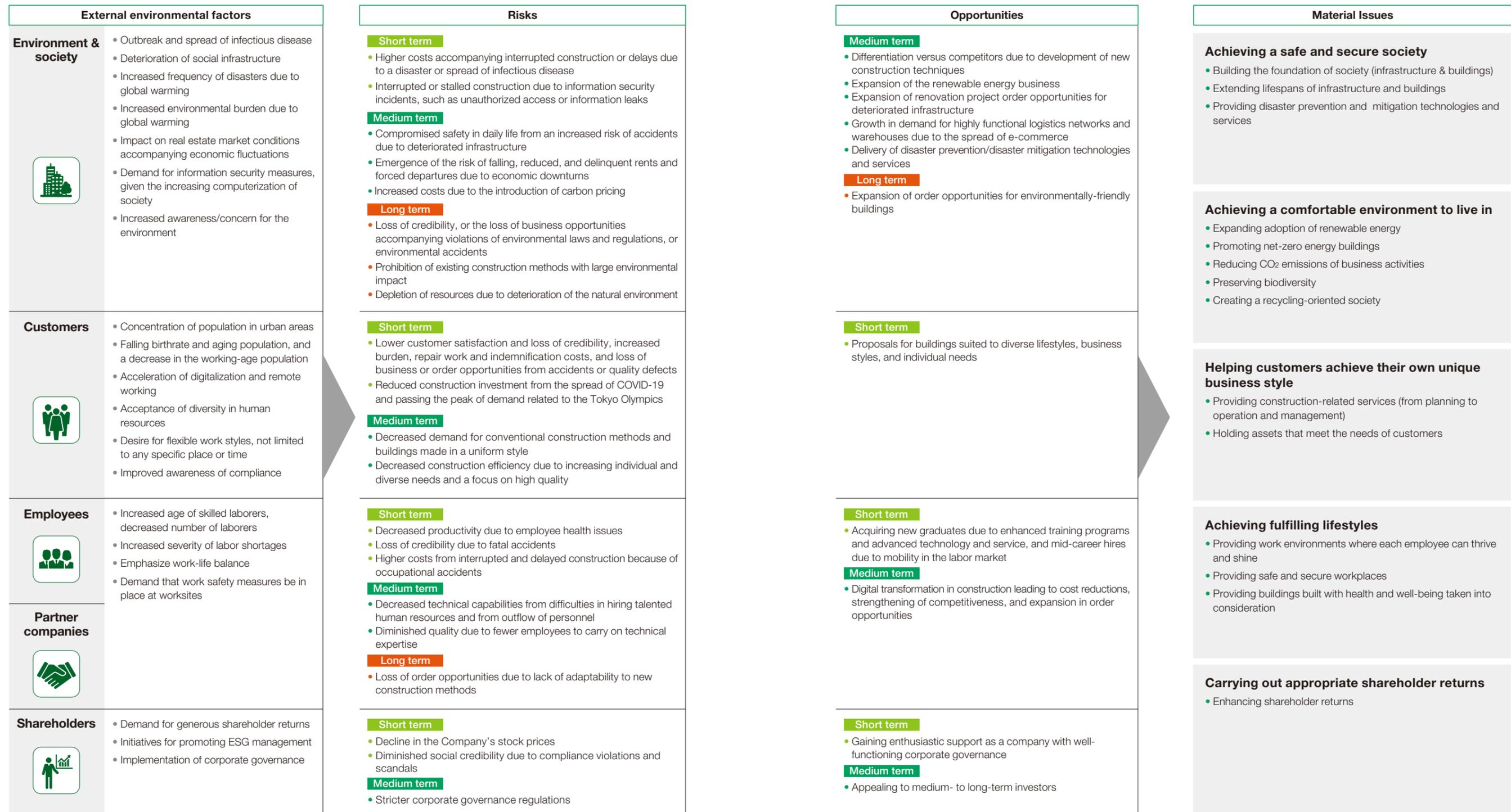
Phase 2 of Nishimatsu-Vision 2027, which began in fiscal 2021, is our transformation into a company with overall capabilities. In this phase, we will be further strengthening organic links leveraging the strengths of various businesses grown during the three years of Phase 1, fully implementing initiatives aimed at the realization of a decarbonized society, and collaborating with partner companies in other industries. Through these, we will increase Group earnings, and, by transforming our business model, sustainably enhance corporate value.

## Outcomes

To realize a sustainable society, Nishimatsu Construction will identify social and environmental changes and, through its business activities, provide superior environmental technologies, diverse services, and appealing work styles, creating businesses which are of high value to society.

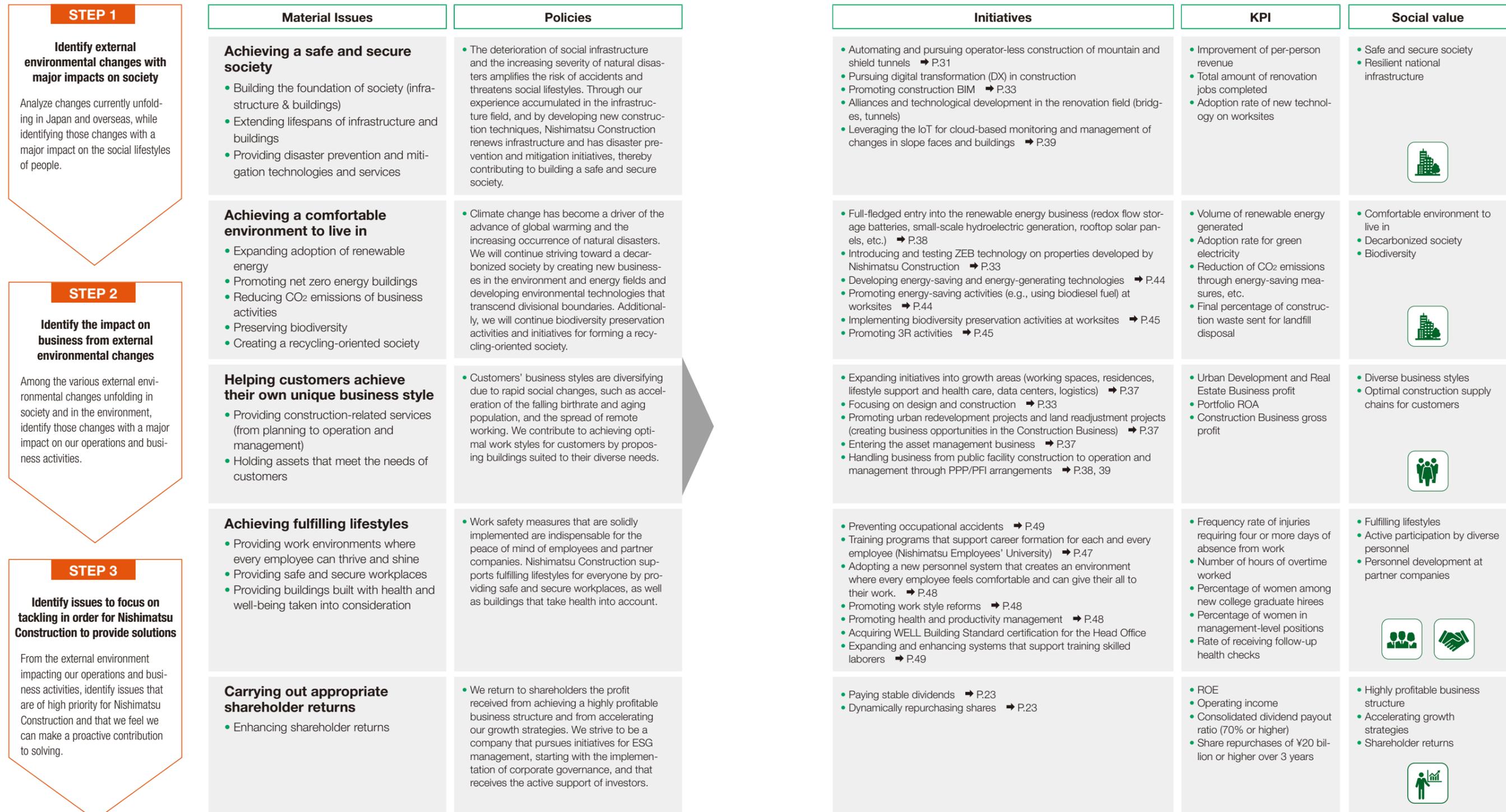
# Risks and Opportunities

In more than 145 years since our founding, Nishimatsu Construction has contributed to the development of Japan through the construction of safe and secure social infrastructure. At present, we are solidifying our foundation as a general contractor and broadening our business to include the fields of redevelopment, environmental, and energy projects. In order to organically link each business and continue transforming into a company with overall capabilities, we have identified risks and opportunities in the external environment surrounding our business and selected a number of material business challenges.



# Material Issues

By focusing on identifying material issues, Nishimatsu Construction is leveraging our business strengths and clarifying social issues that we can contribute to solving. Also, by addressing material issues, we are delivering social value to stakeholders as we strive to expand business that responds to opportunities, while contributing to society and targeting long-term growth.





**Nobutoshi Takase**  
Representative Director and President

## The Start of Our Transformation into a Company With Overall Capabilities

Fiscal 2021 is the first year of our Medium-Term Management Plan 2023, and we have positioned the next three years as the period in which we transform into a company with overall capabilities as part of the journey toward achieving our long-term vision Nishimatsu-Vision 2027. In the latter half of our previous medium-term management plan, the effects of COVID-19 were immense, and society as a whole was forced to deal with extreme changes. Even in these circumstances, our core remains unchanged, and we will continue to leverage the technologies and experience we have cultivated and through the provision of outstanding structures and services, make people's lives richer and create a society where people can live with peace of mind. Going forward, we will aim to improve corporate value and realize a sustainable society by organically linking the various businesses we have developed during the three years of our previous medium-term management plan, making steady progress toward the second step in achieving our long-term vision.

### The Hands-on Capabilities We Demonstrated During the COVID-19 Pandemic

Nishimatsu Construction values hands-on capabilities above all else. "Hands-on capabilities" doesn't just mean the capabilities involved in construction management. It means the capabilities involved in identifying customer and social issues, planning new measures, finding problems at the construction site, and proposing appropriate solutions. Even as COVID-19 continues to spread, I feel that we have been able to fully demonstrate these hands-on capabilities and execute business with thorough measures to prevent infection and responding with new lifestyles.

Looking back on our results, in fiscal 2020, due to the temporary downturn in the number of jobs completed as well as the worsening of construction profitability in the construction business, we did not achieve our targets for either net sales or operating income. However, we did secure an ROE of at least 8% for the third consecutive year.

Worthy of special mention, during the previous medium-term management plan, we made use of ICT and CIM and developed various underlying technologies for automated and operator-less construction in our Civil Engineering Business. In particular, we have led the industry in the development of automated and operator-less technologies for mountain tunneling, and we are very confident of reducing our labor needs with actual introduction at construction sites. In addition, in our Building Construction Business, BIM was further utilized in design and construction projects for logistics facilities (steel-framed construction), a field which is one of our strengths, enabling us to make proposals which meet customer needs. As a result, our three-year average for orders received for distribution facilities was an industry-leading ¥66.9 billion (the previous 3-year average was ¥26.5 billion).

### The Start of Medium-Term Management Plan 2023

The environment and society in which we exist in are undergoing drastic changes, including global warming, increasing natural disasters, the acceptance of diversity, a declining working population, and the shift toward a digital society.

In order to put into practice our corporate philosophy of establishing a sustainable society and environment where people can live with peace of mind, as well as to meet changing needs, we formulated Nishimatsu-Vision 2027, our long-term vision, in 2018, and are transforming into a company with overall capabilities that provides new value.

During the three years starting in fiscal 2018, which comprised the first step of Nishimatsu-Vision 2027, as part of building the foundation for becoming a company with overall

capabilities, we have invested in the growth of our various businesses, evolving the Construction Business and growing our Urban Development and Real Estate Business and new businesses and in turn, expanding our business areas. However, compared with three years ago when we formulated Nishimatsu-Vision 2027, society's needs have changed dramatically. For example, there are now expectations for companies to contribute to the realization of a decarbonized society as well as the achievement of the SDGs, while further increasing corporate value at the same time. I believe we must enhance our capabilities as a company which can rapidly identify various social changes and respond to them flexibly and quickly.

#### Things to Do Under Medium-Term Management Plan 2023

Our Medium-Term Management Plan 2023, announced in May 2021, is the second step of Nishimatsu-Vision 2027, and is positioned as the period in which we transform into a company with overall capabilities. The plan consists of two major points. First, by organically linking the businesses which we grew during the three years of the previous medium-term management plan, we will aim for further growth. Second, maintain an optimum capital structure and convert to a management style which increases capital efficiency by investing in highly efficient investments for growth.

Organically linking our businesses, the first point, will involve tying together the Urban Development and Real Estate Business, which we have built up, and our Environment and Energy Business, which we will be prioritizing going forward, with our core Construction Business. Specific examples from our Urban Development and Real Estate Business are its urban redevelopment projects and land readjustment projects. In order to realize vibrant urban development and lifestyle creation, we will further strengthen collaboration between our Urban Development and Real Estate Business and our Construction Business with the aim of increasing business opportunities through the expansion of contributions to the Construction Business and the start-up of our own projects. A specific example from our Environment and Energy Business is the creation of social value through organic linkage with our core Building Construction Business. For example, a roof-mounted solar power generation business for private power consumption utilizing the customer base of the Construction Business. Via a plan in which solar panels are installed on the roofs of customer facilities to sell power, clean energy can be supplied and environmental burden can be reduced. In addition, after implementing land readjustment and other area development projects, smart city projects will realize continuous value creation, making it possible to contribute to a sustainable society.

Increasing capital efficiency, the second point, involves proactive investment based on an asset strategy prioritizing growth fields, and the evolution into a "circular reinvestment

## Message from the President

model” through timely asset replacement in our Urban Development and Real Estate Business with the aim of enhancing profitability and improving asset efficiency. We are also putting effort into our shareholder return policy, carrying out a capital policy of increasing shareholder value to meet the expectations of our shareholders.

### The Creation of New Value Through Organic Collaboration

By organically linking our various businesses instead of operating them independently, I believe we can create new value and achieve the sustainable improvement of corporate value. To achieve such organic collaboration, positioning the right human resources in the right places is essential. To promptly implement measures such as human resource deployment, increasing personnel changes between divisions, and creating a platform for utilizing information from the frontlines as well as cutting edge information in management, we established a new Human Resource Strategy Unit in fiscal 2021 with myself as general manager. We will be creating an organization centering on the Human Resource Strategy Unit which will be able to add value to existing businesses and create new value.

## Shaping the Future Through Human Resource Development

In order to realize Nishimatsu-Vision 2027 and achieve continuous growth, in addition to its advanced technical capabilities, Nishimatsu Construction is engaging in the cultivation of human resources who will be able to accurately respond to social changes with a broad view. In 2019, we established Nishimatsu Employees’ University to define the capabilities required of the human resources we ought to aim for and enable each and every employee to fully acquire these capabilities and grow. Nishimatsu Employees’ University is a companywide human resource cultivation initiative under which various in-house training programs have been organized and new training programs have been added to help employees flourish. It has revealed what was lacking in existing training programs and has enabled us to provide numerous employees with opportunities for growth.

Due to COVID-19, in fiscal 2020, all employee training was conducted online. In a new endeavor for Nishimatsu Construction, information and communication technologies were utilized to maintain training quality that was at a level at least equal to that of standard in-person group training.

In addition, as a new initiative, we opened a dedicated training portal site for Nishimatsu Employees’ University. Prior to this, each supervising department had individually posted its own training information, but this portal site made it possi-

ble to view information, such as the companywide training system, the kind of human resources sought by Nishimatsu, necessary e-learning materials, and training schedules, all in one place.

To develop employees early, improve employees’ specialized skills, and raise the technical capabilities of the entire Company, the training which had been conducted for construction departments (aimed at civil engineering and building construction employees) were reorganized as training for young professionals (standard course) and implemented in fiscal 2020. The training system for other departments will also be revamped in fiscal 2021 to support all young employees in growing and improving the capabilities they need.

### Proactive Promotion of Health and Productivity Management

With regard to its health and productivity management, Nishimatsu Construction has been recognized as a White 500 organization for four consecutive years. Jointly run by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, this system honors the top 500 large-scale companies which implement particularly excellent health and productivity management initiatives. In addition, we were also selected for the 2019 Health & Productivity Stock Selection program, which was granted to 40 companies (1.1%) listed on the First Section of the Tokyo Stock Exchange which were particularly engaged in health and productivity management.

In fiscal 2021, in addition to doctors and nurses, we added two occupational health nurses to our in-house Health Promotion Center. Employees who receive concerning results from complete physical examinations, health checks, and stress checks, are given individualized support. These measures have been well-received by employees and their families, and I believe our other stakeholders can also appreciate our proactive health and productivity management initiatives.

## ESG Initiatives

Nishimatsu Construction has established environmental management as an initiative which ties directly into corporate sustainability, and the most important issue of our environmental management is measures to combat global warming. Since the adoption of the Paris Agreement in 2015, “decarbonization” has been our keyword, and as part of our corporate social responsibility, we are facing this issue shared with humanity.

Nishimatsu views the time up to fiscal 2030 as an important period for its environmental activities and, in the Eco-First Commitment we made to the Ministry of the Environment, we established a target of net zero CO<sub>2</sub> emissions generated by all business activities by fiscal 2030. Now, in order to achieve

this, we have formulated our Zero 30 Road Map 2021.

Currently, we are building a companywide implementation system based on Zero 30 Road Map 2021. In addition to continuing to strengthen existing environmental measures, we are engaging in new measures, such as the development and introduction of renewable energy, energy generation, and CO<sub>2</sub> reduction technologies.

Of particular note, in our domestic Construction Business, we are engaging in three concrete, highly effective measures to reduce CO<sub>2</sub> emissions. The first is the introduction of renewable energy. By fiscal 2030, we are aiming for renewable energy to make up 60% of the power used in our business activities. The second is the introduction of diesel fuel combustion improvers, which improve the combustion of the diesel fuel used by construction equipment. We plan to introduce combustion improvers at all of our construction sites by fiscal 2030. The third is the utilization of existing energy-saving technologies, including the use of biodiesel fuel, and our own proprietary Nishimatsu Tunnel Energy Management System (N-TEMS) energy-saving technology.

In addition, we will also be further reducing CO<sub>2</sub> emissions by quickly and proactively incorporating environmental technologies developed along with the progress of future technology, into our business activities.

However, even though through such energy-saving measures and proactive introduction of renewable energy, we will not be able to reduce the amount of CO<sub>2</sub> emitted via our business activities to zero with existing technical capabilities. With regard to the remaining CO<sub>2</sub> emissions, future planned renewable energy projects will create green energy which will contribute to reducing the CO<sub>2</sub> emissions of society as a whole. This will be regarded as a reduction in CO<sub>2</sub> emissions, thus realizing net zero CO<sub>2</sub> as a result—a concept which characterizes our Zero 30 plan.

Per the above, I believe “decarbonization” is a keyword in the tackling of environmental issues. Going forward, we will acquire Science Based Targets (SBT) certification and will disclose environmental information based on Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Further, the creation of workplaces which are rewarding and appealing to every one of our employees is another important issue. In the creation of appealing workplaces, we will be creating a permanent cooperative system not only for in-house purposes, but also for partner companies and their employees that make up our supply chain.

In addition to these “E” (environmental) and “S” (social) initiatives, we are also strengthening the “G” (corporate governance) which serves as our management foundation. To achieve sustainable growth and increase our medium- to long-term corporate value, we are enhancing capital efficiency by reducing cross-shareholdings, respecting shareholder rights, revising our director composition, and ensuring the



effectiveness of the Board of Directors by introducing a performance-linked equity compensation system. The value of cross-shareholdings as of March 31, 2021 was ¥38.4 billion, equal to 18.5% of total net assets. Going forward, our policy will be to continue to reduce cross-shareholdings, except those which are necessary for business operation.

## To Our Stakeholders

A condominium in Tokyo which Nishimatsu Construction completed and delivered in March 2019 was found to have construction defects in areas such as the interior finishing. As the builder, we are keenly aware of our responsibility, and sincerely apologize for the immense trouble and worry we have caused to the condominium owners, the residents, and all involved parties. Going forward, to further improve construction quality, we will be conducting thorough education and training, further strengthening our management system, and devising measures to prevent recurrence.

Since we were founded in 1874, backed by advanced technical capabilities cultivated through over 145 years of history and tradition, we have contributed extensively to the creation of safe and secure social infrastructure and a comfortable environment.

We take this incident very seriously, and will be further concentrating our efforts to continue to provide society with important structures and services to help establish a sustainable society and environment where people can live with peace of mind. With all officers and employees working together as one, and by promoting organic collaboration between various divisions to enable growth, we will become a company with overall capabilities laid out in our Nishimatsu-Vision 2027 and strive to continuously increase corporate value. Going forward, we humbly ask all our stakeholders to continue to create various things that will be of value to society together with Nishimatsu Construction.

# Capital and Financial Strategy



**Aim for management which emphasizes capital efficiency in order to achieve sustainable growth and the enhancement of medium- to long-term corporate value**

**Yuichi Kono**

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

## Basic Policy

Nishimatsu Construction has long emphasized financial soundness, and has developed its businesses with the goal of maintaining the solid financial base which we have built up. We are focusing on enhancing the cash flow creation capabilities of our various businesses by improving our capital efficiency and maintaining a solid financial structure. Investing the cash thus produced in accordance with the clearly defined priorities for growth, and the balanced distribution of returns to our shareholders and other stakeholders as part of achieving sustainable growth, are pillars of our capital and financial strategy. Conversely, for

some time, it has not been possible to say that evaluation of Nishimatsu Construction has fully reflected our growth, with the stock price reflecting market expectations and the P/B ratio (price-to-book ratio) having settled around 0.5 to 0.6. In order to align the viewpoint of Nishimatsu Construction's management and that of the stockholders and investors who are our stakeholders, we formulated our Medium-Term Management Plan 2023 predicated on the clear understanding that we engage in business with the aim of sustainable growth and the improvement of medium- to long-term corporate value.

## Looking Back on Results and the Previous Medium-Term Management Plan

With regard to the operating results for the fiscal year ended March 31, 2021, the last fiscal year of our Medium-Term Management Plan 2020, our actual net sales were ¥336.2 billion, in contrast to our net sales target of ¥380.0 billion, a year-on-year decrease of 14.1%. Construction business orders received declined for both domestic and overseas construction, falling by 16.7% year-on-year. In contrast to our target of ¥25.0 billion, operating income was a disappointing ¥20.9 billion, a 17.2% year-on-year decrease. Gain on sales of investment securities was recorded as extraordinary income; provision of warranties for completed works, losses on sales of non-current assets, and costs related to COVID-19, however, were recorded as extraordinary losses, and as a

result, profit attributable to the parent was ¥17.1 billion, an 8.3% year-on-year decline. In contrast with our ROE target of at least 8.0%, we achieved 8.5%. We did not reach our targets for financial soundness; in contrast with our target capital to assets ratio of 50%, we achieved 43.6%; and in contrast with our target debt to equity ratio of 0.3, we achieved 0.6.

### Improving Capital Efficiency

Nishimatsu Construction is aiming to be a company with high financial soundness and growth. Based on solid management, we have been engaging in financial management emphasizing financial soundness and the sustainability of the Company. Currently, we believe that

Financial indices		Medium-Term Management Plan 2020	Fiscal 2020 Year End Results	Medium-Term Management Plan 2023
Capital efficiency	ROE	At least 8%	8.5%	At least 12%
	Capital to assets ratio	Around 50%	43.6%	Around 40%
Financial stability	Debt to equity ratio	Around 0.3	0.6	0.8
	Payout ratio	At least 30%	33.5%	Continually at least 70%
Shareholder returns	Dividend per share	At least ¥100	¥105	—
	Share repurchase	—	—	At least ¥20.0 billion over three years

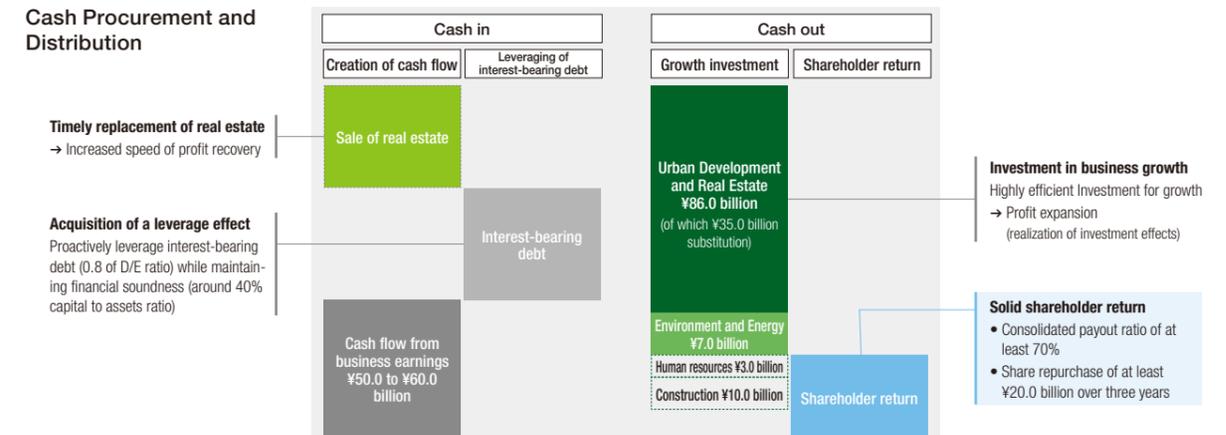
(Billions of yen)

Investment for growth	Medium-Term Management Plan 2020 results		Medium-Term Management Plan 2023	
	2020 results	3-year plan	3-year plan	Combined total
Construction	Domestic Civil Engineering	6.0	10.0	16.0
	Domestic Building			
	International			
Urban Development and Real Estate	52.0 (+10.0 substitution)	51.0 (+35.0 substitution)	103.0 (+45.0 substitution)	
Environment and Energy	1.5	7.0	8.5	
Human resources	2.5	3.0	5.5	
<b>Total investment</b>	<b>62.0</b>	<b>71.0</b>	<b>133.0</b>	

we must generate profit and cash flow exceeding the cost of capital to be fairly evaluated by the market, and this will lead to the improvement of shareholder value. In our Medium-Term Management Plan 2023, we have established ROE (return on equity) as a key performance indicator sig-

nifying capital efficiency, and aim to increase capital efficiency and expand the spread between ROE and capital cost. By setting a high fiscal 2023 ROE target of at least 12%, we will realize capital efficiency which greatly exceeds current capital costs of 6 to 7%.

### Cash Procurement and Distribution



## Shareholder Return and Investment Strategy

Taking into account the balance between investment for sustainable growth and improving medium- to long-term corporate value, and financial soundness to brace for various risks, Nishimatsu Construction's basic policy is to distribute profit in accordance with business results. In Nishimatsu-Vision 2027, we plan to invest a total of ¥220.0 billion for future growth during the 10 year period from fiscal 2018 to 2017: ¥120.0 billion for the Urban Development and Real Estate Business, and ¥100.0 billion for evolving the Construction Business, expanding business areas, and for human resources. During the three-year period of the previous medium-term management plan, a total of ¥62.0 billion was invested in various fields. In the coming three-year period of Medium-Term Management Plan 2023, we will invest in growth, with ¥10.0 billion for the Construction Business, ¥51.0 billion for the Urban Development and Real Estate Business, ¥7.0 billion for the field of environment and energy, and ¥3.0 billion for human resources.

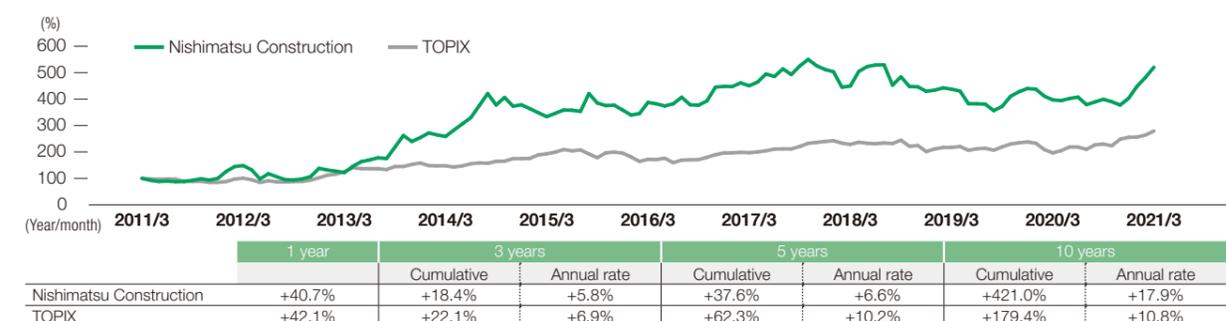
We particularly regard the improvement of capital efficiency as an important issue for our Urban Development and Real Estate Business. Accordingly, to radically revise the investment decision-making process, we established an Investment Committee which includes external experts. The committee will not only intensely screen projects pro-

posed by company divisions, but will also systematically monitor whether returns are being secured from projects that have been invested into, and engage in flexible portfolio adjustment.

Medium-Term Management Plan 2023 was formulated after repeated discussions with numerous shareholders and investors on improving medium- to long-term corporate value. The conclusion we reached was that to achieve sustainable growth and improve corporate value in the medium- to long-term, we should aim to engage in management emphasizing capital efficiency (improved ROE), and, going forward, balance our investment strategy with the shareholders' equity we have accumulated, while at the same time enhancing capital efficiency and realizing solid shareholder returns. Aiming to continually achieve a consolidated payout ratio of at least 70%, we will provide stable shareholder payouts and flexibly repurchase shares. Our goal for repurchasing shares is at least ¥20.0 billion yen over the next three years.

Our total shareholder return (TSR), including dividends, for fiscal 2020 was 40.7%, and data related to our TSR for the past 10 years is provided below. To continue to realize a TSR which exceeds the cost of shareholder's equity, we will implement a growth strategy as well as a suitable financial capital policy.

### TSR



Notes: 1. Total shareholder return (TSR): Total return on investment combined with capital gains and dividends.  
2. TSR for Nishimatsu Construction is calculated based on cumulative dividends and stock price fluctuations. TSR for TOPIX is calculated with a stock price index including dividends. (Created by Nishimatsu Construction using Bloomberg data and other sources.)  
3. TSR values in the graph are indexed to market prices as of March 31, 2011 as 100 (assuming the stock was held until March 31, 2021).

# Financial and Non-Financial Highlights

## Financial

### Orders Received/Net Sales (consolidated basis)



#### Gain/loss factors & explanation

Due to the impact of the COVID-19 pandemic, there was contraction in Japanese private sector construction investment and postponements in starting new projects overseas, which brought a decline in fiscal 2020 domestic construction and overseas orders received. Furthermore, with regard to net sales, too, fiscal 2020 results underperformed our planned target due to a reduction in orders for new projects and slower progress in large-scale civil engineering projects.

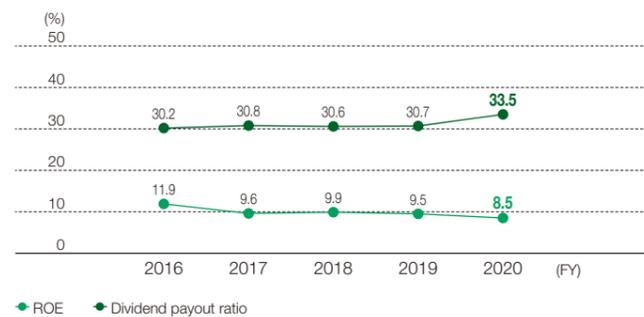
### Operating Income/Operating Margin (consolidated basis)



#### Gain/loss factors & explanation

In fiscal 2018 and 2019, our performance trended above our targeted level on the back of steady progress in highly profitable construction projects. As for fiscal 2020, performance trended below target due to difficult negotiations over design changes and a lower number of total jobs completed in the Construction Business. Additionally, our operating profit margin in fiscal 2019 and 2020 dipped from the impact of certain low-profit large-scale construction projects.

### ROE/Dividend Payout Ratio (consolidated basis)



#### Gain/loss factors & explanation

In both fiscal 2018 and 2019, our ROE was more than 8% thanks to improved profit in the Construction Business. In fiscal 2020, although we did not meet our target for operating income and experienced large extraordinary losses accompanying repairs of defects, we secured an ROE of more than 8% due to booking gain on the sale of cross-shareholdings. During the period of our Medium-Term Management Plan 2020, we paid a stable dividend of 105 yen per share, with a payout ratio of more than 30%.

### Total Net Assets/Capital to Assets Ratio (consolidated basis)

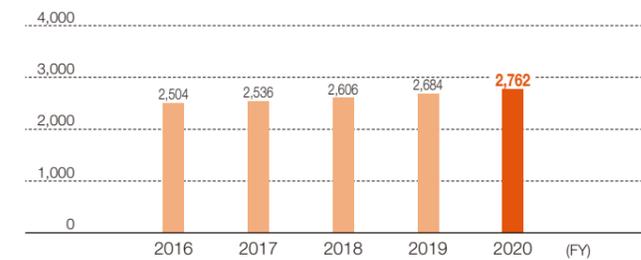


#### Gain/loss factors & explanation

Although we attempted balance sheet management with an awareness of capital efficiency and financial soundness, accounts receivable from completed construction contracts has increased substantially since fiscal 2018 and we procured funding via interest bearing debt, our capital to asset ratio during the period of Medium-Term Management Plan 2020 trended around 40%. As for net assets, we maintain a level of approximately 200 billion yen.

## Non-Financial

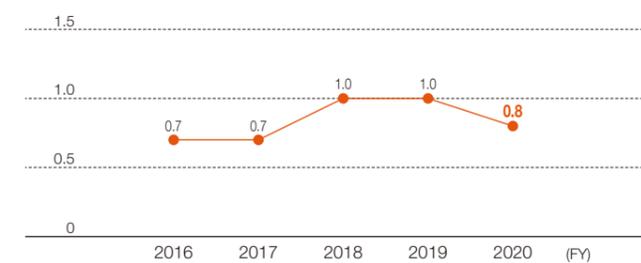
### Number of Employees



#### Gain/loss factors & explanation

Personnel strategy is positioned as a key priority in our long-term vision, Nishimatsu-Vision 2027, and we are working to nurture personnel to support our transformation into a company with overall capabilities that provides better value. Also, through aggressive effort to hire mid-career professionals in addition to new graduates, we are securing the personnel that our business strategies require.

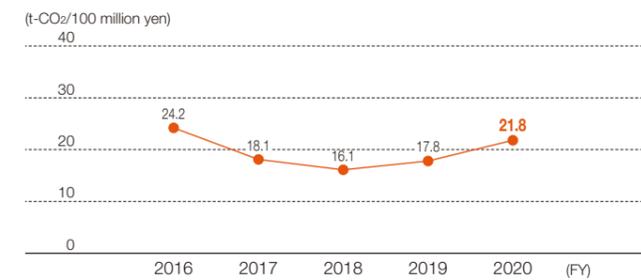
### Occupational Injury Frequency Rate



#### Gain/loss factors & explanation

While our energy devoted to addressing Nishimatsu's designated "big three" accidents (slips/falls; entanglement/catching of the head, limbs or clothing in machinery, equipment, vehicles or materials; and flying/falling objects) yielded positive results, there were numerous occurrences of other incidents, such as objects toppling over and collisions. Incidents were lower compared to the previous fiscal year, but we were not able to meet our Medium-Term Management Plan 2020 target.

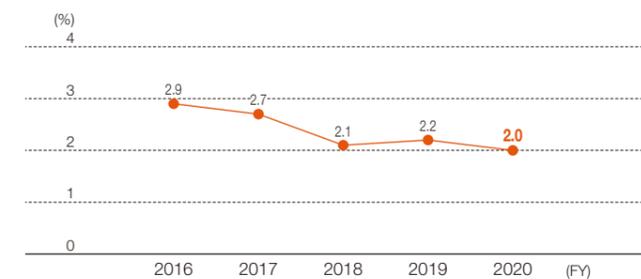
### CO2 Emission Intensity from Construction Projects



#### Gain/loss factors & explanation

We achieved a certain level of reductions at construction sites, but in the Civil Engineering Business there were many projects at the peak of construction, and in the Building Construction Business we needed to excavate soil and transport it off site, all of which increased usage of diesel fuel. These impacts led to an increase in CO2 emissions.

### Final Percentage of Construction Waste Sent for Landfill Disposal



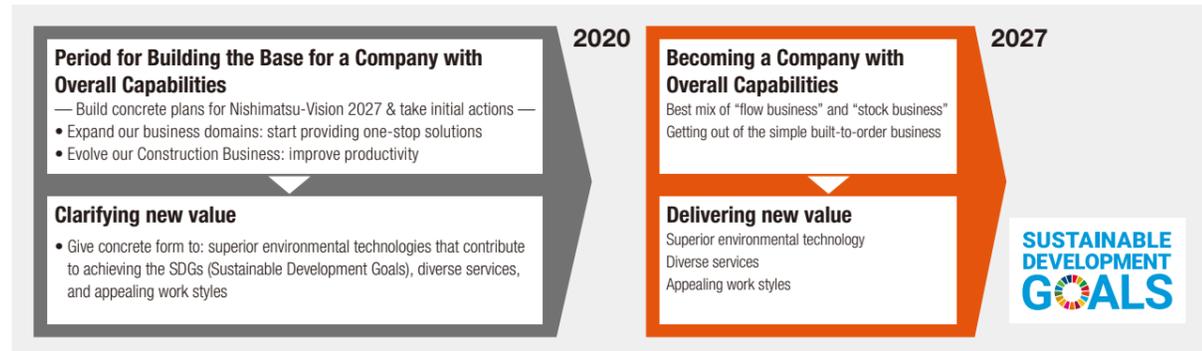
#### Gain/loss factors & explanation

We thoroughly follow our own sorting rules and promote extensive waste sorting. Additionally, we selected industrial waste disposal companies with a high recycling rate, while also promoting reuse on our own sites. As a result, we were able to hold our final percentage of waste sent for landfill disposal to an all-time low.

\* Final percentage of waste sent for landfill disposal  
 Before fiscal 2018, excludes construction sludge and special substances such as specified substances pursuant to Article 17(1) of the Air Pollution Control Act.  
 From fiscal 2018, includes construction sludge and excludes special substances such as specified substances pursuant to Article 17(1) of the Air Pollution Control Act.

# Medium-Term Management Plan

In our Medium-Term Management Plan 2020, we approached the period as a time for building our base as a company with overall capabilities and strove to push the evolution of our Construction Business while expanding our business domains through growth in the Urban Development and Real Estate Business and in new businesses. In April 2021, we narrowed down our new business domains to the fields of environment and energy and launched full-fledged initiatives to work toward achieving a decarbonized society.



## Looking Back over the Medium-Term Management Plan 2020

### Overall

**There was progress on initiatives to build our base for transforming into a company with overall capabilities**

### Looking back

Fiscal 2018 and 2019 benefited from the tailwinds of steady construction investment and both net sales and operating income came in above targets; in fiscal 2020 however, neither metric met our targets due to, among other factors, decline in profitability of projects in the Construction Business. For three consecutive years, ROE met our target of 8% or higher and we paid a stable dividend of ¥105 with a payout ratio of more than 30%.

#### ● Domestic Civil Engineering Business

Per-person revenue improved to a three-year average of ¥160 million (¥130 million in fiscal 2017) thanks to aggressive adoption of CIM and ICT on worksites, as well as development of various underlying technologies. Additionally, we dedicated effort to orders from private-sector railway-related projects and increased our percentage of jobs completed in private-sector projects.

#### ● Domestic Building Construction Business

We proceeded to introduce design BIM into design and construction projects for logistics facilities (steel structures), reaching an adoption level of 36% (level for the prior three years: 7%). Orders received for logistics facilities averaged ¥66.9 billion over three years.

#### ● International Business (Civil and Building Construction)

We launched a market survey in six countries in Southeast Asia to expand order opportunities. Furthermore, we established an International Sales Department to utilize our domestic sales network overseas.

#### ● Urban Development and Real Estate Business

We steadily grew our in-house development and operations business, such as student dormitories. Additionally, collaboration with the Civil Engineering Business and Construction Business on land readjustment projects and urban redevelopment projects contributed ¥55 billion over three years to net sales in the Construction Business.

#### ● Environment & Energy Business

As the New Business Management Division until fiscal 2020, we strove to create business in the energy and infrastructure fields. At present, we have begun work in the small hydroelectric generation business and are aiming to make it profitable.

### Challenges

- The Building Construction Business is in the middle of introducing BIM in construction work and needs to further utilize it for productivity improvements.
- International Business is seeing more intense competitive bidding from emerging rival companies and unlocking new businesses is an urgent priority.
- The Environment & Energy Business is aiming to turn profitable during the period of Medium-Term Management Plan 2023.

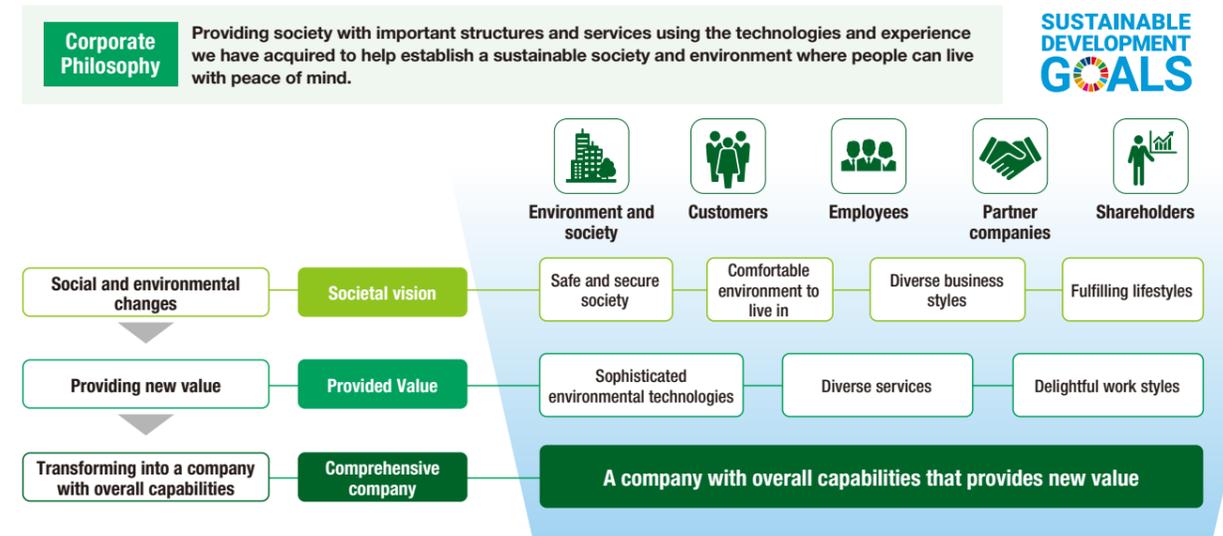
## Medium-Term Management Plan 2023

### Transition period for becoming a company with overall capabilities

Medium-Term Management Plan 2023 is the second phase (the transformational period for becoming a company with overall capabilities) to achieve Nishimatsu-Vision 2027. While responding to social and environmental changes, such as the advance of climate change issues,

the falling birthrate and aging population, and the full-fledged shift to a digital society, we will improve sustainable corporate value by organically linking our businesses and transforming our business model.

### Medium-Term Management Plan 2023



### Period for transforming into a company with overall capabilities

- "Organic linking" of businesses
- Launch to achieve a decarbonized society, focusing on the environmental/energy business
- Improve corporate value via collaboration with partner companies in different industries
- Improve corporate value through growth investment with high capital efficiency while maintaining a robust financial constitution, and provide strong shareholder returns

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

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



### Constant improvement of corporate value

## Medium-Term Management Plan

### Organically link businesses

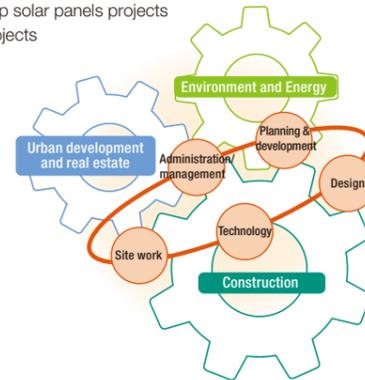
In our Medium-Term Management Plan 2023, we are aiming to become a company with overall capabilities, able to meet, at an advanced level, the needs of customers in all steps along the value chain by organically linking each of our businesses and leveraging their strengths. At present, the following businesses are the core entities that we are linking, though we will adjust each combination in response to changing needs.

#### Urban Development and Real Estate Business + Construction Business

- Urban redevelopment projects, land readjustment projects
- Projects developed by Nishimatsu Construction

#### Environment & Energy Business + Construction Business

- Rooftop solar panels projects
- PFI projects



### Strategic Initiatives and Performance Targets

In fiscal 2023, we are targeting net sales of ¥400 billion and operating income of ¥32 billion.

In the domestic Civil Engineering Business, we will aim for strong performance, maintaining focus on large-scale government-sector projects, while also expanding business by allocating management resources to the renovation business, a growing area, and private sector projects. In the domestic Building Business, we will dedicate energy on design and construction in our priority areas of logistics facilities and urban redevelopment projects as we work to improve construction efficiency through BIM and achieve a competitive advantage through cost reductions. In our International business, with regard to civil engineering, we will channel effort into ODA in transportation infrastructure, mainly tunnels, leveraging our rich track record of construction projects and technical capabilities. While in the building construction business, we will accumulate experience in

building projects and increase local and foreign-affiliated clients. In the Urban Development and Real Estate Business, we will invest aggressively in growth fields based on our asset strategy and develop a “circular reinvestment model” and expand group revenue through collaboration with our Construction Business. In the Environment & Energy Business, we will dedicate effort to renewable energy business and infrastructure-related services.

Segment	Net sales		Operating income		
	FY 2020	FY 2023	FY 2020	FY 2023	
Construction	Domestic Civil Engineering	115.5	125.0	209	320
	Domestic Building	187.6	210.0		
	Overseas (civil engineering/building)	18.2	37.0		
Urban Development and Real Estate	11.9	26.5			
Environment and Energy	0.1	1.5			
Side Business, etc.	2.9	—			
<b>Total</b>	<b>336.2</b>	<b>400.0</b>			

### Investments for growth

We plan to invest ¥71 billion during the three-year period of Medium-Term Management Plan 2023. This amount will include ¥10 billion in the Construction Business, ¥51 billion in the Urban Development and Real Estate Business, ¥7 billion in the Environment and Energy Business, and ¥3 billion for human resources.

Segment	Areas of Investments for growth
Construction	<b>Civil Engineering</b> <ul style="list-style-type: none"> <li>• Development of labor-saving and automation technologies for tunnel construction</li> <li>• Development of alliances and technology in the renovations field</li> </ul>
	<b>Building Construction</b> <ul style="list-style-type: none"> <li>• Establishment of environmental design technology</li> <li>• Utilization of BIM for front loading and standardization of materials</li> </ul>
	<b>International</b> <ul style="list-style-type: none"> <li>• Fostering local skilled laborers</li> </ul>
Urban Development and Real Estate	<ul style="list-style-type: none"> <li>• Working spaces (offices)</li> <li>• Residences (dormitories, senior citizen facilities)</li> <li>• Tourism, leisure (hotels and halls)</li> <li>• Lifestyle support, health care (commercial facilities)</li> <li>• Data centers, logistics</li> <li>• Urban redevelopment projects, land readjustment projects (creating business opportunities in the construction business)</li> </ul>
Environment & Energy	<ul style="list-style-type: none"> <li>• Renewable energy business</li> <li>• Corporate venture capital and cross-industry collaboration</li> <li>• Development of environment-related technologies, creating new services</li> </ul>

### Capital strategies

In Medium-Term Management Plan 2023, we plan to improve corporate value and aim for ROE of 12% or higher. Our capital strategy priorities are: 1. capital efficiency, 2. financial soundness, and 3. shareholder returns.

Financial indicators	Medium-Term Management Plan 2023
<b>Capital efficiency</b>	<p>ROE: <b>12% or higher</b></p> <p>Investments for growth that are highly efficient → expand business profit</p> <p>Timely replacement of real estate → improve speed of recouping profit</p>
<b>Financial soundness</b>	<p>Capital-to-asset ratio: <b>Approx. 40%</b></p> <p>D/E ratio: <b>0.8</b></p> <p>Actively utilize interest-bearing debt while maintaining financial soundness</p>
<b>Shareholder returns</b>	<p>Consolidated dividend payout ratio: <b>Aggressively target 70% or higher</b></p> <p>Share repurchases: <b>¥20 billion or higher over 3 years</b></p> <p>Strong shareholder returns</p> <ul style="list-style-type: none"> <li>• Pay a stable dividend</li> <li>• Flexibly repurchase shares</li> </ul>

## E Environment

### Fully enter the Environment & Energy Businesses and commit to net zero CO<sub>2</sub> emissions by 2030 to achieve a decarbonized society

Achieve a decarbonized society	Net zero CO <sub>2</sub> emissions	<b>Eco-First Commitment</b> (renewed in fiscal 2019) <b>Formulate a road map to achieve net zero CO<sub>2</sub> emissions in 2030</b> Adopt green electricity + energy saving and other measures + energy generation = net zero	Minimizing CO <sub>2</sub> emissions + offsetting through energy generation = net zero
		<b>Adoption rate for green electricity</b> (power generated from renewable energy) FY2023 target: 20% (FY2020 actual: 0.5%)      FY2030 target: 60% <b>Amount of CO<sub>2</sub> emission reduction from energy saving and other measures</b> FY2023 target: 7,900 t-CO <sub>2</sub> (FY2020 actual: 1,690 t-CO <sub>2</sub> )      FY2030 target: 26,700 t-CO <sub>2</sub> <b>Energy generated from the renewable energy generation business</b> FY2023 target: 3,700 MWh (FY2020 actual: 0 MWh)      FY2030 target: 108,000 MWh	
Promoting the creation of a recycling-oriented society	Zero emissions of waste	Annual (fiscal year) target: less than a 3% of final construction waste sent for landfill disposal (fiscal 2020 actual: 2%)	

## S Social

### Provide a satisfying work environment for every single employee Establish a collaborative system with supply chains

Provide a satisfying work environment	<b>Nishimatsu Employees' University:</b> a personnel development system that supports the active participation of employees (steady roll out since fiscal 2019)
	<b>New human resources system:</b> provide an environment conducive to every employee being able to work anxiety free and at full capacity (launching in fiscal 2021)
Work style reforms	<b>Provide a safe workplace environment</b> Fiscal 2027 target: 0.3 or lower rate of incidents requiring 4 or more days of absence from work (fiscal 2020 actual: 0.75)
	<b>Reduce long working hours</b> Fiscal 2023 target: 5% or lower percentage of employees working more than 45 overtime hours/month (annual average) (fiscal 2020 actual: 21.3%) <b>Respond to diverse work styles</b> Work-from-home system, flex-time system (adopted in fiscal 2020)
Diversity & inclusion	Ensure diversity in management-level positions Fiscal 2025 target: women in 2% or more of management-level positions
Partner companies	Expand and enhance our High-Caliber Technician Training Program that supports training skilled construction laborers (foremen)
Health and productivity management	Promote health and productivity management Fiscal 2023 target: 100% rate of receiving follow-up health checks (fiscal 2020 actual: 40%)

## G Governance

### Exercise corporate governance that contributes to improving sustainable growth and medium- to long-term corporate value

Ensure the overall efficacy of the Board of Directors	<b>Review the composition of the Board of Directors</b> <ul style="list-style-type: none"> <li>• Ratio of external directors on the Board of Directors ≥ 1/3 (from June 2020)</li> <li>• Improve the balance of skills and diversity on the Board of Directors by increasing the number of external directors (from June 2021)</li> </ul>
	<b>Adopt a performance-linked share-based compensation program</b> <ul style="list-style-type: none"> <li>• Promote management responsibility to improve medium- to long-term business performance and sustainable growth for the Company through the introduction of a performance-linked equity compensation system (from June 2021)</li> </ul>
	<b>Establish and implement a Company president succession plan</b> <ul style="list-style-type: none"> <li>• Establish and implement a Company president succession plan and next-generation manager training plan to enable an optimally timed transfer of leadership to a highly qualified new president. (Implement gradually from FY2021)</li> </ul>



## Health and productivity management

Under the Certified Health & Productivity Management Outstanding Organizations Recognition Program,\* Nishimatsu Construction was selected to be among the 2021 “White 500” Certified Health & Productivity Management Outstanding Organizations promoted by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. This was our fourth consecutive time receiving this designation. Recognizing that human resources are a vital asset to the Company, and that it is crucial to maintain the health of employees in order to preemptively prevent the loss of labor capacity, we have endeavored to practice health and productivity management, detect diseases at an early date, and reform work styles. Taking health challenges into account, we are applying effort to the following seven priority items:

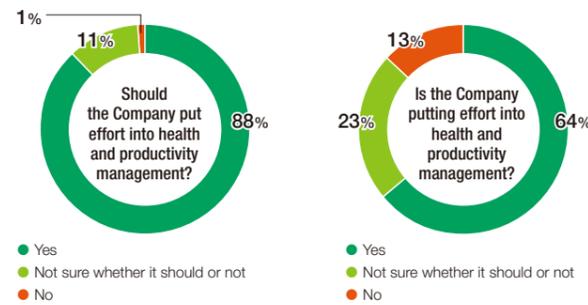
1. Prevent the exacerbation of lifestyle diseases (make complete physical examinations compulsory, make detailed testing compulsory, promote exercise)
2. Take countermeasures against long work hours
3. Implement initiatives for mental health
4. Implement cancer-related initiatives (promote cancer screenings for employees; facilitate continuation of work while receiving treatment)
5. Improve health awareness (health literacy)
6. Help prevent diseases of concern for female employees (promote female health exams)
7. Lower the smoking rate

We encourage compliance with complete physical examinations by giving employees time off to receive the exam, in addition to a subsidy that also covers spouses. In fiscal 2020, complete physical examinations were received by 96.1% of employees. Going forward, we plan to make measures target-

ing the improvement of employee health awareness a pivotal focus, while also increasing the number of occupational health nurses and strengthening encouragement of those with abnormal results and those with mental health concerns.

Furthermore, upon conducting a survey of health and productivity management in June 2021, results showed that 88% of employees answered, “The Company should put effort into health and productivity management.” Meanwhile, 64% of employees felt that “the Company is putting effort into health and productivity management.” Going forward, we will promote health and productivity management and the active participation of employees in order to raise this ratio even higher.

\* Based on initiatives aligned with regional health issues, as well as initiatives that the Nippon Kenko Kaigi promotes for health improvement, the program recognizes large companies and medium- and small-size companies that implement particularly outstanding health and productivity management.



## Strategic Human Resources Reform

Nishimatsu Construction launched a new human resources system on April 1, 2021 with the objective of raising the satisfaction from work for each and every employee—an objective that is one of the drivers for achieving Nishimatsu-Vision 2027. There are five basic principles of the new program: 1. Create workplaces that foster people, 2. Engender employee awareness of themselves as individuals who take on challenges, 3. Create an environment in which employees can work

anxiety free, 4. Create a strong organization, and 5. Value the importance of employees who fulfill their responsibilities and apply themselves. Along with these, we aim to make a new evaluation category for praising employees who boldly take on challenges, while we also work to create a strong organization where every employee feels comfortable and can give their all to their work.

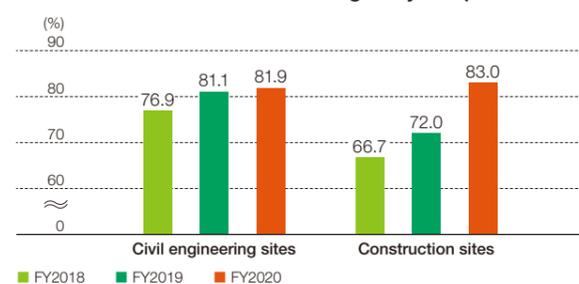
## Work style reforms

Nishimatsu Construction is dedicated to creating a motivating workplace that achieves the dual targets of making work comfortable and rewarding, which we approach from the dual angles of system reforms and culture reforms. In order to achieve a work-friendly environment, we are moving ahead in correcting the issue of long work hours (a perennial challenge), putting priority on rectifying the discrepancy between the work environments inside the office and outside the office (in the field).

We were able to shorten the average overtime hours worked by field employees over the prior two years by 5% (year-on-year) in fiscal 2019 and 10% in fiscal 2020. In order to further reduce overtime hours, we are aiming for two days off per week at each construction site. Up to fiscal 2020, we were able to achieve six days off per four weeks at 80% or more of our construction sites. This initiative still has further to

go. As we progress, we will strive to increase work efficiency through more creative and novel strategies, effectively use limited work hours, and look for new work styles in the construction industry.

Ratio of construction sites achieving 6 days off per 4 weeks



## Initiatives for Zero Accidents and Injuries

With COVID-19 infections still spreading since the beginning of 2020, we have written a COVID-19 Countermeasures Plan and are carrying out monthly patrols to ensure a safe and comfortable workplace environment. Additionally, we established an award program for recognizing outstanding workplace environments, as we aim to make our environments worker friendly.

As an initiative to reduce accidents, we stipulated priority management items and devoted energy to initiatives to eradicate the “big three” accidents as designated by Nishimatsu Construction (slips/falls; entanglement/catching of the head, limbs or clothing in machinery, equipment, vehicles, or materials; and flying/falling objects) and follow the habit of “pointing & calling,” which has demonstrated efficacy for avoiding human errors. As a result, slips/falls showed a significant decline from five incidents the previous fiscal year, down to one incident this fiscal year. However, there was one collision accident resulting in death and we were not able to meet our target rate\* of 0.6 or lower.

In fiscal 2021, we will strive to meet targets by placing priority on intrinsic safety from the planning phase, engineering measures for machinery and equipment, and on-going safety education for employees, partner companies, and foremen.

\* Expresses the rate of occurrence by the number of fatalities and injured workers from occupational accidents per one million actual work hours (Source: Ministry of Health, Labour and Welfare)

Occupational Injury Frequency rate



\* Targets for FY2023 and FY2027

## Ideals outlined in Nishimatsu-Vision 2027

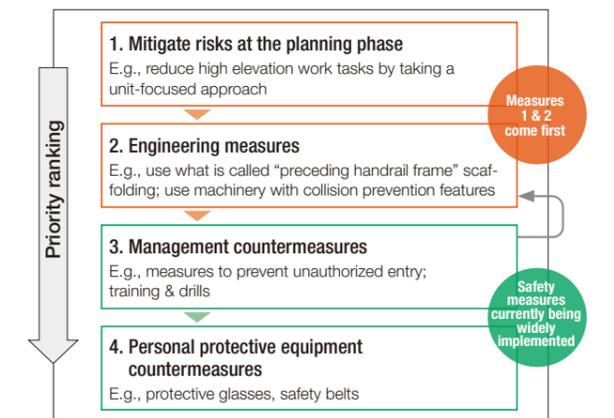
**Establishing Nishimatsu as a brand of safety**  
Target: Frequency rate of injuries requiring four or more days of absence from work: 0.3 or below

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

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

## Firmly embed safety management rooted in prioritizing issues

Achieve safety priority measures through a top-down approach



## Offering “attractive work styles” to partner companies

For a construction company, the presence of our partner companies is indispensable for carrying out our business activities and they have a position as one of our key stakeholders. We aim to achieve a workplace environment conducive to the safe, secure, and fulfilling everyday work for all of the personnel who are on our job sites and we are carrying out an array of initiatives to offer attractive work styles.

In particular, we hold sessions to exchange opinions between Nishimatsu Construction’s managers and the directors of N-NET companies, our network of partner companies, while we also review difficult-to-solve issues at individual N-NET companies, and carry out the initiatives noted below.

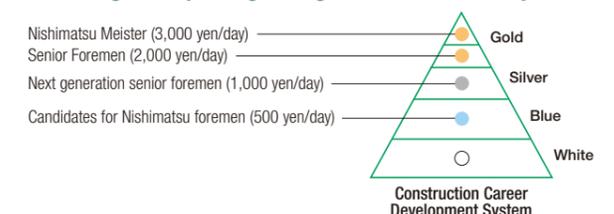
### Concrete initiatives

- Expand and enhance programs for high-caliber technicians
- Measures to address those who are not part of the social insurance scheme
- Promote the dissemination of a construction career development system

- Subsidize the purchase of air-conditioned clothing
- Hold ICT tools seminars for foremen
- Subsidize telecom expenses for foremen
- Support the hiring activities of member companies

We aim to build a robust supply chain, focusing on N-NET, and achieve long-term, sustainable growth for all partner companies, including Nishimatsu Construction.

## Enhancing and expanding our high-caliber technician system



# Strategies in Each Business Division

## Civil Engineering Division



### Tunnel construction projects are the key strength of the Civil Engineering Business Nishimatsu Construction is dedicating effort to the field of infrastructure renovation

We contribute to greater national resilience by constructing social infrastructure such as roads, railways, electrical power, dams, and more. With our foundation of technical capabilities and performance cultivated over many years, we are boosting productivity through development of automated and operator-less technologies, which we are linking to business growth on the back of large-scale tunnel projects and construction projects with a high level of difficulty.

**Makoto Isshiki**  
General Manager of Civil Engineering Division

### Awareness of the Market and Nishimatsu Construction's Strengths

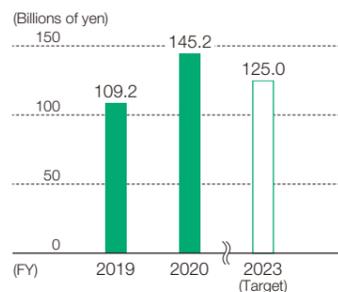
In recent years, Japan has faced more frequent large-scale flooding and at least one massive earthquake is forecast for the near future. At the same time, nearly all of the infrastructure built during the high growth economic era is deteriorating, which, among other factors, makes disaster prevention and mitigation measures an urgent matter. With this in mind, the Japanese government's Fundamental Plan for National Resilience is being promoted to protect lives, prevent catastrophic damage to society and the economy, and to use this time of calm to build infrastructure and systems able to achieve a nimble recovery. The strengths of Nishimatsu Construction's Civil Engineering Business in terms of tunnel construction are shield tunneling and mountain tunneling techniques, which give us a leading track record and technical capabilities in this field. These projects are indispensable for strengthening urban infrastructure and establishing transportation networks connecting cities. Furthermore, we have amassed a considerable amount of experience in dam construction, soil stabilization, and measures to prevent liquefaction, all of which help in preparing for disasters. Expectations are for infrastructure renovation demand to continue growing

going forward. On the foundation of many years of technical capabilities and on-site experience, our Civil Engineering Business will promote the development of automated and operator-less technologies to make possible the construction of safe and high-quality infrastructure, contribute to greater national resilience, and achieve business growth.

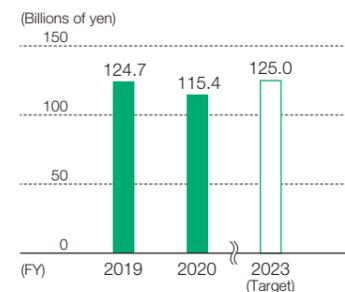
### Looking Back Over Medium-Term Management Plan 2020

In pursuing our business activities, we set forth two major civil engineering targets in Medium-Term Management Plan 2020: evolve our construction business and expand our business areas. In addition to aggressively introducing CIM and ICT on worksites, we also developed and adopted automated and operator-less technologies, which helped improve our per-person revenue from ¥130 million in fiscal 2017 to a three-year average of ¥160 million during the period of the plan. By dedicating effort to receiving orders for private-sector railway-related projects, such as the Linear Shinkansen, we increased our percentage of total jobs completed in private-sector projects to 25%. With regard to net sales and operating income, although highly profitable projects progressed steadily and trended above targets in fiscal 2018 and 2019, progress

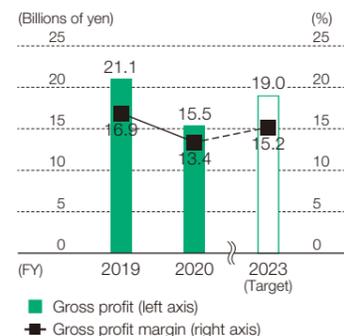
Orders received (non-consolidated basis)



Net sales (non-consolidated basis)



Gross profit/gross profit margin (non-consolidated basis)



on some large-scale construction projects slowed in fiscal 2020 (the final year of the Plan). This, as well as difficult negotiations over design changes, led to lower net sales and operating income, with both falling below targets.

### Initiatives and Strategies for Nishimatsu-Vision 2027

New construction projects in the government sector are expected to trend flat or with just a slight amount of growth. We will continue to leverage our accumulated technology and track record, with tunnel construction positioned as a key business strength, as we maintain the scale of sales by fortifying our framework for tackling large-scale and high-difficulty projects. In particular, we will drive progress in automating and operator-less construction of mountain tunnels and shield tunnels while improving productivity and higher profitability as we place our human resources in optimal assignments. In addition to allocating operating resources to the growth areas of infrastructure renovation and private sector facility upgrades, we will organically join forces with our Urban Development

and Real Estate Business to expand sales in the land readjustment project business and meet our fiscal 2023 performance targets of ¥125.0 billion in net sales and ¥19.0 billion in gross profit. This will serve as a foothold for transforming into a company with overall capabilities, as detailed in Nishimatsu-Vision 2027. Furthermore, legal regulations on overtime hours will become applicable to the construction industry in fiscal 2024, so we will strive for work style innovation, such as even more diligent efforts to reduce long work hours. To that end, we will work toward further efficiency gains on worksites by developing construction technologies and leveraging ICT tools such as BIM/CIM, AI, and DX (digital transformation). Since the majority of CO<sub>2</sub> emissions from our worksites come from civil engineering sites, we are dedicating effort toward environmental responses, including adopting electric power from renewable energy and carrying out energy-saving measures, to aim for net zero emissions by 2030.

## Shaping the FUTURE

### Leading the industry in technology for automated and operator-less construction of tunnels — Developing and adopting automated tunnel lining technology —

Lining the walls of a tunnel with concrete in mountain tunnel projects basically involves positioning a tunnel lining form in a specific spot, pouring in concrete, removing the form, and then repositioning it for the next segment. Nishimatsu Construction worked with Gifu Industry Co., Ltd. (based in Mizuho City, Gifu Prefecture) on joint development to automate this process and become the first in the nation to use the technology on worksites.

**Development background** Construction sites are facing acute challenges related to labor productivity, such as not being able to hand down technical expertise due to labor shortages, which makes raising productivity while preserving construction quality a crucial issue for the Civil Engineering Division. Given this context, we turned our attention toward one of our strengths, tunneling, and strove to be a pioneer in the industry in developing and adopting automated and remote-controlled operator-less techniques that contribute to raising productivity.

**Future Outlook** Within our domestic civil engineering business, we are aiming to strengthen competitiveness for receiving orders in the mainstay field of government-sector civil engineering, while devoting energy to technological development in tunneling, our forte. As we do so, we are also aiming to maintain our technical capabilities and scale of sales, which put us among the leaders in the industry. With regard to mountain tunnels, we have set a strategic

goal to introduce automated and operator-less techniques at our major works inside tunnels by fiscal 2023. At present, we have already developed technology for operator-less, remote-controlled excavators, which are in trial use at our sites. One example of this new technology is automated tunnel lining forms, which allow fully mechanical control of a concrete installation process that was conventionally done by live workers. We were the first in the nation to demonstrate it when we used this technology at the Nanko Tunnel worksite in Shirakawa City, Fukushima Prefecture. Adopting this technology has allowed us to go from a six-person to a four-person crew, with the actual concrete pouring process being something that a two-person crew can handle, which has bolstered our confidence for greatly reducing our labor needs. Since the automated and operator-less construction techniques we are developing help us achieve productivity and quality improvements with fewer workers, we are pushing initiatives to quickly bring them to our construction sites.



Automated set up of tunnel lining forms



Real-time display of pressure and the height of the concrete pour

## Strategies in Each Business Division

### ■ Building Division



#### Leveraging our design and construction expertise in logistics facilities is one of our strengths Targeting further growth through organic connections with other businesses

We engage in the construction of a diverse range of buildings using the technical capabilities and rich volume of construction data we have accumulated. By front loading our utilization of consistent BIM ranging from design to construction, we will improve construction efficiency, lower costs, secure a competitive advantage, and grow opportunities for receiving orders going forward.

**Kazutoyo Hamada**  
General Manager of Building Division

#### ■ Awareness of the Market and Nishimatsu Construction's Strengths

In addition to the end of the cycle of construction related to the 2020 Tokyo Olympics and Paralympics, the impact of the COVID-19 pandemic weakened capital expenditures and postponed projects. This led to a forecast for private-sector construction investment to fall 7.3% year on year, to ¥37.5 trillion. (Source: FY2020 Construction Investment Forecast, Ministry of Land, Infrastructure, Transport and Tourism) While there are some signs of recovery, the prediction is for fiscal 2021 overall to continue this contraction, although demand for logistics facilities is expected to continue to be strong, given the growth in the EC market and 3PL\* market. In fiscal 2012, the Company introduced a business headquarters system and since then, the Building Division has strengthened our ability to receive orders for logistics facilities, which is a field in which we can exercise our design and construction capabilities. As a result, the average amount of orders received for logistics facilities over the three years of the previous medium-term management plan (fiscal 2018-2020) rose to ¥66.9 billion and grew to become a mainstay of this division. In Medium-Term Management Plan 2023, we will further increase orders for logistics facilities and, through organic connections with the Urban Development & Real

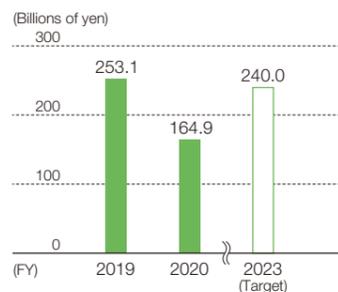
Estate Business Division, our policy is to further extend our track record of urban redevelopment projects in 57 districts (including on-going projects) and strengthen this as a priority area.

\* Third Party Logistics: Refers to the proposal of more efficient logistics strategies and ways to build logistics systems by non-shipping companies, which also take on contracts for executing comprehensive logistics tasks. (Source: Ministry of Land, Infrastructure, Transport and Tourism)

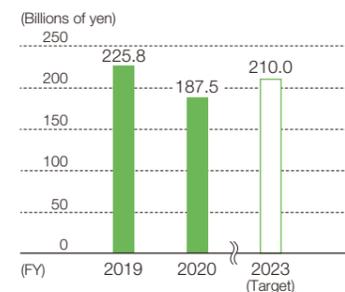
#### ■ Looking Back Over Medium-Term Management Plan 2020

Results under Medium-Term Management Plan 2020 included steady progress for carry-over projects in fiscal 2018-2019, with net sales trending above target. However, due to the impact of certain low-profit large-scale projects taken on for the sake of building our track record, fiscal 2019 gross profit declined. Additionally, since many projects in the final year of the plan (fiscal 2020), such as large-scale construction projects, did not make fast progress, net sales and gross profit came in below targets. In terms of management measures, we launched a BIM Promotion Office in April 2018 and have continued to adopt design BIM, first in steel-structure logistics facilities, bringing BIM to 5 out of 14 projects (36%) during the three years of the medium-term management plan. Along with the Production Design Project Office, newly established in fiscal 2020, we will aim to boost productivity by building a

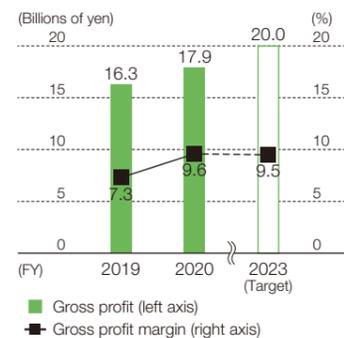
#### Orders received (non-consolidated basis)



#### Net sales (non-consolidated basis)



#### Gross profit/gross profit margin (non-consolidated basis)



consistent BIM system that uses the same platform from design through construction. With regard to strategic initiatives, we devoted effort to evening out the total amount of projects completed. Specifically, we strove to follow a balanced order plan over three years; however, we faced challenges in evening out the timing of completed projects, so going forward, we will channel effort toward design and construction projects, as well as redevelopment projects, as we aim for a well-balanced rate of completion by quickly setting up pre-approved projects from next fiscal year onward.

#### ■ Initiatives and Strategies for Nishimatsu-Vision 2027

In Medium-Term Management Plan 2023, we will put effort toward further improving our design capabilities and forming organic links between businesses. Competition over receiving orders for logistics facilities has intensified and establishing a competitive advantage is crucial. Consequently, we will establish an expert committee and work to standardize design processes, construction products, and installation tasks, as well as build a supply chain to handle each of these. We can front load certain steps in the project schedule to boost efficiency with a consistent design and construction of a BIM system that is highly detailed.

This, in turn, will help us lower production costs. With regard to urban redevelopment projects, we will assign a dedicated representative to oversee, on the working level, all redevelopment projects nationwide and we will formulate highly feasible plans in coordination with the Urban Development & Real Estate Business Division. By securing orders in our priority areas (logistics facilities, environmental facilities, and urban redevelopment projects), we expect to be able to reach net sales of ¥210.0 billion and gross profit of ¥20.0 billion in fiscal 2023, which are levels on par with performance in the prior medium-term management plan. Additionally, we will proceed with making Zero Energy Buildings (ZEB), while contributing to creating a sustainable society and environment. Going forward, we will aim to adopt and demonstrate energy-saving technologies in our own facilities and using this as a foundation for receiving more orders for environmentally friendly buildings, then establishing environmental design technologies and coordinating efforts with Environment and Energy Business Division. With these initiatives, we will firmly achieve the performance and business targets of Medium-Term Management Plan 2023, the second phase of Nishimatsu-Vision 2027, and use this to transform into a company with overall capabilities.

## Shaping the FUTURE

### Osaka Semba Tower Condominium

#### Overtime hours reduced while finishing construction 1.5 months ahead of schedule

Since building skyscrapers in urban settings requires robust safety measures and coordination with neighboring residents and traffic systems, it is essential to formulate detailed plans at an early date in order to complete the project on time. Having young employees actively involved with these plans helps support personnel development as well.

**Plan background** This project involved tearing down the former head office of Teijin Limited (located in Minami-honmachi, Chuo Ward, Osaka), then building condominiums in a tower with 37 floors above ground and 1 floor below ground. Since the tower faces an expressway and a major thoroughfare with considerable foot traffic, we had to give careful consideration to robust safety and, to complete the project on schedule, devise a number of other creative solutions.

**Initiatives** Since the 3rd through 37th floors were for residences that were to be leased or sold we adopted a basic policy of making it a construction site that thoroughly adhered to designing and building the structure from the customer's point of view. There were open plans for all of the 296 residences to be sold, meaning that each unit had its own interior finishing and considerable time was needed to work on and review the details of each interior. The key point in this regard was expediting the construction time of the part of the building below ground. We had to proceed with the below ground construction while negotiating with the subway on how close we could get to their tunnels, while also discussing how to temporarily close the concourse to the station. Furthermore, we had to design



Southwest side, exterior

detailed provisional plans in accordance with the progress of the project, in addition to proposing plans for efficiently using the small building site. In the end, we were able to finish this section 1.5 months ahead of the initial schedule. Additionally, during the tear down process, we used the underground exterior walls of the existing building as a retaining structure, which allowed us to skip some steps, mitigate noise, vibrations, and debris from dismantling, and also minimize the impact on the neighbors, all of which contributed to greater construction efficiency. Since the surroundings included a large number of vehicles and pedestrians, we had to proceed with particular caution when doing lifting work\* with tower cranes above ground. By actively including young employees in the process of making the overall plans, we were able to utilize their individual ideas and enthusiasm, boost per-person revenue numbers, and help reduce the number of overtime hours throughout the total project.

\* Work using cranes, etc. for raising building material and heavy equipment into place.



Sky Lounge

## Strategies in Each Business Division

### International Division



#### Leveraging our abundant experience and entering new growth areas Cooperating inside and outside Japan and strengthening our sales framework

With some 60 years having passed since we entered the Southeast Asia market, we have a long track record of overseas experience and are proud to be in the top class of Japanese general contractors that have won high approval in the tunnel construction business. We will devote energy to unlocking new fields, starting with ODA in transportation infrastructure, as we build our business foundation.

**Yoshikuni Nakano**

General Manager of International Division

#### Awareness of the Market and Nishimatsu Construction's Strengths

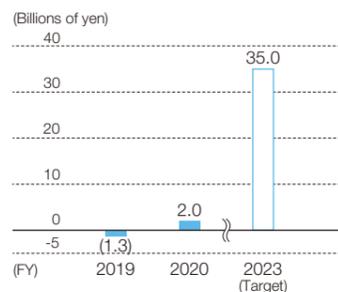
Nishimatsu Construction's history overseas is quite lengthy. Our presence in Southeast Asia started with our Hong Kong branch, established in 1962. The following year, 1963, we launched a joint company with the Thai government and our track record now spans nearly 60 years. We have worked on very difficult construction projects in locations with diverse lifestyles and cultures, contributing to development in each location. Particularly in Thailand, we have garnered approval from many Japanese-affiliated customers in the manufacturing industry for our pioneering efforts as a Japanese general construction company in Thailand. The bases of our civil engineering business are Hong Kong and Singapore, but the recent emergence of competing companies, among other factors, has led to more intense bidding and we are strengthening efforts to unlock business in new countries in order to secure stable earnings. At the same time, in Thailand and Vietnam, which are the bases of our building construction business, construction investment is expected to more than double in the next 10 years and we expect local and foreign-affiliated customers to grow to three times that of Japanese-affiliated customers. In the overseas tunnel construction business, Nishimatsu Construction is engag-

ing in numerous large-scale projects by forming joint ventures with local and foreign-affiliated construction companies, allowing us to build a track record that has put us in the top class of Japanese general construction companies. Our policy going forward is to strengthen initiatives for winning orders while focusing on logistics facilities, which is a strength of the Building Division, in addition to tunnel construction.

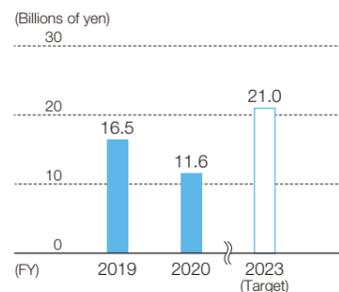
#### Looking Back Over Medium-Term Management Plan 2020

For the International Division overall, net sales have been below targets as orders for new projects were flat over the three years of the medium-term management plan. In particular, due to the impact of the COVID-19 pandemic during the final year of the Plan (fiscal 2020), progress slowed down in civil engineering construction, causing postponements and cancellations of construction projects. These factors led to a year-on-year dip of 38.6%, to ¥18.3 billion, in consolidated net sales for International Business. In the building construction business, although orders and sales grew steadily and earnings were stable, mainly in Thailand and Vietnam, market entry by Japanese-owned manufacturing companies from 2019 onward were sluggish in the core market of Thailand. Given this, we kicked off initiatives to win orders, focusing on logistics facilities,

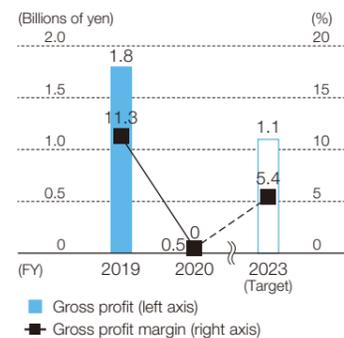
#### Orders received (non-consolidated basis)



#### Net sales (non-consolidated basis)



#### Gross profit/gross profit margin (non-consolidated basis)



from local and foreign-affiliated company customers. While challenges remain in terms of price competitiveness, we are reaping solid results. Due to intensifying competition in recent years in the Hong Kong and Singapore markets, which are the target of large-scale civil engineering projects, we have been unable to get orders for large civil engineering jobs and results have underperformed order targets by a large margin. Consequently, to produce the results outlined in Medium-Term Management Plan 2023, we are striving to grow orders by moving into new countries and by strengthening our sales framework.

#### Initiatives and Strategies for Nishimatsu-Vision 2027

In Medium-Term Management Plan 2023, we outlined our growth strategy as follows: advance into growth fields with our competitive advantages, without being obsessed with our existing areas, and establish a foundation in new markets and fields by fiscal 2023. In the civil engineering business, we carried out new market research to unlock projects not only in our existing bases of Hong Kong and Singapore, but in new countries as well. Simultaneously, we will proceed to conduct preliminary research and build an early framework for focusing on the ODA market, main-

ly with regard to tunnel construction, where we have a strong overseas track record. Furthermore, with our eyes on the next medium-term management plan, we will commence research on PPP/PFI\* business overseas as part of new initiatives in Australia. As for the building construction business, we will target Japanese clients with factories in Thailand and Vietnam as we strengthen our sales networks inside and outside Japan, boost collaboration, and work to increase orders. Furthermore, through organic connections with the Urban Development and Real Estate business, we will use our own buildings as a foothold to build a track record of building projects, set our sights on local and foreign-affiliated company clients, and successfully expand the scale of business. By implementing these plans, we will hit ¥37.0 billion in consolidated net sales (up 103% versus fiscal 2020) and ¥2.0 billion in gross profit (up 54%) in fiscal 2023 and boost corporate value as we progress toward the Nishimatsu-Vision 2027 of transforming into a company with overall capabilities.

\* PPP/PFI (Public Private Partnerships/Private Finance Initiatives): An approach to public enterprise that leverages private sector capital, management expertise, technical capabilities, and the like to have private sector businesses comprehensively engage in the design, construction, maintenance and management, operations, and other aspects of a public works project. (Source: Office for Promoting Private Sector Finance, Cabinet Office of Japan)

## Shaping the FUTURE

### First order from the Singapore Public Utilities Board National-scale Deep Tunnel Sewerage System

Leveraging Nishimatsu Construction's strong relationship with clients from our long track record overseas, we are engaging in numerous projects that provide great public utility. In Southeast Asia in particular, where infrastructure demand is robust, our advanced technical capabilities and responsiveness are contributing to achieving safe and secure lifestyles as well as economic development for the local region.

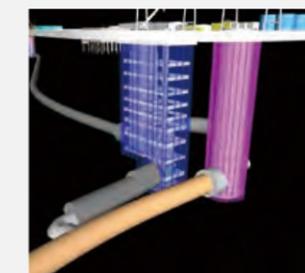
**Development background** Singapore is notable for its small land mass and dearth of water resources. As such, the country is aggressively proceeding to build public utilities to enable it to supply its own water. This tunnel construction project involves part of the system for treating and reusing accumulated sewage, which makes the project extremely important for Singapore as a nation.

**Future Outlook** Nishimatsu Construction has taken on quite a variety of infrastructure projects since opening our Singapore Sales Office in 1980, but this new tunnel project is the first we have received from the Singapore Public Utilities Board. The project involves the construction of 7.5 km of sewage line tunnel, with 14 shafts, located 60 m under-



Wide view of the tunnel departure base

ground, going southwest from central Singapore. Since the construction is at considerable depth, it requires a high level of technical capability, extremely detailed construction plans, and robust risk management. Since 2021, three shield tunnel boring machines have been in operation and the project is reaching its culmination. Nishimatsu Construction has won high praise from the client for maintaining a record of zero accidents and zero disasters since breaking ground in December 2017. As corporate initiatives for achieving a sustainable society garner attention in recent years, high expectations are being placed on us for our strong track record and technical capabilities cultivated to date. Our basic policy in progressing with construction on this and other projects are: increased work efficiency, innovation, and environmental preservation. Further infrastructure projects are planned in Singapore going forward, including a new subway line and water and sewage lines.



Perspective drawing using BIM

Nishimatsu Construction is committed to contributing to the country's development through our business, while also expanding overseas projects on the foundation of our abundant track record with tunnel construction.

## Strategies in Each Business Division

### Urban Development & Real Estate Business Division



#### Forming organic ties with the Construction Business, exercising our strengths through collaboration with partner companies in different industries, and entering new fields after establishing our business base

We will grow Group earnings by investing aggressively and evolving toward a circular reinvestment model based on our asset strategies that place priority on growth areas.

**Yoshiyuki Sawai**

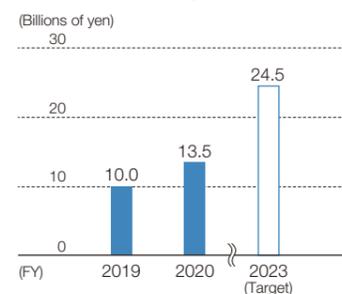
General Manager of Urban Development & Real Estate Business Division

#### Awareness of the Market and Nishimatsu Construction's Strengths

It is 10 years since Nishimatsu Construction founded our Urban Development and Real Estate Business in 2011, and we have delivered high-value added solutions in a one-stop approach through collaboration between the Group's civil engineering and building construction technology, and urban development and real estate expertise. By organically linking each of our construction, development and real estate, international, and environment and energy businesses, we are striving to increase Group earnings and grow into a company with overall capabilities. Additionally, by being involved with the entire real estate life cycle, starting with the planning and development stages, we have built up trusting relationships over the medium- to long-term with clients and regional communities.

While keeping a very discerning eye on the surrounding economic environment and real estate market environment going forward, Nishimatsu Construction aims to evolve toward a circular reinvestment model and plans to enter new areas. Urban Development and Real Estate Business earnings grew from ¥1.6 billion in fiscal 2018 to ¥3.4 billion in fiscal 2020. While continuing to intelligently invest operating resources in growth areas, we will strive to expand business by delivering new value.

#### Net sales (non-consolidated basis; Urban Development and Real Estate Business, etc.)



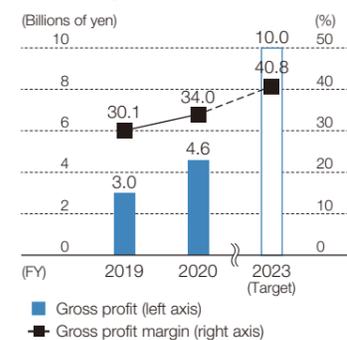
#### Looking Back Over Medium-Term Management Plan 2020

In Medium-Term Management Plan 2020, we placed priority on business areas with prospects for new growth and we proceeded to build the foundation of our business. One aspect of that included initiatives for the student dormitory business. These projects are packages provided by the Group, with Nishimatsu Construction handling everything from planning, development, design, and construction, as well as ownership and facility operation and management. Keio University's Shonan Fujisawa International Student Dormitory, completed in March 2021, is a project that comes on the heels of the Hiyoshi International Dormitory built for the same university. Going forward, we plan to steadily grow our business for in-house development and operation of residences such as these student dormitories, in addition to employee dormitories and senior citizen facilities.

Furthermore, the NCO Metro Kamiyacho Project was a joint project with Tokyo Metro Co., Ltd., with whom we developed an office building that is user friendly for residents, directly connected to the subway station, and designed with barrier-free (wheelchair accessibility) features. Development included adding elevators and escalators to the concourse in Kamiyacho station in the Nakameguro-bound direction, and many people use the facility in safety and comfort.

At present, we have also started the Hotel JAL City

#### Gross profit/gross profit margin (non-consolidated basis; Urban Development and Real Estate Business, etc.)



Toyama Project, which is in the sightseeing and leisure category. We are leveraging our expertise from the planning and design stages and building the structure from a long-term perspective, while entrusting management of the hotel to Hotel Okura Co., Ltd., which has a broad network inside and outside Japan. By doing so, we aim to deliver a facility that will be favored by guests over many decades. At these buildings we developed, we are adopting a variety of environmental design technologies and strengthening coordination with the Construction Business to foster these technologies.

In terms of performance, thanks to Toranomon Hills Business Tower coming fully online in fiscal 2020, the final year of the medium-term management plan, we increased operating income by a wide margin. Additionally, with Medium-Term Management Plan 2020 positioned as a foundational phase for our business, we see in reflection that it was a strong three years for development investment.

#### Initiatives and Strategies for Nishimatsu-Vision 2027

The period, from fiscal 2021, of the new medium-term management plan will be three years for the Urban Development & Real Estate Business Division to shift into a higher gear in order for us to transform into a company with overall capabilities. Continuing on from the previous medium-term man-

agement plan, we expect to invest a net amount of ¥51.0 billion over three years in five priority asset areas.\* On our investment committee, which includes outside experts, we will rigorously and fairly verify project suitability and returns, and reap stable earnings from stock assets, while improving asset efficiency. In fiscal 2021, to maximize flow income at the same time, we will establish an asset management company, followed by plans to organize and set up a privately offered fund and private REIT in fiscal 2022. Going forward, we will use the REIT to keep assets liquid while engaging in selling at the opportune time, accelerating the speed of capital recovery, and evolving into a new circular reinvestment model. On top of this, we will allocate proceeds from sales toward reinvestment and channel this into building a stable portfolio. Furthermore, through organic connections with the International Division, we will work on the in-house development business—mainly in the Southeast Asia market where growth is expected—as we strive to increase Group earnings. Lastly, we will hit ¥9.0 billion in business earnings (up 165% versus fiscal 2020) in fiscal 2023 (the final year of the medium-term management plan) and will secure the path toward becoming a company with overall capabilities, as targeted in Nishimatsu-Vision 2027.

\*1. Working spaces (offices), 2. residences (dormitories, senior citizen facilities), 3. sightseeing and entertainment (hotels, halls), 4. Lifestyle support and healthcare (commercial facilities), 5. data centers, logistics facilities

## Shaping the FUTURE

### Participating as the executor in a public-private station-front redevelopment project Taking on the challenge of sustainable urban development

After the removal of a large-scale commercial facility in front of JR Sakata Station, there was a prominent cavity that remained in the middle of the site and the neighborhood was faced with the long-standing challenge of redevelopment and use of the land. Nishimatsu took part in a competition soliciting contractors and focused on the needs of the local community with a proposal emphasizing sustainability. This was our first project taken on from the position of the project executor (the contract-issuing party) in a statutory redevelopment project.

**Development background** In 2016, Nishimatsu Construction was selected as the contractor in a public competition held by Sakata City, Yamagata Prefecture. Through joint funding with the City, a local company was established (Hikari No Minato Co., Ltd.) as the project operator and the redevelopment process kicked off. Part of the facility opened in November 2020, while work is progressing toward a full opening in the summer of 2022, as we strive to support construction and revitalization in the area.

**Future Outlook** Taking on the role of overall coordinator of the redevelopment project, Nishimatsu Construction is working on both the physical and human relationship sides of the job, which include diligent discussions with government administrators and private contractors, as we listen to opinions and negotiate agreements. We assigned a dedicated project manager who is stationed in the area and shepherds the project alongside local participants as part of efforts to build trusting relation-

ships with the community. Since station-front redevelopment plans in this neighborhood have stalled twice in the past, expectations are quite high and local media magazines and newspapers have covered the progress in numerous reports. We bring Nishimatsu's accumulated experience and specialized knowledge of urban redevelopment projects and are striving to make the project an unqualified success through efforts that cover from formation of the business plan to procuring capital and support for formulating project plans by the parties that have acquired rights to floor space. Additionally, Nishimatsu employees have had opportunities to visit and make presentations at local schools—elementary, junior high, high schools, and universities. As Japan faces an era of declining population, we have deepened our awareness of the social significance of the revitalization of local economies and the value creation that comes from urban development. This was the first project that Nishimatsu took part in as the executor (contract issuer) with responsibility that exceeds that of a normal designated business agent. This responsibility includes



November 2020, early opening of the facility (partial)



View of the area as of January 2021

stewarding a valued asset of the local community and we would like to use this experience of passing on added value to future generations in our other redevelopment projects going forward.

## ■ Environment and Energy Business Management Division



### Using renewable energy business and infrastructure-related services as a pivot point for establishing “Nishimatsu X” in 2030

We changed the name of the division in fiscal 2021. Working toward achieving net zero CO<sub>2</sub> emissions in 2030, we are coordinating with other divisions and with partner companies in other industries as we push forward business initiatives to contribute to the natural environment and lifestyle environment.

**Masakazu Hosokawa**

Division General Manager, Environment and Energy Business Management Division

### ■ Awareness of the Market and Nishimatsu Construction's Strengths

Until last fiscal year, our name was the New Businesses Management Division and we were engaged in creating business in energy, infrastructure, and other areas in which Nishimatsu's knowledge and experience could be applied. In fiscal 2021, we changed the name of the division to the Environment and Energy Business Management Division. Since the SDGs were chosen in 2015, there has been a stronger interest in initiatives for addressing climate issues through corporate business activities and the Japanese government made a declaration in 2020 to become carbon neutral in 2050 (to reach zero emissions overall of GHGs by the year 2050). This has heightened expectations and demands from society for stronger environmental initiatives. Within this context, Nishimatsu Construction has made a commitment to being an Eco-First Company and reach net zero CO<sub>2</sub> emissions by 2030. Consequently, we have launched full-fledged projects to contribute to the natural environment and lifestyle environment, resting on the pillars of renewable energy and energy-saving initiatives. We are taking the three-pronged approach of: contributing to the environment, securing business profitability, and pursuing multifaceted co-creation with external organizations and other business divisions as we aim, by fiscal

2030, to establish “Nishimatsu X”—a new area of strength focusing on new business domains.

### ■ Looking Back Over Medium-Term Management Plan 2020

During Medium-Term Management Plan 2020, we kicked things off with small-scale hydroelectric generation projects in the renewable energy business. In addition to efforts to collaborate with partner companies in other industries and commercialize two current projects, we have started with biomass power generation and a PPA (Power Purchasing Agreement), which is a model that uses third-party ownership of photovoltaic power generation. Collaborations with other companies and other business divisions, such as those in the construction business, are essential for developing the renewable energy business. Going forward, our policy is to further strengthen multidimensional collaboration. In the energy-saving business, we have accelerated initiatives, such as jointly developing vanadium redox flow batteries (VRFB) with a start-up company and investing ¥300 million in the same company. VRFB will help enable stable supply of power generated through renewable energy and R&D is making progress in order to shrink their size, boost their storage efficiency, and lower their cost by about 2023. Additionally, in fiscal 2020, we received an order for Nishimatsu Con-

### Performance plan

	FY2023
Net sales	1.5 billion yen
Gross profit	0.5 billion yen
Business earnings*	0.1 billion yen
Cumulative investment	8.5 billion yen

\* Business earnings = operating income + non-operating income

struction to act as the representative company in a PFI project for installing new facilities at the Chuo Funeral Hall in Kurashiki City. Although the Division was only just getting off the ground during the Medium-Term Management Plan 2020, we will devote further energy to renewable energy projects and infrastructure-related projects, and also aim for them to produce earnings, during the next medium-term management plan.

### ■ Initiatives and Strategies for Nishimatsu-Vision 2027

We plan to carry out the following three steps in order to create our new area of strength—Nishimatsu X—and to increase the value we deliver to stakeholders. First, we will focus on small-scale hydroelectric generation, PPA, and biomass power generation, and strive for early success in the renewable energy business. Second, following storage batteries in the energy-saving business, we will set our sights on artificial photosynthesis, CO<sub>2</sub> capturing technology, and catalyst technology as we launch a review of the

business model. Third, in the urban development and smart city business, we will leverage the close relationships that other business divisions have built up with regions and municipalities in land readjustment projects and redevelopment projects and aim to deliver an array of services to promote smart cities, such as microgrids (dispersed energy systems) and EMS (energy management systems). Our target here is to create win-win situations for Nishimatsu Construction and local regions and municipalities. Furthermore, we will work toward nationwide roll out of PPP/PFI projects, which are showing a growth trajectory, and we will expand and enhance our stock business as we would like to achieve ¥1.5 billion in net sales and ¥500 million in gross profit in fiscal 2023. Through such initiatives, we will steadily build the foundation of this business and strive for it to contribute to further growth for Nishimatsu Construction by fiscal 2027—the target year for our long-term vision.

## Shaping the FUTURE

### Broadly reducing the burden of inspection and management tasks

#### A cloud-based slope monitoring system in an environment of labor shortages

We are putting effort into business that utilizes ICT and new technology to make next-generation smart cities a reality. Leveraging the ties we have built to date with regions, we will assist with urban development that is resistant to disasters, and also achieve greater work efficiency in this time of a shrinking population.

**Development background** The necessity for inspecting and monitoring infrastructure situated near sloped surfaces has grown due to infrastructure deterioration as well as more frequent landslides in recent years. In terms of costs however, it is difficult to place multiple sensors using conventional technology and visual, in-person inspections are required in some cases, yet this creates the problem of excessive work from making rounds to patrol these areas. With fewer inspection technicians available, we must quickly make efficiency gains for infrastructure maintenance and management tasks.

**Future Outlook** We developed OKIPPA104, a cloud-based slope monitoring system that is cheap, simple, and able to address this problem. The system is a small sensor box that uses LPWA\* and the IoT. By just placing the box on the slope that needs to be monitored, users can begin taking measurements without any independent base station, relay device, power supply line, or transmission line. With a two-year internal battery (when transmitting once an

hour), the total cost of the device is kept to one half that of conventional devices and greatly increases the number of possible monitoring and measurement instances. Measurement data can be constantly tracked on a PC or smartphone and this approach vastly decreases the labor required for inspections. Since launching OKIPPA104 in May 2018, it has been adopted by the Ministry of Land, Infrastructure, Transport and Tourism and various local municipalities, with approximately 600 devices in operation as of March 2021. This approach helps further drive our push to evolve from physical to electronic solutions. Going forward, the Environment and Energy Business Management Division will continue to provide renewable energy solutions and infrastructure-related services in order to fulfill our corporate philosophy of helping establish a sustainable society and environment where people can live with peace of mind.

\* Low Power Wide Area: a wireless communication network that uses low power but has a wide area



OKIPPA104 device



OKIPPA104 installed on site

# Overseas Activities

## Hong Kong



For Architectural Services Department (ASD) Contract No. SS G503 – Re-provisioning of Fu Shan Public Mortuary at Sha Tin, the driven H-piling works were completed in mid-June 2020 and immediately followed by pile cap construction, underground drainage and substructure works. The superstructure works started in late October 2020 and are in progress. Internal ABWF and E&M installation commenced



Overall View of Fu Shan Public Mortuary site

in February 2021 and March 2021 respectively. External works, including retaining walls, underground drainage works and flexible barriers are ongoing.

For Hong Kong Housing Authority (HKHA) Contract No. 20170097 – Construction of District Open Space (DOS) adjoining San Po Kong Public Housing Development, the works were substantially completed by end of March 2021.



Aerial View of San Po Kong DOS site

Currently, minor outstanding works and defect rectification works are in progress.

Apart from instructed additional works, MTR Corporation Limited has awarded two minor works contracts to us, which will be completed within 2021. MTR is going to start tendering for two railway extension projects in 2nd or 3rd quarter of 2021, including Tuen Mun Line Extension and Tung Chung Line Extension. The latter project will comprise mainly two civil works contracts, i.e. Tung Chung East Station and Tung Chung West Station, which are our large-scaled target contracts.

In 2021, Hong Kong International Airport Three-Runway System, TKO Lam Tin Tunnel and Central Kowloon Route projects are still under construction and Lam Tin Tunnel project is targeted to open in 2022. However, no mega government infrastructure projects will be proposed within this financial year, except Relocation of Sha Tin Sewage Treatment Works to Caverns, Development of Lok Ma Chau Loop, West New Territories Landfill Extension and New Acute Hospital at Kai Tak Development Area.

From middle of 2020, the political environment in Hong Kong has been changed due to the introduction of national security laws. As a result, the social events had been pressed down and law and order situation has reverted to normal. Besides, the Legislative Council is now running smoothly for funding approval for infrastructure projects and more government tenders are being issued but strong competition among contractors still exists.

Owing to the pandemic outbreak of COVID-19 over the world, the Hong Kong living environments have worsened since the government imposed more stringent measures to control the spreading of such disease, including restriction to arrivals of people to Hong Kong, quarantining potentially infected people for 21 days and restriction to or suspending certain businesses in operation. Fortunately, only several construction sites had been suspended for working due to some infected workers, but all workers are required to take and pass virus testing regularly before they are allowed to enter the sites.

## Thailand and Laos



In 2020, Thailand, Laos, and other ASEAN countries were severely impacted by the COVID-19 pandemic as same as other parts of the world. Even though the Southeast Asian countries were successful in suppressing the outbreak in the first half of 2020, the pandemic has already dealt fatal damages to the countries' economies. The World Bank predicted that the Thai economy would shrink by 6.5 percent in 2020. There might be differences in the level of impact, but every economic sector was affected by the COVID-19. As the private sector's investment had decreased by 4.4 percent in the past year, the construction sector, including our subsidiary, Thai Nishimatsu Construction, also received indirect shock to the business operation.

Under this hardship, Thai Nishimatsu Construction Co., Ltd. was able to complete several projects and successfully receive quite a few new orders. The new contracts include both projects from the existing client, as Pinthong 5 projects, and brand-new clients, as All New Complex 2 projects. Both mentioned projects are orders that we received from Thai companies, and they are a result of our effort to expand our target client from solely Japanese businesses into a larger market, including local and other foreign companies.

Moving into 2021, both Thailand and Laos are suffering

from rises of the second and the third wave of the virus, which stamped the recovering economies. As a result, the Bank of Thailand has cut down its projected 2021 GDP growth to merely 1.8 percent. The returning outbreak also slowed down investment plans of both local, Japanese, and other foreign businesses and intensify competition in the construction sector. In this highly competitive environment, we are still able to win a new BK6 project. On the other hand, demand for maintenance and/or expansion project is still strong, if not stronger, under the situation that new construction might sound not so financially realistic. As our company has been well-known for a superb maintenance service, we were able to receive countless orders from our business partners, which highly contributed to our profit in this hard time. Fortunately, we can now see a light at the end of the tunnel. Thailand has begun a mass vaccination project in June, which will hopefully reduce the amount of infected people. The country also set a goal to reopen its borders to fully vaccinated travelers by October. If both go smoothly, we can expect that the economy will return to its usual state by the end of 2021 or early 2022.

Hit by the pandemic, it is clear that passive-income businesses, including maintenance and real estate business, is highly important to sustain a stable profit. Thus, we are now more eager than ever to expand our business into other fields. Currently, we are cooperating seamlessly with Urban Development & Real Estate Business Division to develop high-rise properties and invest in hotels in Thailand.

Regarding Lao Nishimatsu Construction, the investment there is also slowing due to the COVID-19 and led to zero new projects in the second half of 2020 and the first half of

2021. Still, Pakse-Japan SME SEZ Development Co., Ltd. (PJSEZ), another Nishimatsu Construction's business in Laos, is working day and night to fully support investment in Laos and assist revitalization of the Lao regional economy.

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



Singapore



The Building and Construction Authority (BCA) of Singapore reported in January 2021 a projected construction demand in 2021 ranging between S\$23 billion to S\$28 billion. This is compared to the approximate of S\$21 billion awarded in 2020. There was a 36% drop in construction demand in 2020 compared to 2019 due to the impact of COVID-19 pandemic which is still felt. The 2021 projected demand will still depend on the ever changing face of the global pandemic. Public sector construction demand is expected to contribute to 65% of the total demand in 2021.

Land Transport Authority (LTA) T228, the Construction of Gardens by the Bay station and tunnels for Thomson Line was awarded on 25 July 2014 to Nishimatsu in joint venture with Messrs Bachy Soletanche Singapore Pte Ltd. The key milestones for T228 of basic structure completion of the bored tunnels on 30 July 2018, and station and entrances on 30 September 2018 were all achieved on time. This project also achieved 6.2 million accident free manhours to date. T228 is currently proceeding with architectural works and on schedule for contract completion date in July 2021

despite the challenges encountered during the pandemic. LTA C882, the Construction of Keppel station and tunnels for Circle Line 6 was awarded on 8 September 2017 to Nishimatsu in joint venture with Messrs China State Construction Engineering Corporation Limited. Works have progressed well on this project with the three tunnel drives completed and the fourth and final tunnel drive expected to be completed within July 2021, ahead of schedule. C882 has also come in finalists of LTA's Annual Safety Awards for three consecutive years.

ed. This challenge is faced globally and Nishimatsu Singapore will continue to work to fulfill its contractual obligations for all the contracts whilst pursuing new opportunities in the upcoming LTA Cross Island Line Phase 1 and Cross Island Punggol Extension where tenders were called progressively since August 2019. Nishimatsu will also continue building up its core professional and supervisory teams to embrace new challenges.



Public Utilities Board (PUB) T10 Contract for the Design and Construction of sewer tunnels for the Deep Tunnel Sewerage System Phase 2 was awarded on 17 November 2017 to Nishimatsu. The first tunnel drive was completed in May 2021 with the other two TBMs launched in December 2020 and January 2021 respectively. T10 also achieved International Safety Award for ROSPA Silver Award in 2021. Nishimatsu Singapore is currently facing challenges due to COVID-19 with travel restrictions and supply chain affect-



Vietnam



The year 2020 was a challenging year of historic proportions. It was a year in which the Vietnamese government and citizens had to rally together to fight the unprecedented threat posed by the global spread of COVID-19. One could argue that the admirable crisis management capabilities of government leaders and the untiring effort of each and every citizen succeeded and, compared with some other countries, achieved suppression of infections while supporting economic growth.

owned local subsidiary called Nishimatsu Vietnam Co., Ltd. The creation of this subsidiary has enabled us to respond more quickly to customer needs.

aggressively expand sales activities and receive more orders for new factory construction for Japanese companies entering Vietnam. In addition to preparatory works for industrial parks and infrastructure construction, we will also explore possibilities in new areas, such as maintenance work, renovation, commercial facility construction projects and collaborative efforts in real estate development projects. In doing so, we aim to cultivate even more customers.

In addition, as Nishimatsu Construction intends to energetically engage in the overseas Urban Development and Real Estate businesses with a focus on Southeast Asian countries, it regards Vietnam as an important market. Nishimatsu Real Estate & Development (Asia) Pte. Ltd., an investment management company established in Singapore in 2018, is actively conducting market research and studies in Vietnam. We will use these activities as a base for expanding our existing capabilities from the construction of industrial facilities to encompass the construction of commercial and residential facilities. By establishing comprehensive construction technologies, we intend to contribute to the economic development of Vietnam over the long term.

Vietnam recorded 2.91% economic growth in 2020. With many other countries posting negative economic growth, this was a very notable achievement. Recording growth over the previous year, despite COVID-19, should lead to even more confidence in the stable strength of Vietnam in the eyes of the world.

This fiscal year, in northern Vietnam, we completed the Land Grading Works and Infrastructure Works – Phase 2 and 3 Project for Thang Long Industrial Park (Vinh Phuc) Corporation and a factory project for Yamamoto Metal Precision Vietnam Co., Ltd.

At the same time, the overseas development assistance (ODA) construction market remains promising as bids for infrastructure construction such as urban railways including underground tunnels, water treatment facilities, etc. are scheduled under the Japanese government's ODA.

After taking office as prime minister of Japan in October 2020, the first foreign country Yoshihide Suga chose to visit was Vietnam. This was very symbolic of how extremely important Vietnam is as a partner to Japan and the choice helped to further deepen the amicable relationship between our two countries. Needless to say, the interest of Japanese companies in Vietnam is expected to remain at a high level.

Currently, also in northern Vietnam, we are working on a factory project for Kowa General Foods (Vietnam) Company, Ltd., a factory project for Crystal-Optech Vietnam Co., Ltd., a factory extension for RODAX Vietnam Co., Ltd., as well as many other projects across Vietnam where Japanese-owned companies are repairing and augmenting their existing facilities.

With many more Japanese companies expected to open factories in Vietnam, Nishimatsu Construction is committed to seizing these business opportunities and solidifying its position as a company with a local presence. Hence, we are leveraging the expertise we have accumulated to date in building factories, as well as human capital and all other resources, while also making maximum use of the rapid responsiveness of Nishimatsu Vietnam Co., Ltd. to make timely proposals that meet customer needs and deliver services that gain their satisfaction. This will enable us to



# Environmental Initiatives

## A New Stage for Nishimatsu Construction's Environmental Management

Nishimatsu Construction implements environmental management in order to leave a healthy global environment for the next generation. In 2016, we were certified as an Eco-First Company by the Minister of the Environment, and in response, we have striven to engage in efforts befitting an advanced company in environmental management which contributes to the prevention of global warming, the building of a recycling-oriented society, and the preservation of biodiversity. Of particular note, we achieved one of our Eco-First Commitment goals two years ahead of schedule (in 2018), that of reducing CO<sub>2</sub> emission intensity from construction projects by 50% by fiscal 2020 compared with fiscal 1990. In 2019, we set forth an ambitious long-term vision to achieve net zero CO<sub>2</sub> emissions from all business activities by 2030, formulating the Zero 30 Road Map 2021 last year and starting full-fledged carbon-free activities this fiscal year. Under the keyword of "decarbonization," Nishimatsu Construction's environmental management is entering a new stage of proactively participating in environmental preservation.

### Major Initiatives to Date

- 2015**
  - Formulated Medium-Term Management Plan 2017 (accelerated efforts to become an advanced company in environmental management)
- 2016**
  - Certified as an Eco-First Company by the Minister of the Environment
  - Eco Test Awards 2016, received the Environmental Society Certification Test Promoter Award (No. 1 in total number of successful applicants)
- 2017**
  - Recognition for Promotion of the 3Rs, received the Minister of Land, Infrastructure, Transport and Tourism Award
  - Achieved a 100% electronic manifest usage rate at the Company's construction sites (a first for a general contractor)
- 2018**
  - Participated in the Japan Climate Initiative as a founding member
  - Recognized as an official supporter of the International Year of the Reef 2018 by the Minister of the Environment
  - Signed an industry-academia cooperation agreement with the Tamagawa Academy (K-12) and the University for preservation of the marine ecosystem
- 2019**
  - Renewed the Eco-First Commitment to the Minister of the Environment, with the aim of achieving net zero CO<sub>2</sub> emissions by fiscal 2030
  - Ranked first among general contractors in the Nikkei Environmental Management Survey
- 2020**
  - "A-" certification for climate change by CDP
  - Received the Minister of the Environment's Climate Change Action Award

### Global Warming Prevention

#### Zero 30 Road Map 2021:<sup>1</sup> Achieving Net Zero CO<sub>2</sub> Emissions

Dubbing our plan to achieve net zero CO<sub>2</sub> emissions by fiscal 2030 "Zero 30," we formulated the Zero 30 Road Map 2021 as a set of specific measures for reaching that goal.

Achievement involves four main points. First, 1. Continue and strengthen environmental measures concerning decarbonization. 2. Switch to renewable energy for the power used in business activities (with a plan to have switched to 60% renewable energy by fiscal 2030). 3. Advance the development of technologies which contribute to decarbonization and promptly incorporate both internal and external decarbonization technologies into business activities.

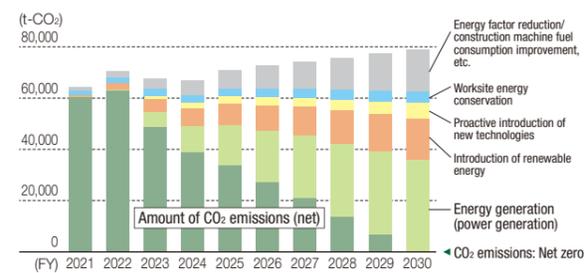
And, with regard to CO<sub>2</sub> emitted in spite of the implementation of measures 1. through 3. above, 4. Via energy generation (power generation business) under the Environment and Energy Division, generate renewable energy in proportion to the amount of CO<sub>2</sub> emitted; the amount of CO<sub>2</sub> reduction received by society as a whole will be deemed an environmental contribution (CO<sub>2</sub> reduction) and thus offset the generated CO<sub>2</sub>. This is our thinking behind Zero 30.

To start, we are positioning the achievement of Zero 30 Road Map 2021 as a top priority issue and will be promoting decarbonization in our business activities. Ultimately, we aim to achieve carbon neutrality (zero actual CO<sub>2</sub> emissions) by 2050.

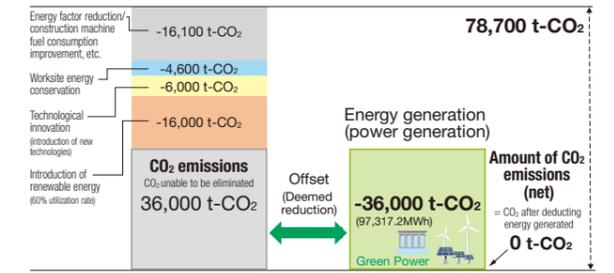
Major measures		FY	2020	2023	2027	2030	Notes
		Expected amount	Approx. ¥330.0 billion	Approx. ¥360.0 billion	Approx. ¥400.0 billion	Approx. ¥430.0 billion	
Introduction of renewable energy	Reduction of CO <sub>2</sub> emissions through renewable energy		-120 t-CO <sub>2</sub>	-5,300 t-CO <sub>2</sub>	-11,500 t-CO <sub>2</sub>	-16,000 t-CO <sub>2</sub>	
	Implementation rate in construction activities		0%	20%	43%	60%	Switch to 60% renewable energy for construction power by 2030.
	Implementation rate in office and other non-construction activities		11%	25%	45%	60%	
Worksite environmental measures (energy conservation)	Reduction of CO <sub>2</sub> emissions through energy conservation		-1,400 t-CO <sub>2</sub>	-2,700 t-CO <sub>2</sub>	-3,800 t-CO <sub>2</sub>	-4,600 t-CO <sub>2</sub>	
	Introduction of diesel fuel combustion improvers		23%	60%	85%	100%	Add diesel fuel combustion improvers, expected to improve construction machine fuel consumption by approximately 10%, to all diesel fuel by 2030.
	Use of biodiesel fuel		190,000 ℓ	210,000 ℓ	240,000 ℓ	260,000 ℓ	
	No. of sites using N-TEMS <sup>2</sup>		3	4	5	5	Use the Nishimatsu Tunnel Energy Management System at five mountain tunneling worksites by 2030.
Reduction of CO <sub>2</sub> through technological innovation			0t-CO <sub>2</sub>	-1,000 t-CO <sub>2</sub>	-3,000 t-CO <sub>2</sub>	-6,000 t-CO <sub>2</sub>	Develop, introduce, and apply new technologies which contribute to CO <sub>2</sub> reductions in construction and other activities.
CO <sub>2</sub> emissions			Approx. 60,000 t-CO <sub>2</sub>	Approx. 54,000 t-CO <sub>2</sub>	Approx. 45,000 t-CO <sub>2</sub>	Approx. 36,000 t-CO <sub>2</sub>	
Amount of energy generated for net zero CO <sub>2</sub> emissions			0 MWh	Approx. 13,000 MWh	Approx. 61,000 MWh	Approx. 97,000 MWh	Develop renewable energy sale business under Environment and Energy Business Management Division. Consider the amount of CO <sub>2</sub> emissions reduced for society overall as CO <sub>2</sub> reductions.
Amount of CO <sub>2</sub> emissions (net)			Approx. 60,000 t-CO <sub>2</sub>	Approx. 49,000 t-CO <sub>2</sub>	Approx. 21,000 t-CO <sub>2</sub>	0 t-CO <sub>2</sub>	

1. Zero 30 Road Map 2021 concerns CO<sub>2</sub> emissions from our domestic Construction Business as well as office operations, etc. Zero 30 plans are currently being formulated for our Urban Development and Real Estate Business, international businesses, and Group companies.  
 2. N-TEMS: Nishimatsu Tunnel Energy Management System. A system for keeping contra-rotating ventilation fans and dust collectors in an appropriate and efficient state in response to the air environment during mountain tunnel excavation, N-TEMS makes it possible to significantly conserve the amount of energy used in ventilation, a process which normally uses large amounts of energy during tunnel construction, contributing to the reduction of CO<sub>2</sub> emissions from construction.

### Estimated Annual CO<sub>2</sub> Emissions



### Goal Image (2030)



### Participation in International Initiatives

We have been encouraged to participate in a variety of international initiatives concerning the establishment of climate change targets, information disclosure, and activities. Participation in such initiatives is easy to understand and appealing to stakeholders, and, at the same time, makes it possible to confirm whether our activities align with international standards. Accordingly, we perceive said participation as important. Since 2018, we have responded to such a request for participation by CDP, and last year CDP evaluated us with an "A-," their second highest

score after "A." In fiscal 2021, based on our Zero 30 Road Map, we are aiming to participate in SBT and RE100, and will also be disclosing financial information related to climate change in accordance with the TCFD.

Participation (response) fiscal year	Participation (response) fiscal year
SBT	Planned for fiscal 2021
RE100	Planned for fiscal 2021
CDP	Since fiscal 2018
TCFD	Fiscal 2021

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

### Building a Recycling-Oriented Society and Preventing Global Warming

In collaboration with the laboratories of Koji Takasu and Hiroki Suyama at the University of Kitakyushu, the laboratory of Hiroki Goda at the Kyushu Institute of Technology, Nippon Eirich Co., Ltd., and Kureha Corporation, we have developed a proprietary flotation device capable of taking the combustion ash from power generation that is produced as industrial waste and, through the removal of unburned carbon and granularity adjustment, converting it into high-grade ash. We were then able to use large quantities of the converted combustion ash to make cement-free geopolymer concrete secondary products.

This technology makes it possible to promote resource recycling through the proactive use of industrial waste and, at the same time, makes it possible to reduce the amount of CO<sub>2</sub> emitted by 50% in comparison with conventional concrete products, contributing to the curtailing

of climate change in the field of construction materials. This technology received the 2020 Minister of the Environment's Climate Change Action Award (sponsored by the Minister of the Environment) in the Development and Commercialization Category (Mitigation Field).



Geopolymer blocks



### Biodiversity Preservation

In the building of a retention basin dam in an area dotted with egg-laying sites for a rare animal species (the Japanese common toad), our Hamamatsu Tenryu Public Works Office (site preparation, road construction), West Japan Regional Headquarters is avoiding planning or engaging in major construction (bank excavation) during the egg-laying and development period from February to May. In addition, the office has created an artificial egg-laying pond (biotope) which is similar to natural sites in the area in order to watch over the frogs from egg-laying to growth and maturity.

At a temporary pier, attention was given to the effect on a stream which is a habitat for rare wild animals, and a

pre-girder bridge made with light and strong beam girders was used, reducing the number of piles needed. When the bridge girders were installed, lateral yarding construction was utilized, eliminating the need to create a temporary assembly base in the stream.

In 2020 and 2021, Japanese common toads were confirmed to be laying eggs and developing in the area. In addition, the eggs of Japanese brown frogs, which had not been found in surveys the last several years, were confirmed, with experts praising our environmentally-conscious construction.



Japanese common toad egg-laying

Please see our website for details. <https://www.nishimatsu.co.jp/csr/environment/>

# Initiatives for Society

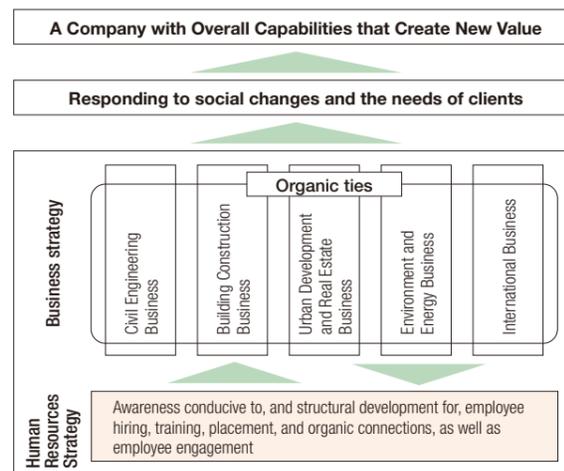
## Strategic initiatives related to Nishimatsu Group human resources

In addition to the construction business, Nishimatsu Construction is currently channeling effort into the urban development and real estate business, and the environment and energy business. By linking these organically, we are aiming for further growth. In order to respond to a social environment that is radically changing day by day, and to address client needs that are diversifying, we established a Human Resources Strategy Unit headed by the Company president. Under a consistent, Group-wide personnel strategy, we will strive to hire, train, and place personnel who have a broad perspective, as we also build a workplace environment that allows them to maximally exercise their capabilities. On top of this, we will improve employee engagement and boost our competitiveness by creating new value.

## Establishing the Human Resources Strategy Unit

We believe that one of the keys to achieving Medium-Term Management Plan 2023 and Nishimatsu-Vision 2027 is to foster an organization and personnel able to transform us into a company with overall capabilities that create new value. In April 2021, we established the Human Resources Strategy Unit, headed by the Company president, in order to take a wide, macro view of business strategies in each of our divisions and pursue faster management of measures related to our organization and personnel.

With the inauguration of this new department, we will further deepen ties between our business strategies and personnel strategies and build a personnel management system that focuses on hiring, training, and placement as part of efforts to achieve our business strategies. At the same time, we will proceed to improve employee engagement and create a structure that boosts awareness in a way that facilitates organic links between our businesses.



## Philosophy on Hiring Personnel

As changes in the external environment become more drastic, there is an increasing importance to having employees who can think and act independently. Consequently, at Nishimatsu Construction we believe that it is essential to gather employees with diverse values and skills

that feel the joy of craftsmanship and share the spirit of the hands-on capabilities that are our forte. Going forward, we will continue hiring a wide range of employees with non-homogeneous skills and expertise, regardless of whether the employees are new graduates or mid-career hires.

## Philosophy on Personnel Development

In order to attain sustainable growth, we are working toward achieving Nishimatsu-Vision 2027 and aim to foster employees with advanced technical capabilities, broad perspectives, and the ability to precisely respond to social changes. Going forward, we will continue the regular lec-

tures that we have been offering, primarily at Nishimatsu Employees' University, since fiscal 2019 and will proactively provide opportunities for employees to study on their own and acquire human competency, specialized skills, and foundational knowledge.

## Philosophy on Placing Personnel

In order to support sustainable corporate growth, it is necessary to assign responsibilities that draw out the full talents of employees as we achieve optimal employee placement from an overall perspective conducive to career development for our staff. For us to succeed at the overall optimal placement of personnel at Nishimatsu Construc-

tion, we strive for placement beyond organizational borders.

Furthermore, we are promoting systematized personnel data and centralized management while striving to achieve the dual goals of optimal overall employee placement and employee career development.

## Progress of the Nishimatsu Employees' University

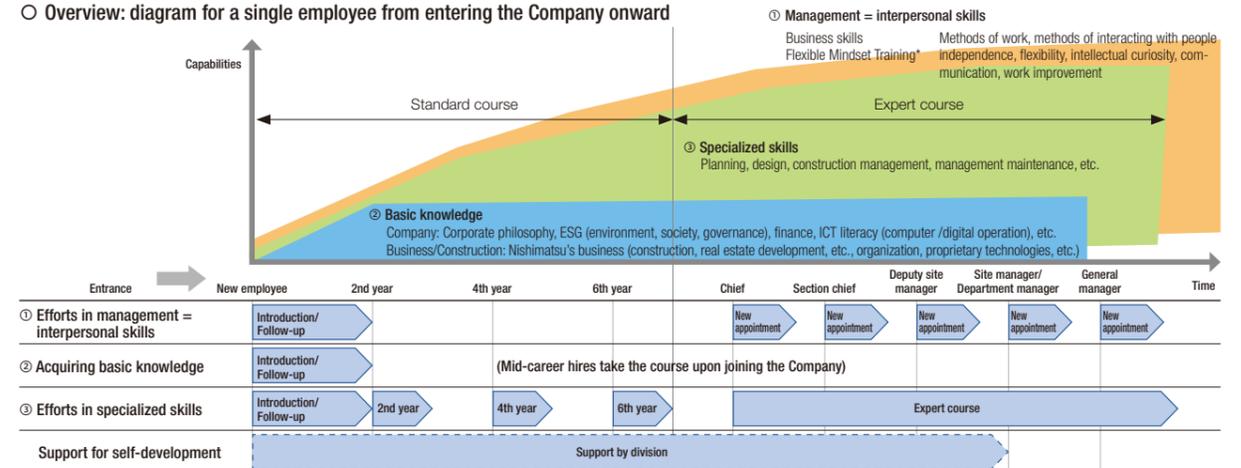
Our personnel development system that supports the growth of employees is called Nishimatsu Employee University. Following the fiscal 2019 Flexible Mindset Training, in fiscal 2020, we incorporated the conventional training content from the Civil Engineering and Building Divisions and began offering seminars to those divisions before other divisions. We also opened a dedicated training portal site that organizes into an easily viewable format information such as our Group-wide training system, our ideals for human resources, as well as essential e-learning, training seminar schedules, and the like. In fiscal 2021, we plan to offer specialized skills training for young employees in each division and to have standard courses available to all divisions, which will allow us to move quickly in training young employees in our various internal divisions. At the

same time, it will allow us to establish a system for improving specialized skills and raising the base level of professional capacities. Going forward, we will work to put in place and enhance curricula, while boosting employees' skills and added value. Through these efforts, we will endeavor to foster human resources able to return value to the Company and to society.



Participants in the Flexible Mindset Training giving an online presentation of their proposal to directors

## Overview: diagram for a single employee from entering the Company onward



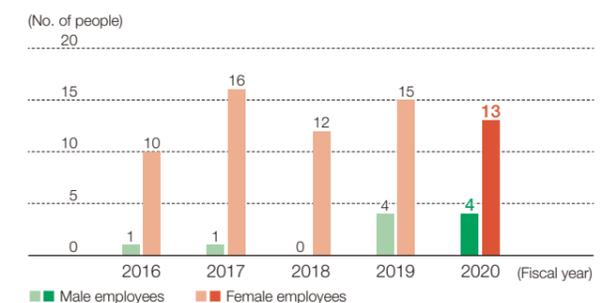
\*Flexible mindset training: Course taken once within fiscal 2019 – fiscal 2021, and incorporated into business skills from fiscal 2022

## Promoting diversity and the active participation of female workers

In creating the new value outlined in Nishimatsu-Vision 2027, we must recruit personnel who have varying backgrounds and who think of matters from diverse viewpoints, while we also must create workplaces that enable each of them to maximize their talents. Nishimatsu Construction has adopted a flextime system and an annual paid leave system available in hourly increments, and we have expanded and enhanced our work-life balance system allowing employees to engage in both work and childrearing. Similarly, we are striving to reduce total work hours and are moving forward with initiatives to create workplaces conducive to flexible work styles, all in addition to efforts to promote the usage of these systems by employees. As a result, the seniority of female workers in career track positions has been steadily improving and we welcomed new female managers in fiscal 2021. Initiatives to promote diversity and accommodate various work styles are gradually bearing fruit.

Going forward, we will continue to steadily hire female workers for career track positions and proactively promote them to management-level positions, while fostering a sense of organizational unity through workplace development that enables mutual recognition of individuality among employees. As we do so, we aim to create a culture that can drive innovation.

## Employees using the childcare leave system



# Corporate Governance

## Initiatives to Strengthen Corporate Governance

Strengthening corporate governance is one of the highest priority management issues that we are tackling at Nishimatsu Construction. In fiscal 2016, we transitioned into a company with an Audit and Supervisory Committee and worked to ensure the efficacy of the oversight functions of the Board by bringing in Audit and Supervisory Committee members as part of the Board. In fiscal 2021, we increased the number of external directors (Audit and Supervisory Committee members) from three to four. With this, 4 of our 10 directors are now external directors. Furthermore, we will formulate a president successor plan and a plan to train the next generation of managers, which we will steadily begin implementing as we pursue initiatives to strengthen corporate governance to a yet higher level.

## Basic philosophy

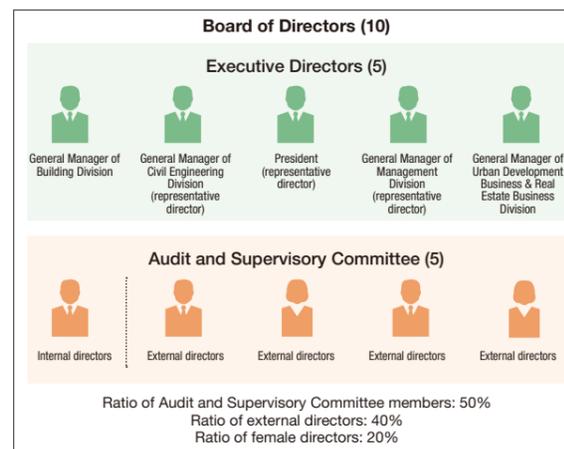
The basic policy of the Company is to improve its corporate governance and maintain good and stable relationships with its stakeholders over the long term, in order to achieve sustainable growth of the Company and increase its corporate value over the medium to long term.

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

## Composition of the Board of Directors and Audit and Supervisory Committee

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

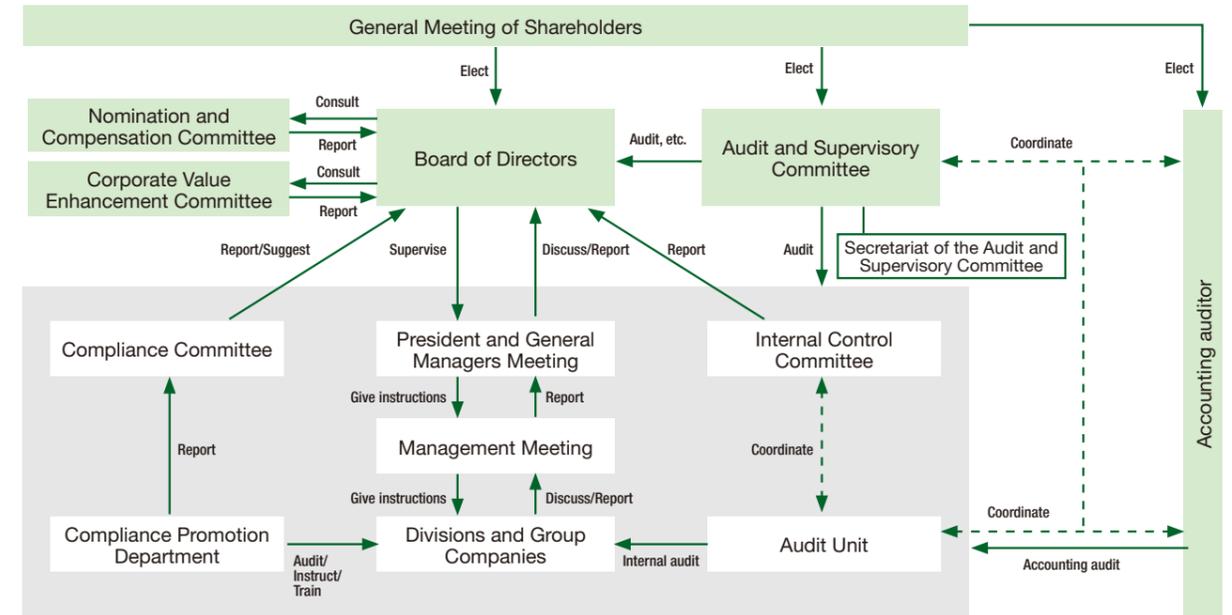
The ratio of external directors on the Board of Directors is 40%. Going forward, we will continue verifying the skill sets of those on the Board of Directors and will work to improve the efficacy of the Board.



## Changes to Corporate Governance

	through FY2015	through FY2018	through FY2020	FY2021 and beyond
Organization design	June 2009 Established the Nominating Committee and Compensation Committee as voluntary advisory bodies	June 2016 Transitioned to a company with an Audit and Supervisory Committee	March 2021 Established the Corporate Value Enhancement Committee	June 2021 Integrated the Nominating Committee and Compensation Committee into one Nominating and Compensation Committee
Composition of the Board of Directors	June 2009 External directors: 2	June 2016 External directors (Audit and Supervisory Committee members): 3	June 2020 Ratio of external directors: 33%	June 2021 External directors (Audit and Supervisory Committee members): 4 Ratio of external directors: 40%
Strengthen business execution system			July 2019 Established President and General Managers Meeting	July 2021 Established Investment Committee
Added an incentive scheme for directors			January 2020 Formulated a performance-linked equity compensation system	June 2021 Adopted a performance-linked equity compensation system
Formulated and implemented a president successor plan			FY2020 Made considerations for a president successor plan and formulated a plan to train the next generation of managers	FY2021 and beyond Formulate and implement a president succession plan
Reduction of Cross-shareholdings	November 2015 Formulated an approach to holding and reviewing cross-shareholdings	November 2018 Formulated an approach to reducing cross-shareholdings		

## Corporate Governance System



## Implementation Status of Each Principle of the Corporate Governance Code

Nishimatsu Construction is implementing all of the principles of the Corporate Governance Code as articulated before the Code's June 2021 revision.

With regard to the post-revision principles of the Corporate Governance Code, there are some items that Nishi-

matsu Construction has not yet implemented; however, at present, we are proceeding to consider how to implement them and plan to disclose the information in our December 2021 Corporate Governance Report.

## Analysis and evaluation of the effectiveness of the Board of Directors

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

We conducted the fiscal 2020 analysis and evaluation from February 2021 to April of the same year. An overview of the evaluation process, evaluation results, and initiatives going forward is given below.

### Evaluation process

Led by the Audit and Supervisory Committee, all directors were given a survey with eight categories of questions covering: the composition and operation of the Board of Directors, supervision of the Board of Directors' execution of duties, compliance and internal control, the director compensation scheme, medium-term and long-term management plans, the Nomination and Compensation Com-

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

### Overview of evaluation results

In order to gather a diverse range of opinions from each director, the format followed last year's approach of using written responses for all parts of the Board of Directors Evaluation Questionnaires. As a result, compared to last year, we were able to collect more comments from each director recognizing certain issues. From the content of these comments, it was clear that the Board of Directors is an important decision-making body for providing the broad direction of corporate strategies and for formulating and achieving a concrete long-term vision and our medium-term management plans; however, from the results of

self-evaluations, it was clear that improving the true effectiveness of the Board will require further reforms of the Board of Directors and enhanced skills on the part of each director.

Taking these survey results into account, the Audit and Supervisory Committee made suggestions to the Board of Directors, informing them of the importance of the five issues noted below and emphasizing the need for on-going discussions throughout the year, in order to solve these issues.

- (1) Composition and operations of the Board of Directors

- (2) Internal control, risk management, compliance
- (3) Director compensation scheme
- (4) Long-term vision
- (5) Nomination Committee, Compensation Committee

**Initiatives Going Forward**

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

**Cross-shareholdings**

**Policy regarding reducing cross-shareholdings**

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

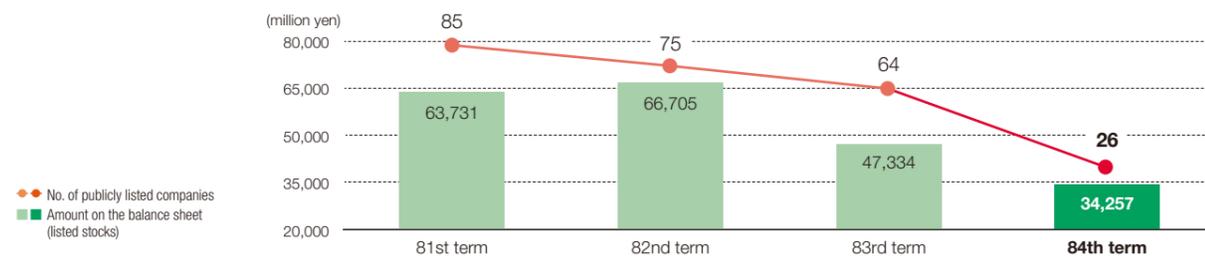
With regard to determining whether to hold specific cross-shareholdings, the Cross-Shareholdings Review Committee, which is comprised of those in charge of relat-

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

**Status of reduced cross-shareholdings**

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

Category	81st term (fiscal 2017)	82nd term (fiscal 2018)	83rd term (fiscal 2019)	84th term (fiscal 2020)
No. of companies	164	152	141	103
No. that are publicly listed	85	75	64	26
Total amount on the balance sheet (million yen)	67,843	70,632	51,261	38,383
Total amount of publicly listed stocks (million yen)	63,731	66,705	47,334	34,257



**Policy regarding the exercise of voting rights for cross-shareholdings**

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

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

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

**Board of Directors' skill set**

Position	Full name	Corporate management	Construction technology & quality	Urban development & real estate	Environment	Treasury, Accounting, Finance	Legal, governance, risk management, compliance	Global	Independence	Nomination and Compensation Committee	Corporate Value Enhancement Committee
Representative director	Nobutoshi Takase	●	●		●						
Representative director	Makoto Isshiki	●	●		●					●	
Representative director	Yuichi Kono	●				●	●				
Director	Yoshiyuki Sawai	●		●		●					
Director	Kazutoyo Hamada		●		●						
Director (Full-time Audit and Supervisory Committee member)	Hiroshi Yaguchi						●			●	
External director (Audit and Supervisory Committee member)	Koji Mino					●			●	●	●
External director (Audit and Supervisory Committee member)	Kiyomi Kikuchi*						●	●	●		●
External director (Audit and Supervisory Committee member)	Jun Ikeda	●						●	●	●	●
External director (Audit and Supervisory Committee member)	Noriko Suzuki*			●		●			●	●	

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

**Status of Appointment of External Directors (Audit and Supervisory Committee members)**

**Nomination Policy**

Nomination of external director candidates places emphasis on independence and strives to appoint individuals who possess specialized knowledge and corporate management experience. Consideration is also given to diversity on the Board of Directors.

Candidates for directors who are members of the Audit and Supervisory Committee are appointed with emphasis on specialization, professional background, and the individual's ability to carry out appropriate auditing and supervising. Having appointed four external directors (two of whom are female), we have ensured diversity on the Board of Directors.

**Reasons for Appointing External Directors (Audit and Supervisory Committee members) and their Attendance Records**

Full name	Independent officer	Reason for appointment	Attendance record
Koji Mino	●	Mr. Mino possesses a wealth of experience from his work at the Development Bank of Japan, Inc. and also has built up experience as a director and corporate auditor at other companies. We are confident that he will provide valuable advice on overall business management and will leverage his wide range of experience to advise Nishimatsu Construction on its business. Since June 2016, he has fulfilled the role of Director and Audit and Supervisory Committee member, monitoring and supervising Nishimatsu Construction's management from an independent stand point. For these reasons, we deem him to be a suitable human resource for auditing and supervising Nishimatsu Construction's management from an objective point of view and appointed him an External Director and Audit and Supervisory Committee member.	Board of Directors 16/16 (100%) Audit and Supervisory Committee 16/16 (100%)
Kiyomi Kikuchi	●	Ms. Kikuchi possesses specialized knowledge as an attorney and has a wealth of experience from her work at financial institutions. We are confident that she will provide valuable advice on overall business management, as well as legal, governance, and other matters. Since June 2016, she has fulfilled the role of Director and Audit and Supervisory Committee member, monitoring and supervising Nishimatsu Construction's management from an independent stand point. For these reasons, we deem her to be a suitable human resource for auditing and supervising Nishimatsu Construction's management from an objective point of view and appointed her an External Director and Audit and Supervisory Committee member.	Board of Directors 16/16 (100%) Audit and Supervisory Committee 16/16 (100%)
Jun Ikeda	●	Mr. Ikeda possesses a wealth of experience from his work at Mitsubishi Corporation and also has wide ranging knowledge from serving as representative director and president of a subsidiary of the same company. We are confident that he will provide valuable advice on overall business management and will bring a global perspective to Nishimatsu Construction's business. Since June 2016, he has fulfilled the role of Director and Audit and Supervisory Committee member, monitoring and supervising Nishimatsu Construction's management from an independent stand point. For these reasons, we deem him to be a suitable human resource for auditing and supervising Nishimatsu Construction's management from an objective point of view and appointed him an External Director and Audit and Supervisory Committee member.	Board of Directors 16/16 (100%) Audit and Supervisory Committee 16/16 (100%)
Noriko Suzuki	●	Ms. Suzuki possesses specialized knowledge as a certified public accountant and has a wealth of experience related to accounting in the real estate industry. We are confident that she will provide valuable advice on Nishimatsu Construction's Urban Development and Real Estate Business while leveraging her perspectives on finance and accounting. For these reasons, we deem her to be a suitable human resource for auditing and supervising Nishimatsu Construction's management from an objective point of view and appointed her an External Director and Audit and Supervisory Committee member.	Board of Directors -/- (-%) Audit and Supervisory Committee -/- (-%)

**Director Compensation Scheme**

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

Compensation for directors (excluding Audit and Supervisory Committee members) is comprised of base compensation and performance-linked compensation.

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

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

Performance-linked compensation is paid partly in cash, as a short-term incentive, and partly in stock, as a long-term incentive. The cash portion is paid as a bonus in July

of each year and the stock portion is conferred every June in the form of conversion points for the Board Benefit Trust. When a director retires from his or her position as director, cumulative points are converted into shares of stock and delivered to the beneficiary.

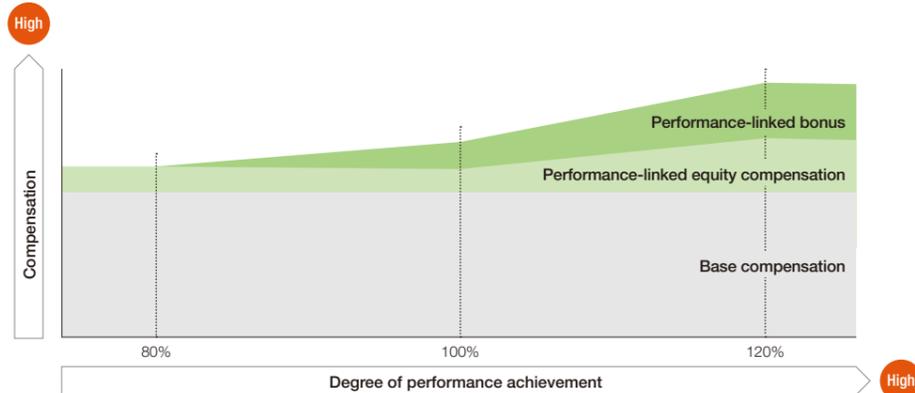
The ratios of base compensation and performance-linked compensation are appropriately determined taking into account Nishimatsu Construction's management strategies, business environment, and the level of difficulty of achieving job responsibilities and targets, while also referencing relevant changes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

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

**Compensation details**

Category	Performance-linked indices	Overview of payment method
Base compensation	None	Base amount paid in cash
Short-term incentives	Performance-linked bonus Degree of achievement of consolidated performance targets for the single fiscal year	Amount calculated by multiplying the base amount by a performance-linked coefficient, paid in cash
Long-term incentives	Performance-linked equity compensation (Board Benefit Trust) Degree of achievement of consolidated performance targets for the single fiscal year	Points conferred (calculated by multiplying the base amount by a performance-linked coefficient); cumulative points converted into an equivalent amount of stock when the director retires

Hypothetical example



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

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

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

**Messages from Directors on the Audit and Supervisory Committee**



**Hiroshi Yaguchi**

Director and full-time Audit and Supervisory Committee Member

**Focusing on Our Medium- and Long-Term Direction and Further Elevating the Effectiveness of the Board of Directors**

As Nishimatsu Construction works to boost the effectiveness of the Board of Directors, we have been steadily implementing reforms such as reducing cross-shareholdings, reviewing the composition of the Board, adopting a performance-linked equity compensation system, and formulating plans for training the next generation of management, but I feel that it is necessary to focus on our medium to long-term direction and continue driving these reforms forward. Also, in light of the drastic changes affecting the external environment, it is essential to have situational awareness of, expand and enhance deep discussions on, and respond to Group-wide risks and compliance matters.

In terms of management plans, to realize Nishimatsu-Vision 2027, we have formulated and announced Medium-Term Management Plan 2023, which is positioned as a transition period for becoming a company with overall capabilities, and have made new business targets, business strategies, capital strategies, and a policy of approaching ESG with a strong awareness of the need for corporate value improvement. I foresee challenges navigating the waters ahead as changes increase further, and the business environment uncertainty from COVID-19 persists alongside accelerated efforts for promoting digitalization, decarbonization, and respect for diversity. Consequently, I feel that it is important to steadfastly execute our plans by judging situations quickly, engaging in clear decision-making, and elevating our effectiveness to an even greater level than we have to date.

We on the Audit and Supervisory Committee will also work to raise the effectiveness of audits by improving the audit environment and our information gathering capabilities, and work to provide appropriate reports, observations, and advice based on the audit results and contribute to increased corporate value.



**Koji Mino**

External Director and Audit and Supervisory Committee Member

**Let Us Each Act with a Sense of Ownership and Strive to Overcome Obstacles**

This unpredictable era fits the definition of so-called VUCA and I think that it is also a time for us to notice once more the importance of the phrase, "A company is its people." Nishimatsu Construction has strengthened relationships inside and outside the Company, with all of our officers and employees broadening their perspectives, as we have striven to foster personnel who take on challenges without cleaving to the boundaries of industries or organizations. From the standpoint of an external director, I have made proposals to foster such a good culture and in-house collaboration in view of optimizing the Company overall to make the organization resilient. In fiscal 2019, we opened Nishimatsu Employees' University as a new personnel development system, and also implemented flexible mindset training and other programs, and have gradually expanded and enhanced content. In fiscal 2021, we established the Human Resources Strategy Unit and formulated a new personnel system that enables employee placement across organizational divisions. In terms of day-to-day work, the Urban Development and Real Estate Business, in particular, has been collaborating with other businesses, and land readjustment projects and other concrete projects have emerged as a result. Given the importance of raising sustainable corporate value, when we formulated Medium-Term Management Plan 2023, we held both quantitatively and qualitatively focused discussions during active and energetic sessions of the Board of Directors and other bodies. Going forward, it is my ardent hope that the management team will show initiative and leadership and that each officer and employee will act with a sense of ownership, while first and foremost steadily executing the Medium-Term Management Plan. By doing so, we can overcome these obstacles and continually raise corporate value as we transform into a company with overall capabilities that provides new value.



**Kiyomi Kikuchi**

External Director and Audit and Supervisory Committee Member

### Fostering Leaders of the Next Generation Who Can Think Independently Is the Key to Sustainable Growth

Nishimatsu Construction's goal is to avoid being merely a subcontractor business and instead set our sights on alliances and collaboration in various types of businesses as we target growth that allows us to create new value. However, given our long record as a subcontractor, my impression is that, to date, our ways of thinking have settled within preexisting notions and industry boundaries. To achieve the goal of being more than a subcontractor, there seems to be a veritable mountain of issues to tackle at the moment, including a fundamental reform of awareness.

From the perspective of governance, carrying out bolder reforms is essential for clarifying the specific responsibilities of the management team, such as changing the method for appointing directors, and the director compensation system. What is increasingly called for to handle issues inside and outside the Company in this severe business environment is ever stronger leadership with tenacious resolve from the Nishimatsu Construction's management team.

My sincere hope is that the young employees who will support the future of Nishimatsu Construction will proactively set foot outside the Company, deepen their interactions with people in other industries, keep their knowledge up to date through on-going learning, and work hard to keep from falling behind the changing times. I believe that increasing the number of leaders of the next generation able to think on their own, avoid over-reliance on the accepted ideas of the industry, and independently propose and execute Nishimatsu Construction's growth strategies will translate into sustainable growth.



**Jun Ikeda**

External Director and Audit and Supervisory Committee Member

### Further Steps Toward Building a Resilient Corporate Structure by Continuing to Challenge Ourselves to Make Reforms

Having been appointed in June 2016, this is now my fifth opportunity to write a message in Nishimatsu Construction's annual report. Previously, I emphasized the robust changes taking place in the world and the necessity of responding to those changes while making proactive moves toward reforms. Now, that necessity has become even greater. There is still no clear end date for the turmoil of COVID-19 infections carrying on from last year and, in terms of ESG, the market's demands on companies are now even more insistent. It is important, however, for us to recognize that not all of these circumstances were sudden and unpredictable. The current calls for corporate governance and similar responses had been highlighted many times in prior years, while previous warnings had also alerted us to the global risks of infectious diseases. Also, although the pandemic has severely negative effects, there are simultaneously a large number of companies that have posted record profits or at least have returned to pre-pandemic levels. We should not focus on differences between countries and industries. Rather, we should recognize this as an example of responding to changes regardless of what type of environment we are faced with, while seeing that continuing to challenge ourselves to make reforms is what builds a resilient corporate structure. There is no denying that the severity of the environment surrounding the construction industry is increasing and that we cannot be complacent about Nishimatsu Construction's circumstances. However, Medium-Term Management Plan 2023 was drafted within this context and we can achieve it by building systems for thoroughly raising the efficiency of work, engendering a system and fostering a corporate culture that promote taking on challenges, promoting digital transformation, forming ties that transcend industry boundaries inside and outside the Company, and of greatest importance, transforming the awareness of all Nishimatsu Construction's directors and employees. I expect that these actions will demonstrate high corporate value to all of our stakeholders.



**Noriko Suzuki**

External Director and Audit and Supervisory Committee Member

### Ensuring Resolute Business Execution Through Smooth Communication and Building Trust

I was appointed external director and Audit and Supervisory Committee member in June of this year. In this position, I would like to take the many years of experience I have accumulated working as a certified public accountant at an auditing company handling auditing tasks for ensuring the reliability of corporate financial statements and use that experience to execute audit activities with a healthy sense of professional skepticism and fair and balanced scrutiny.

The fundamental and important duties of Audit and Supervisory Committee members are to oversee and verify that there are no issues with organizing, building, and implementing a framework for legal and other forms of compliance. To achieve that, I believe that it is essential to understand the corporate climate. As a new Audit and Supervisory Committee member, I recognize that it is important to first gain a familiarity with Nishimatsu Construction, while also becoming personally acquainted with Nishimatsu Construction's work, corporate structure, corporate culture, and other elements before engaging in my work going forward.

Accordingly, it is essential to efficiently gather information and form mutually understanding relationships with representative directors and other directors, the Internal Audit Division, accounting auditors, and Nishimatsu Construction's employees. As an external director, I would like to constantly carry out appropriate communication and always maintain a sincere attitude that enables me to form trusting and amiable relationships.

# Board of Directors (As of June 30, 2021)

## Internal Officers



Representative Director and President  
**Nobutoshi Takase**

**No. of Company shares held**  
8,000 shares  
**Attendance at Board Meetings**  
16 out of 16 (100%)

Apr. 1980 Joined the Company  
Sep. 2005 General Manager of Building Department, Chubu Branch  
Apr. 2008 Deputy General Manager of Chubu Branch  
Jul. 2008 General Manager of Building Department  
Apr. 2010 Executive Officer, General Manager of Building Headquarters and Building Department  
Apr. 2011 Managing Officer, General Manager of Building Headquarters  
Jun. 2011 Director, Managing Officer, General Manager of Building Headquarters

Apr. 2012 Director, Managing Officer, General Manager of Kanto Architectural Regional Headquarters  
Apr. 2017 Director, Senior Managing Officer, General Manager of Kanto Architectural Regional Headquarters  
Apr. 2018 Representative Director and President, Chief Executive Officer and President  
Apr. 2021 Representative Director and President, Chief Executive Officer and President, General Manager of Human Resource Strategy Unit (to present)



Representative Director  
**Makoto Isshiki**

**No. of Company shares held**  
6,100 shares  
**Attendance at Board Meetings**  
16 out of 16 (100%)

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

Apr. 2018 Representative Director and Executive Vice President, General Manager of Civil Engineering Division  
Apr. 2019 Representative Director and Executive Vice President, General Manager of Civil Engineering Division, in charge of New Businesses  
Apr. 2020 Representative Director and Executive Vice President, General Manager of Civil Engineering Division and Safety, Environment & Quality Division, in charge of New Businesses  
Apr. 2021 Representative Director and Executive Vice President, General Manager of Civil Engineering Division and Safety, Environment & Quality Division, in charge of Environment and Energy Business Management (to present)



Representative Director  
**Yuichi Kono**

**No. of Company shares held**  
22,780 shares  
**Attendance at Board Meetings**  
16 out of 16 (100%)

Apr. 1980 Joined the Company  
Apr. 2005 Deputy General Manager of Finance & Accounting Department  
Apr. 2008 Deputy General Manager of Audit Unit, Deputy General Manager of Finance & Accounting Department  
Mar. 2009 General Manager of Audit Unit  
May 2009 General Manager of General Affairs Department  
Apr. 2012 Executive Officer, Chief of the President Office  
Apr. 2015 Managing Officer, General Manager of

Management Division, in charge of Investor Relations  
Jun. 2015 Director, Managing Officer, General Manager of Management Division, in charge of Investor Relations  
Apr. 2018 Director, Senior Managing Officer, General Manager of Management Division, in charge of Investor Relations  
Apr. 2021 Representative Director and Executive Vice President, General Manager of Management Division, Deputy General Manager of Human Resource Strategy Unit, in charge of Investor Relations (to present)



Director  
**Yoshiyuki Sawai**

**No. of Company shares held**  
5,300 shares  
**Attendance at Board Meetings**  
16 out of 16 (100%)

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

Apr. 2012 Director, Managing Officer, General Manager of Urban Development & Real Estate Business Division  
Apr. 2019 Director, Senior Managing Officer, General Manager of Urban Development & Real Estate Business Division (to present)



Director  
**Kazutoyo Hamada**

**No. of Company shares held**  
3,100 shares  
**Attendance at Board Meetings**  
11 out of 11 (100%)

Apr. 1987 Joined the Company  
Apr. 2014 General Manager of Building Engineering Planning Department  
Apr. 2016 Executive Officer, Deputy General Manager of Building Division, General Manager of Building Engineering Planning Department, General Manager of Building Department  
Apr. 2019 Executive Officer, Deputy General Manager of Building Division, General Manager of Building Department  
Apr. 2020 Managing Officer, General Manager of Building Division

Jun. 2020 Director, Managing Officer, General Manager of Building Division (to present)



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

**No. of Company shares held**  
3,000 shares  
**Attendance at Board Meetings**  
11 out of 11 (100%)  
**Attendance at Audit and Supervisory Committee**  
11 out of 11 (100%)

Apr. 1979 Joined the Company  
Jun. 2009 General Manager of Information System Department  
Jul. 2013 General Manager of Audit Unit  
Apr. 2015 General Manager of Human Resource Department  
Apr. 2016 Deputy General Manager of Management Division, General Manager of Human Resource Department  
Apr. 2017 Executive Officer, Deputy General Manager of Management Division, General Manager of Compliance Promotion Department

Apr. 2020 Executive Officer, Deputy General Manager of Management Division  
Jun. 2020 Director (Audit and Supervisory Committee Member) (to present)

## External Officers



External Director (Audit and Supervisory Committee Member)  
**Koji Mino**

**No. of Company shares held**  
0 shares  
**Attendance at Board Meetings**  
16 out of 16 (100%)  
**Attendance at Audit and Supervisory Committee**  
16 out of 16 (100%)

Apr. 1979 Joined Japan Development Bank (current Development Bank of Japan Inc.)  
Mar. 2000 Deputy General Manager of Kansai Branch, Japan Development Bank  
Mar. 2001 Counselor, Japan Development Bank  
Mar. 2001 Seconded to The Japan Economic Research Institute  
Jun. 2003 Executive Director of The Japan Economic Research Institute  
Apr. 2005 Seconded to PLUS Corporation  
Apr. 2011 Director, Institute Educational Environment  
Jun. 2011 Retired from Development Bank of Japan Inc.

May 2013 Auditor, Jalec Co., Ltd. (to present)  
Jun. 2014 Auditor, AERHOME, Co., Ltd.  
Jun. 2015 External Director of the Company  
Jun. 2016 External Director (Audit and Supervisory Committee Member) (to present)  
Jan. 2017 Auditor, Tokyo Telemarketing Inc. (to present)  
Mar. 2017 Director and General Manager of General Affairs Department, Kyoritsuksuikai Educational Corporation (to present)



External Director (Audit and Supervisory Committee Member)  
**Kiyomi Kikuchi**

**No. of Company shares held**  
0 shares  
**Attendance at Board Meetings**  
16 out of 16 (100%)  
**Attendance at Audit and Supervisory Committee**  
16 out of 16 (100%)

Apr. 1986 Joined The Dai-ichi Kangyo Bank, Limited  
Dec. 1990 Retired from The Dai-ichi Kangyo Bank, Limited  
Apr. 1999 Asahi Law Offices (registered in Tokyo Bar Association)  
May 2002 Graduated from Law school at Columbia University  
Sep. 2002 Allen & Overy (London)  
May 2003 Acquired attorney license at New York State  
Oct. 2003 Asahi Law Offices  
Sep. 2004 TAIYO LAW OFFICE (current Paul Hastings LLP)

Sep. 2006 JPMorgan Securities Japan Co., Ltd.  
Apr. 2008 Attorney, TMI Associates (to present)  
Jun. 2015 External Director of the Company  
Mar. 2016 Outside Auditor, Nissay Asset Management Corporation (to present)  
Jun. 2016 External Director (Audit and Supervisory Committee Member) of the Company (to present)  
Outside Auditor, GECOSS CORPORATION (to present)  
Jun. 2019 Outside Director of the Board, Mitsubishi Chemical Holdings Corporation (to present)



External Director (Audit and Supervisory Committee Member)  
**Jun Ikeda**

**No. of Company shares held**  
0 shares  
**Attendance at Board Meetings**  
16 out of 16 (100%)  
**Attendance at Audit and Supervisory Committee**  
16 out of 16 (100%)

Apr. 1976 Joined Mitsubishi Corporation  
Dec. 1998 General Manager, Commodity Chemicals Division, US Mitsubishi Headquarters (New York)  
May 2003 Corporate Planning Division, Business Development Division, Mitsubishi Corporation  
Jun. 2005 General Manager of Advanced Science Division, Mitsubishi Corporation  
Apr. 2006 Executive Officer, Mitsubishi Corporation  
Jun. 2009 Retired from Mitsubishi Corporation President and Representative Director, Mitsubishi Shoji Foodtech Co., Ltd.

Nov. 2012 President and CEO, Mitsubishi Corporation Life Sciences Limited  
President and CEO, KOHJIN Life Sciences Co., Ltd.  
Jul. 2015 Advisor, Mitsubishi Corporation Life Sciences Limited  
Jun. 2016 External Director (Audit and Supervisory Committee Member) of the Company (to present)  
Outside Director, SODA NIKKA CO., LTD. (to present)



External Director (Audit and Supervisory Committee Member)  
**Noriko Suzuki**

**No. of Company shares held**  
0 shares  
**Attendance at Board Meetings**  
- (-%)  
**Attendance at Audit and Supervisory Committee**  
- (-%)

Mar. 1981 Joined Chuo Audit Corporation  
Jan. 1988 Retired Chuo Audit Corporation  
Mar. 1989 Chuo Coopers & Lybrand International Tax Office (currently PwC Tax Japan)  
May 1990 Retired Coopers & Lybrand International Tax Office (currently PwC Tax Japan)  
Oct. 1992 Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC)  
Apr. 1996 Registered as certified public accountant  
Oct. 2008 Senior Manager, KPMG AZSA LLC  
Sep. 2015 Retired KPMG AZSA LLC

Oct. 2015 Part-time audit staff, KPMG AZSA LLC (contract ended as of the end of March 2020)  
Oct. 2015 Head, Noriko Suzuki Certified Public Accountant Office (to present)  
Apr. 2020 Supervisory Director, Frontier Real Estate Investment Corporation (to present)  
May 2020 Auditor, Japan Transportation Association (to present)  
Jun. 2021 External Director (Audit and Supervisory Committee Member) of the Company (to present)

# Compliance & Risk Management

## Compliance

### Basic compliance policy

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



### Compliance Promotion System

In our compliance promotion framework, the heads of each division at the Head Office, the general managers at each regional headquarters, and the presidents of affiliated companies have been appointed as the persons in charge of compliance under the Compliance Promotion Department, while we are working to publicize and raise awareness about compliance through training, etc. Furthermore, we established a Compliance Committee composed of

officers which is chaired (full-time) by an expert professional from outside the Company. The committee fulfills functions such as responding to various compliance-related problems, and making reports and recommendations to the Board of Directors. The Compliance Promotion Department acts as the administrative department for the Compliance Committee and works to ensure coordination with committee activities.

### Whistleblower System and External Consultation Hotline

We have set up the Nishimatsu Hotline as a whistleblower system to improve our corporate culture and deter wrongdoing, while our Workplace Hotline (contracted to a specialized organization outside the Company) provides a counseling service enabling employees to easily seek advice about mental anxiety or human relations in the workplace.

Number of calls to the Nishimatsu Hotline and Workplace Hotline (No. of reports)

Category	FY2016	FY2017	FY2018	FY2019	FY2020
Nishimatsu Hotline	26	29	20	30	33
Nishimatsu Workplace Hotline	28	23	21	16	12

### Responding to whistleblower reports

There were 33 whistleblower reports in fiscal 2020. With regard to all reports, we have investigated the facts and taken stringent action, including disciplinary action, based on our employee work rules for handling compliance viola-

tions. Additionally, with respect to investigation results, we have taken corrective measures and steps to prevent recurrence, while also informing the whistleblowers of the results of each investigation.

### Whistleblowing system certification (system for registering a self-declaration of conformity)

Our whistleblowing system—the Nishimatsu Hotline—became registered under Japan’s Whistleblowing Compliance Management System certification (WCMS Certification) regime, overseen by the Consumer Affairs Agency, on March 13, 2020, and this certification was renewed in March of this year. Going forward, we will

endeavor even more proactively to establish an environment conducive to this whistleblowing system and strengthen compliance management.



### Compliance Training

Every year in October, we carry out compliance training for officers and management-level employees as part of Nishimatsu Construction’s efforts that coincide with the timing of Keidanren’s (Japan Business Federation) Corporate Ethics Promotion Month and the Japan Federation of Con-

struction Contractors’ Corporate Conduct Promotion Month. Furthermore, we carry out on-going career-level-specific training and e-learning to improve compliance awareness, eliminate harassment, and boost understanding and dissemination of the whistleblowing system.

### Compliance Awareness Survey

We conduct regular Compliance Awareness Surveys of all employees (including temporary workers), which allows us to assess the status of, and objectively analyze the results of, compliance awareness efforts in order to understand how compliance awareness has spread throughout the organization. At the same time, this helps us improve the issues that become clear in the results, while also enhancing our compliance training.

Compliance Awareness Survey (Points)

Category	FY2011	FY2015	FY2017	FY2019	FY2021 target
Overall evaluation	1.09	1.15	1.25	1.27	1.30 or above
Awareness of the hotlines	0.59	0.79	0.97	1.15	1.00 or above

## Risk management

### Basic philosophy

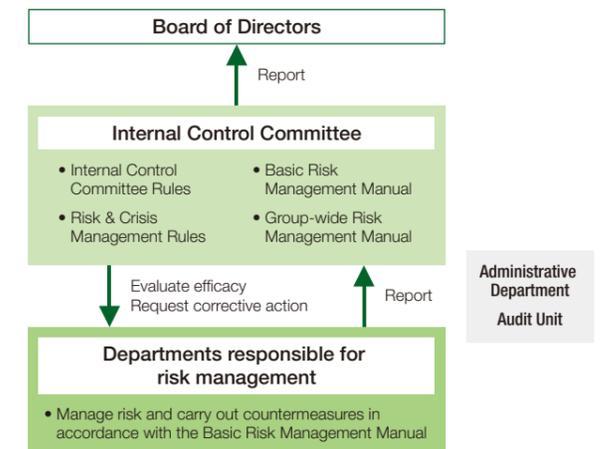
To properly manage risk in the Group, we have established Risk & Crisis Management Rules and strive to minimize losses and ensure sustainable growth. Accurately grasping the nature of various risks surrounding our business activities also enables us to develop appropriate responses to emergencies and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

### Company-Wide Risk Management System

Each fiscal quarter, individual risks are assessed in the responsible departments, then the Audit Unit holds hearings with each department to verify these assessments.

The Internal Control Committee (whose members include the general managers of each business division) then judges these assessments from the perspective of efficacy of the risk management practices and their implementation. If necessary, the Committee has the department in question revise the definition of the risk levels and the risk evaluation standards. With regard to explicit, high-level risks, the department with responsibility devises concrete countermeasures and monitors to verify and follow the progress of said measures. Throughout the year, efficacy is evaluated, corrective recommendations are made to mitigate risks, and thorough management is carried out to decrease the possibility of risk occurrence and impact.

#### Risk Management System



## Eleven-Year Highlights

Consolidated Fiscal Year (Years ended March 31)		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Operating Results</b>												
Orders Received	(Millions of yen)	209,613	256,156	258,216	320,594	345,853	304,764	360,186	380,378	348,045	376,088	313,437
Operating income	(Millions of yen)	3,174	2,651	2,666	4,738	8,710	16,184	25,259	22,752	24,928	25,313	20,950
Ordinary income	(Millions of yen)	2,294	3,420	4,307	6,106	9,938	16,290	25,446	23,548	25,985	25,838	21,561
Profit attributable to owners of parent	(Millions of yen)	1,404	2,732	3,411	5,586	9,220	14,598	19,210	16,914	18,784	18,721	17,166
<b>Segment Information</b>												
Civil Engineering Business	(Millions of yen)	102,414	90,327	94,494	131,387	144,104	126,834	113,223	95,807	117,982	141,177	127,397
Building Construction Business	(Millions of yen)	131,640	158,066	146,010	173,222	191,377	173,129	193,242	179,777	222,126	240,856	196,851
Real estate and others	(Millions of yen)	26,372	16,514	13,479	11,014	8,445	10,104	12,774	15,485	9,564	9,862	12,249
International Business	(Millions of yen)	25,325	46,248	45,991	57,640	64,630	36,143	29,234	16,832	21,363	29,782	18,300
<b>Financial condition</b>												
Total assets	(Millions of yen)	331,998	322,523	342,974	374,399	386,469	351,334	385,674	381,355	466,327	497,045	472,440
Total net assets	(Millions of yen)	114,444	116,845	128,436	135,202	149,553	156,154	169,788	185,219	199,331	199,287	207,537
Interest-bearing liabilities	(Millions of yen)	58,346	44,746	52,906	58,134	53,917	53,173	42,843	43,306	86,167	121,909	115,039
<b>Cash Flow</b>												
Cash flows from operating activities	(Millions of yen)	28,065	(10,947)	9,776	3,129	(10,448)	4,120	40,763	13,570	(15,882)	14,120	4,907
Cash flows from investing activities	(Millions of yen)	3,353	3,245	(10,770)	(3,246)	(1,236)	(9,688)	(13,945)	(15,422)	(23,633)	(20,147)	5,302
Cash flows from financing activities	(Millions of yen)	(27,688)	(15,127)	6,536	3,750	(5,701)	(2,960)	(15,039)	(4,918)	38,555	20,952	(12,653)
Cash and cash equivalents at end of year	(Millions of yen)	63,880	40,884	47,865	53,052	37,422	27,903	39,026	32,499	31,473	46,459	43,574
<b>Amounts per share</b>												
Profit attributable to owners of parent	(yen)	5.07	9.85	12.31	20.16	33.29	52.71	348.16	308.52	343.39	342.24	313.83
Total net assets	(yen)	411.40	419.91	460.55	483.82	533.84	555.06	3,057.34	3,348.41	3,605.62	3,599.01	3,765.62
Dividends	(yen)	4.00	4.00	4.00	6.00	10.00	16.00	21.00	95.00	105.00	105.00	105.00
Dividend payout ratio	(%)	78.9	40.6	32.5	29.8	30.0	30.4	30.2	30.8	30.6	30.7	33.5
<b>Financial Indicators</b>												
Capital to assets ratio	(%)	34.4	36.1	37.2	35.8	38.3	43.8	43.5	48.0	42.3	39.6	43.6
Debt-to-equity ratio	(%)	0.51	0.38	0.41	0.43	0.36	0.35	0.26	0.24	0.44	0.62	0.56
ROE	(%)	1.2	2.4	2.8	4.3	6.5	9.7	11.9	9.6	9.9	9.5	8.5

# ESG Data

New value	SDGs	Activity details	Activity evaluation	Indices for measuring achievement	Numerical target	Numerical evaluation	Overall evaluation		
Superior environmental technologies <b>E</b>	Environment	7 AFFORDABLE AND CLEAN ENERGY	Reduction of CO <sub>2</sub> emissions	5	Total CO <sub>2</sub> emissions from business activities	5,300 t-CO <sub>2</sub> (amount reduced from construction) 51,000 t-CO <sub>2</sub> (total emissions from construction) 1,454 t-CO <sub>2</sub> (non-construction emissions)	2	67%	
		9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Preservation of biodiversity	5	No. of activities implemented	All worksites	3	100%	
		11 SUSTAINABLE CITIES AND COMMUNITIES	Pursue zero emissions of construction waste	5	Final percentage of construction waste sent for landfill disposal	2.6% or lower	4	133%	
		12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Improve environmental awareness and knowledge of employees	5	No. of people who have passed the Eco Test	Cumulative: 2,463	2	67%	
		13 CLIMATE ACTION	Promote environmentally friendly design and construction	4	No. of ZEB proposals accepted	3 or more	3	80%	
		14 LIFE BELOW WATER	Convert NCO properties to LED illumination	5	No. of NCO properties that have switched to LED lighting	Finish switching 14 floors to LEDs	4	133%	
		15 LIFE ON LAND	Actively promote R&D related to environmental technologies	4	No. of practical environmental technologies developed (technologies/year)	3 technologies or more	1	27%	
		Diverse services <b>S</b>	Client satisfaction (quality)	Improve Company evaluations (Civil Engineering)	5	No. of mistakes costing ¥5 million or more (cases/year or less)	5 cases/year or less	4	133%
				Garner high evaluations from clients (Civil Engineering)	3	Average score for the year in construction result evaluations for Ministry of Land, Infrastructure, Transport and Tourism construction projects	Average: 79 or higher	3	60%
				Significantly reduce construction defects (Building)	4	Total annual expenditures on defect repairs (¥100 million/year)	¥810 million	4	107%
Garner high evaluations from clients (Building)	4			Percentage of "A" evaluations in customer questionnaires	"A" rating: 90% or higher	2	53%		
Improve quality standards (International)	3			Items requiring improvement identified in quality patrols, etc.	No. of items: 0.5/worksites	2	40%		
Client satisfaction (services)	Promote maintenance and renovation works business (Civil Engineering)			3	No. of renovation construction orders	2 orders or more received by each regional headquarters	4	80%	
	Proactively promote technical proposals and proposal-based sales (Building)			3	Percentage of properties rated superior properties	80% or higher	3	60%	
	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE			Promote one-stop business (BM, PM) (Urban Development)	5	No. of BM and PM contracts with Nishimatsu Jisho Co., Ltd.	5 PM, BM contracts/year	4	133%
	10 AFFORDABLE AND CLEAN ENERGY			Investment in start-up companies	2	Investment in start-up companies expected to have 5% or higher IRR	¥500 million/year	1	13%
	11 SUSTAINABLE CITIES AND COMMUNITIES			Initiatives in infrastructure development (PPP/PFI) business	4	No. of PPP/PFI projects received	1 or more	2	53%
	Initiatives in environment and energy-related business	3	Operating income (ordinary profit)	¥340 million/year	1	20%			
	Initiatives in plant factories	2	Operating income: ¥0 EBITDA: ¥90 million	(Tamagawa) Sell 2,000 bags/day (Ichi-hara) Sell 6,000 bags/day	2	27%			
	Initiatives for OKIPPA-related business	3	No. of external sales of OKIPPA 104	400 units	1	20%			
	Technology	Establish human resource quality and technical skills (Civil Engineering)	3	Rate of acquisition of first-class construction management engineer qualification	100%	2	40%		
		Promote core technology development that supports the Construction Business	5	No. of practical technologies developed per year	10 technologies or more	3	100%		
Promote proprietary technology dissemination that supports the Building Construction Business		5	No. of proprietary technologies utilized at worksites per year	40 technologies or more	4	133%			
Promote technology development that leads to new business		4	No. of practical technologies developed that lead to new business	2 technologies or more/3-year medium-term management plan	4	107%			
Communication		17 PARTNERSHIPS FOR THE GOALS	Distribute accurate and detailed information to potential investors	5	No. of interviews etc.; no. of improper disclosures	50 or more; 0	3	100%	
		Engagement with actual shareholders	5	No. of dialogues with major shareholders (institutional investors); approval rate for proposals at General Meeting of Shareholders	10 or more 85% or higher on average	3	100%		
		Actively promote and continue social contribution activities	3	No. of social contribution activities implemented per year	100	1	20%		

New value	SDGs	Activity details	Activity evaluation	Indices for measuring achievement	Numerical target	Numerical evaluation	Overall evaluation			
Appealing work styles <b>S</b>	Work environment	Internal personnel exchange, employee retention (Urban Development & Real Estate)	5	Turnover rate	0%	4	133%			
		Train local staff and young employees (International)	1	No. of local overseas staff participating in training	Cumulative: 7	1	7%			
		Develop human resources capable of accurately responding to social changes	4	Establish and implement specialized training for young personnel	2 programs or more	4	107%			
		Clarify each employee's career; optimal, Group-wide employee placement	4	No. of career maps created, etc.	Career map creation, etc.	3	80%			
		3 HEALTHY WORKLIFE	Promote work environment improvements (civil engineering worksites)	3	(1) Percentage of sites with 6 days off (or more) per 4 weeks (2) Overtime hours on worksites, etc.	(1) 70% or more (2) 45 hr. (or less)/mo.	1	20%		
		5 EQUAL OPPORTUNITIES AND INCLUSION	Promote work environment improvements (building construction worksites)	3	(1) Percentage of sites with 6 days off (or more) per 4 weeks (2) Percentage of employees taking 6 days off (or more) per 4 weeks	(1) 70% or more (2) 100%	2	40%		
		8 DECENT WORK AND ECONOMIC GROWTH	Promote work environment improvements (Building Engineering Design Department)	4	(1) No. of employees who take 125 days of annual days off plus five days of planned paid leave (2) No. of employees who work 80 hours or more of overtime per month	(1) 90% or higher (Building Engineering Design Department) (2) 95% or higher (Building Engineering Design Department)	2	53%		
		Promote work environment improvements (overseas)	1	Percentage of Japanese employees working overseas who take leave to return home	100%	3	20%			
		Create a workplace that is motivating and comfortable	4	Turnover rate, etc.	Less than 1.5%	3	80%			
		Appealing work styles <b>G</b>	Safety	Improve safety management standards	2	Frequency rate for injuries requiring four days or more of absence from work; 1 day or more of absence from work	0.6 or below, 1.0 or below	2	27%	
Zero deaths	2			No. of deaths	0	1	13%			
Improve safety management standards (International)	3			Rate of incidents requiring 4 or more days of absence from work	0.6% or lower	4	80%			
Host N-NET Growth Strategy Conference; draft and implement solution measures	4			Evaluation of specific measures implemented, by member companies	Hold 13 Growth Strategy Conferences	3	80%			
Appealing work styles <b>G</b>	Risk management			Complete business continuity plan and prepare for emergencies such as earthquakes	4	No. of safety confirmation training sessions; no. of BCP headquarters startup training sessions	4 times/year; 2 times/year	3	80%	
				Appropriately promote risk management	4	Progress of risk management initiatives	High-risk items with "A" evaluation: 0 items	2	53%	
				Establish countermeasures to information leakage from theft and loss	5	No. of cases of information leakage	0	3	100%	
				16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Enhance corporate governance	5	(None)	(None)	3	100%
				Compliance	Practice compliance management in response to social changes	3	Overall Compliance Awareness Survey score	1.35 or above	3	60%
					Effectively operate the whistleblowing system	3	Awareness survey (awareness of hotline use) score	1.15 or above	3	60%
		Actively implement compliance training	3		Awareness survey (evaluation of training) score	1.07 or above	3	60%		

## Scoring of Activity Target Evaluations

- 5 The activity was adopted Group-wide and its continuation for the medium to long term is assured.
- 4 A system for the activity was created, and the activity was rolled out throughout the Group.
- 3 An effective activity was implemented, and a system for the activity has been created in business divisions.
- 2 The activity was implemented, but a system for the activity was not created in business divisions.
- 1 The activity was implemented, but only partially.
- 0 A specific activity target was established, but the activity was not implemented.

## Scoring of Numerical Target Evaluations

- 4 Achievement rate of 120% or higher
- 3 Achievement rate of 100% to 119%
- 2 Achievement rate of 60% to 99%
- 1 Achievement rate of 59% or lower

## Terminologies

Terms	Meaning
3R	Stands for reduce, reuse, recycle
BIM/CIM	Abbreviation of Building Information Modeling, Construction Information Management. 3-D modeling of buildings, topography, structures, and the like.
Biomass power generation	A power generation method that uses the heat from incinerating wood scraps and burnable refuse to create electricity.
Carbon pricing	Carbon pricing is a global warming measure that puts a financial burden on corporations that emit CO <sub>2</sub> by putting a price on the CO <sub>2</sub> emitted by that corporation.
Decarbonization	Achieving an effective rate of zero emissions of greenhouse gases such as carbon dioxide.
DX	Stands for digital transformation: the shift to more enriching lifestyles for people through the dissemination of advanced digital technology.
Eco-First Commitment	A commitment made by a company to the Minister of the Environment pledging global warming countermeasures, waste and recycling measures, and other initiatives related to environmental preservation.
Environmental management	An approach to management that fulfills a company's social responsibility through proactive initiatives toward environmental problems and through efforts to reduce impacts on the environment.
Front loading	In the field of systems development and product manufacturing, this refers to focusing attention early in the production process on changes in specifications, etc. that are prone to occur later in the production process. By doing so, the goal is to improve quality and expedite the production timeline.
Net investment	This is the investment amount - recouped profit (through the sale of property).
Nishimatsu Employees' University	Established in 2019, a system identifying the ideals and skills expected of the Company's personnel and to support every officer's and employee's growth in successfully attaining those skills.
Nishimatsu-Vision 2027	A long-term vision formulated in 2018 to appropriately respond to social changes, achieve sustainable growth, and describes what the Company wants to realize in 10 years.
PPA	Abbreviation of Power Purchase Agreement (referring to contracts for electric power). A service that allows photovoltaic power generation equipment to be installed with zero initial investment and that can lower electric power costs with clean energy.
Small-scale hydroelectric generation	An approach to power generation that uses water turbines to access hydro energy from common rivers and streams, agricultural water, sand control dams, and water supply and sewage systems.
Statutory redevelopment project	Within urban redevelopment projects in Japan, this refers to urban property redevelopment projects provided for, or based on, the Urban Renewal Act .
Vanadium redox flow battery (VRFB)	A technology for moving electrons to charge and discharge electricity by circulating fluids with a positive and negative electric potential difference.
ZEB	Abbreviation of Zero Energy Building. A building that aims to cut energy consumption during the phase when the building is used, through energy-saving and renewable energy solutions, yielding an annual primary energy balance of zero.

## Major Accomplishments



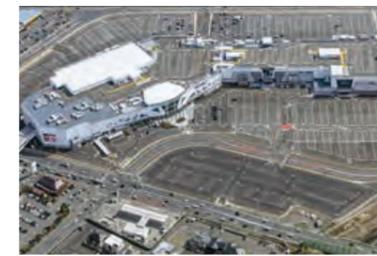
Project name	Kihara Road Uchibatake Tunnel Construction
Location	Hiroshima Prefecture
Purpose	Roadway tunnel



Project name	Tohoku-Chuo Expressway, Tokorozawa Area Roadway Improvement Project
Location	Fukushima Prefecture
Purpose	Roadway improvement



Project name	Yoneda Area Coastal Disaster Recovery Project (No. 23-633) and one other project
Location	Iwate Prefecture
Purpose	Coastal levee



Project name	Aeon Mall Rifu New Building Construction Project (tentative name)
Location	Miyagi Prefecture
Purpose	Supermarket



Project name	Prologis Park Tsukuba 2 Project
Location	Ibaraki Prefecture
Purpose	General warehouse



Project name	Tomigusuku Central Hospital Relocation Construction Project
Location	Okinawa Prefecture
Purpose	Hospital



Project name	Kanamoto New Machinery Center Construction Project
Location	Thailand
Purpose	Warehouse and offices



Project name	HOYA Laos MD Factory Construction Project
Location	Laos
Purpose	Manufacturing factory for glass discs for server hard disks



Project name	Yamamoto Metal Precision Vietnam Factory (new construction)
Location	Vietnam
Purpose	Factory (metal processing)

### Other Major Accomplishments



Building name	Keio University, Shonan Fujisawa International Student Dormitory
Location	Kanagawa Prefecture
Purpose	Housing



Building name	NCRE Suita Yamate
Location	Osaka Prefecture
Purpose	Housing



Building name	NCO Kitasando (tentative name)
Location	Tokyo
Purpose	Offices, shops

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# Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 2 and 18) .....	¥ 46,459	¥ 43,769	\$ 395,353
Notes and accounts receivable, trade:			
Notes (Notes 14 and 18).....	4,007	4,479	40,461
Accounts (Note 18).....	216,303	198,603	1,793,900
Allowance for doubtful accounts (Note 2).....	(164)	(164)	(1,478)
Inventories .....	13,133	14,382	129,904
Advance paid.....	12,845	9,307	84,062
Other current assets .....	9,233	4,898	44,236
Total current assets .....	301,816	275,274	2,486,438
<b>Investments and other assets:</b>			
Investment securities (Notes 2, 9, 14 and 18) .....	54,585	43,877	396,322
Investments in subsidiaries and affiliates (Note 14) .....	751	765	6,906
Deferred tax assets.....	161	3,314	29,937
Others .....	6,763	7,655	69,147
Allowance for doubtful accounts (Note 2).....	(86)	(81)	(730)
Total investments and other assets.....	62,174	55,530	501,582
<b>Property and equipment (Notes 2 and 14):</b>			
Land .....	80,394	83,760	756,568
Buildings.....	81,513	87,563	790,926
Machinery and equipment .....	10,266	9,704	87,651
Accumulated depreciation .....	(39,118)	(39,391)	(355,799)
Total property and equipment .....	133,055	141,636	1,279,346
Total assets .....	¥497,045	¥472,440	\$4,267,366

The accompanying notes are an integral part of this statement.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Liabilities and Net assets</b>			
<b>Current liabilities:</b>			
Short-term debt (Notes 10 and 18).....	¥ 41,909	¥ 35,039	\$ 316,494
Current portion of bonds payable (Note 18) .....	15,000	—	—
Commercial papers (Note 18) .....	35,000	20,000	180,652
Notes and accounts payable, trade:			
Notes (Note 18).....	28,655	18,674	168,675
Accounts (Note 18).....	64,489	37,631	339,909
Advances received on uncompleted contracts.....	16,756	18,703	168,938
Provision for warranties for completed construction (Notes 2 and 4) .....	797	9,816	88,661
Provision for bonuses (Note 2) .....	4,006	2,895	26,146
Provision for loss on construction contracts (Note 2).....	1,052	1,488	13,441
Accrued income taxes .....	4,581	7,969	71,977
Provision for loss on real estate business and other (Note 2).....	25	28	253
Deposits received .....	35,996	34,306	309,876
Other current liabilities.....	4,361	4,579	41,360
Total current liabilities.....	252,627	191,128	1,726,382
<b>Long-term liabilities:</b>			
Bonds payable (Notes 10 and 18).....	30,000	60,000	541,956
Net defined benefit liability .....	7,993	6,341	57,273
Deferred tax liabilities (Notes 2 and 12) .....	528	301	2,720
Provision for environmental measures (Note 2).....	97	3	24
Asset retirement obligations (Note 20).....	481	637	5,751
Other long-term liabilities .....	6,032	6,493	58,659
Total long-term liabilities.....	45,131	73,775	666,383
Total liabilities.....	297,758	264,903	2,392,765
<b>Net assets:</b>			
Common stock :			
Authorized-160,000,000 shares			
Issued and outstanding-55,591,502 shares .....	23,514	23,514	212,390
Capital surplus.....	20,780	20,780	187,701
Retained earnings.....	142,684	154,041	1,391,396
Treasury stock, at cost.....	(2,175)	(2,177)	(19,666)
Valuation difference on available-for-sale securities .....	13,137	10,627	95,993
Equity adjustment from foreign currency translation .....	72	(296)	(2,677)
Remeasurements of defined benefit plans.....	(1,140)	(507)	(4,579)
Non-controlling interests .....	2,415	1,555	14,043
Total net assets .....	199,287	207,537	1,874,601
Total liabilities and net assets .....	¥497,045	¥472,440	\$4,267,366

## Consolidated Statement of Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Net sales</b> (Note 2):			
Completed construction contract.....	¥379,962	<b>¥321,339</b>	<b>\$2,902,527</b>
Real estate business and other .....	11,659	<b>14,903</b>	<b>134,609</b>
	391,621	<b>336,242</b>	<b>3,037,136</b>
<b>Cost of sales</b> (Notes 2 and 15):			
Cost of completed construction contract.....	339,326	<b>286,542</b>	<b>2,588,218</b>
Cost of real estate business and other .....	8,357	<b>9,938</b>	<b>89,767</b>
	347,683	<b>296,480</b>	<b>2,677,985</b>
Gross profit.....	43,938	<b>39,762</b>	<b>359,151</b>
<b>Selling, general and administrative expenses</b> (Note 15).....	18,625	<b>18,811</b>	<b>169,912</b>
Income from operations.....	25,313	<b>20,951</b>	<b>189,239</b>
<b>Other income (expenses):</b>			
Interest and dividend income .....	1,161	<b>995</b>	<b>8,985</b>
Interest expenses.....	(474)	<b>(444)</b>	<b>(4,008)</b>
Financing expenses .....	(15)	<b>(169)</b>	<b>(1,526)</b>
Gain on sale of investment securities .....	912	<b>15,242</b>	<b>137,676</b>
Gain on investments in silent partnerships .....	82	<b>54</b>	<b>492</b>
Gains on sales of non-current assets .....	25	<b>11</b>	<b>102</b>
Loss on retirement of non-current assets.....	(6)	<b>(55)</b>	<b>(492)</b>
Loss on valuation of investment securities.....	(1,236)	<b>(53)</b>	<b>(482)</b>
Reversal of provision for environmental measures .....	—	<b>67</b>	<b>603</b>
Reversal of allowance for doubtful accounts .....	—	<b>5</b>	<b>46</b>
Provision for warranties for completed construction .....	—	<b>(9,049)</b>	<b>(81,736)</b>
Loss on sales of non-current assets.....	—	<b>(1,949)</b>	<b>(17,600)</b>
Infectious disease related costs .....	—	<b>(684)</b>	<b>(6,182)</b>
Loss on sale of investment securities .....	—	<b>(444)</b>	<b>(4,009)</b>
Impairment losses.....	—	<b>(280)</b>	<b>(2,531)</b>
Foreign currency exchange loss.....	(329)	<b>(91)</b>	<b>(826)</b>
Compensation Income.....	189	—	—
Head office relocation expenses .....	(219)	<b>(113)</b>	<b>(1,017)</b>
Other - net.....	32	<b>4</b>	<b>34</b>
	122	<b>3,047</b>	<b>27,529</b>
<b>Profit before income taxes</b> .....	25,435	<b>23,998</b>	<b>216,768</b>
<b>Income taxes</b> (Notes 2 and 12):			
Current .....	5,803	<b>10,031</b>	<b>90,610</b>
Deferred .....	724	<b>(2,475)</b>	<b>(22,357)</b>
	6,527	<b>7,556</b>	<b>68,253</b>
<b>Profit</b> .....	18,908	<b>16,442</b>	<b>148,515</b>
<b>Loss attributable to non-controlling interests</b> .....	187	<b>(725)</b>	<b>(6,547)</b>
<b>Profit attributable to owners of parent</b> .....	¥ 18,721	<b>¥ 17,167</b>	<b>\$ 155,062</b>
	Yen		U.S. dollars
<b>Per share of common stock</b> (Note 22)			
Net income (loss) .....	¥342.24	<b>¥313.83</b>	<b>\$2.835</b>
Cash dividends applicable to the year.....	105.00	<b>105.00</b>	<b>0.948</b>

The accompanying notes are an integral part of this statement.

## Consolidated Statement of Comprehensive Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Profit</b> .....	¥ 18,908	<b>¥16,442</b>	<b>\$148,515</b>
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities (Note 16) .....	(12,675)	<b>(2,510)</b>	<b>(22,667)</b>
Equity adjustment from foreign currency translation (Note 16) .....	248	<b>(499)</b>	<b>(4,511)</b>
Remeasurements of defined benefit plans (Note 16) .....	(774)	<b>633</b>	<b>5,718</b>
	(13,201)	<b>(2,376)</b>	<b>(21,460)</b>
<b>Comprehensive income</b> .....	¥ 5,707	<b>¥14,066</b>	<b>\$127,055</b>
<b>Comprehensive income attributable to:</b>			
Comprehensive income attributable to owners of parent.....	¥ 5,381	<b>¥14,922</b>	<b>\$134,786</b>
Comprehensive income attributable to non-controlling interests.....	326	<b>(856)</b>	<b>(7,731)</b>

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, 2020 and 2021

	Millions of yen								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Equity adjustment from foreign currency translation	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
<b>Balance at April 1, 2019</b> .....	¥23,514	¥20,780	¥129,707	¥(2,172)	¥ 25,812	¥ (37)	¥ (366)	¥2,093	¥199,331
Dividends declared (Note 17) .....			(5,744)						(5,744)
Profit attributable to owners of parent .....			18,721						18,721
Purchase of treasury stock .....				(3)					(3)
Disposal of treasury shares .....		(0)							(0)
Net changes of items other than shareholder's equity .....					(12,675)	109	(774)	322	(13,018)
<b>Balance at April 1, 2020</b> .....	¥23,514	¥20,780	¥142,684	¥(2,175)	¥ 13,137	¥ 72	¥(1,140)	¥2,415	¥199,287
Dividends declared (Note 17) .....			(5,744)						(5,744)
Profit attributable to owners of parent .....			17,167						17,167
Change of scope of consolidation .....			(66)						(66)
Purchase of treasury shares .....				(2)					(2)
Disposal of treasury shares .....		(0)		0					0
Net changes of items other than shareholder's equity .....					(2,510)	(368)	633	(860)	(3,105)
<b>Balance at March 31, 2021</b> .....	¥23,514	¥20,780	¥154,041	¥(2,177)	¥ 10,627	¥(296)	¥ (507)	¥1,555	¥207,537

	Thousands of U.S. dollars								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Equity adjustment from foreign currency translation	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
<b>Balance at April 1, 2020</b> .....	\$212,390	\$187,701	\$1,288,812	\$(19,645)	\$118,660	\$ 650	\$(10,297)	\$21,814	\$1,800,085
Dividends declared (Note 17) .....			(51,880)						(51,880)
Profit attributable to owners of parent .....			155,062						155,062
Change of scope of consolidation .....			(598)						(598)
Purchase of treasury shares .....				(21)					(21)
Disposal of treasury shares .....		(0)		0					0
Net changes of items other than shareholder's equity .....					(22,667)	(3,327)	5,718	(7,771)	(28,047)
<b>Balance at March 31, 2021</b> .....	\$212,390	\$187,701	\$1,391,396	\$(19,666)	\$ 95,993	\$(2,677)	\$( 4,579)	\$14,043	\$1,874,601

The accompanying notes are an integral part of this statement.

## Consolidated Statement of Cash Flows

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Cash flows from operating activities:</b>			
Profit before income taxes .....	¥ 25,435	¥ 23,998	\$ 216,768
Adjustment for:			
Depreciation and amortization .....	2,617	3,350	30,263
Loss on impairment .....	—	280	2,531
Increase (decrease) in allowance for doubtful accounts .....	(4)	(5)	(46)
Increase (decrease) in provision for loss on construction contracts .....	50	436	3,938
Increase (decrease) in provision for loss on compensation for damage .....	1	3	27
Increase (decrease) in provision for warranties for completed construction (Note 5) .....	34	9,019	81,465
Loss (gain) on sales of investment securities .....	(912)	(14,798)	(133,667)
Loss (gain) on valuation of investment securities .....	1,236	53	482
Loss (gain) on sales of property and equipment .....	(26)	1,937	17,499
Interest and dividend income .....	(1,161)	(995)	(8,985)
Interest expenses .....	474	444	4,008
Decrease (increase) in notes and accounts receivable .....	(22,415)	17,162	155,013
Decrease (increase) in inventories .....	1,100	(549)	(4,962)
Increase (decrease) in notes and accounts payable .....	(15,669)	(36,601)	(330,605)
Increase (decrease) in advances received on uncompleted contracts .....	7,890	1,978	17,869
Increase (decrease) in deposits received .....	12,862	(1,689)	(15,252)
Increase (decrease) in retirement benefit liability .....	(1,605)	(1,693)	(15,289)
Others .....	9,072	8,802	79,494
Sub-total .....	18,979	11,132	100,551
Interest and dividend received .....	1,166	1,005	9,081
Interest paid .....	(540)	(452)	(4,080)
Income taxes paid .....	(5,485)	(6,778)	(61,227)
<b>Net cash provided by (used in) operating activities</b> .....	14,120	4,907	44,325
<b>Cash flows from investing activities:</b>			
Payment for purchases of marketable and investment securities .....	(546)	(5,813)	(52,506)
Proceeds from sale of marketable and investment securities .....	3,390	27,534	248,702
Acquisition of property and equipment .....	(24,757)	(19,890)	(179,657)
Proceeds from sale of property and equipment .....	117	3,788	34,215
Payments of loans receivable .....	(672)	(37)	(337)
Proceeds from collection of loans .....	3,081	6	56
Net decrease (increase) in time deposits .....	—	(195)	(1,761)
Others .....	(760)	(91)	(818)
<b>Net cash provided by (used in) investing activities</b> .....	(20,147)	5,302	47,894
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans .....	(19,142)	(6,870)	(62,054)
Net increase (decrease) in commercial paper .....	35,000	(15,000)	(135,489)
Proceeds from issuance of bonds .....	20,000	30,000	270,978
Redemption of bonds .....	—	(15,000)	(135,489)
Cash dividends paid .....	(5,745)	(5,744)	(51,883)
Dividends paid to non-controlling interests .....	(4)	(4)	(40)
Others .....	(9,157)	(35)	(318)
<b>Net cash provided by (used in) financing activities</b> .....	20,952	(12,653)	(114,295)
Effect of exchange rate changes on cash and cash equivalents .....	60	(440)	(3,978)
<b>Net increase (decrease) of cash and cash equivalents</b> .....	14,985	(2,884)	(26,054)
Cash and cash equivalents at beginning of year (Note 2) .....	31,474	46,459	419,646
<b>Cash and cash equivalents at end of year (Note 2)</b> .....	¥ 46,459	¥ 43,575	\$ 393,592

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 twelve subsidiaries (of which ten are included in the scope of consolidation), constitute the Nishimatsu Construction Group (the "Group"). Nishimatsu Investment Ltd. has been excluded from the scope of consolidation as they are less quantitative materiality.

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

Major non-consolidated subsidiaries are Shimashizu Corporation Co., Ltd, and Shin Urayasu Ekimae PFI. The non-consolidated subsidiaries have been excluded from the scope of consolidations as they are small in scale and the total amounts of the non-consolidated subsidiaries' assets, net

sales, equity in net income/loss, and equity in retained earnings do not have material impact on the consolidated financial statements.

### (c) Application of the equity method

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

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

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

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

The fiscal year end of our consolidated subsidiaries, Thai Nishimatsu Construction Co., Ltd., Lao Nishimatsu Construction Co., Ltd., Nishimatsu Vietnam Co., Ltd., Nishimatsu Real Estate & Development (Asia) Pte. Ltd., Sangenjaya Ichigou Co., Ltd. and Hanoi PH investment Pte. Ltd. is December 31.

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

## 2. Summary of significant accounting policies

### (a) Cash and cash equivalents

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

Cash and cash equivalent balance of ¥43,769 million (\$395,353 thousand) is in the balance sheet as of March 31, 2021.

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

Investments in securities:

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

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

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

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

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

Derivatives:

Mark-to-market method

Inventories:

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

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

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

### (c) Depreciation and amortization

Property, plant and equipment (excluding lease assets):

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

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

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

Depreciation is computed generally by the declining balance method at rates based on the useful lives, which is determined under 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 current 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

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

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

Sales from the percentage of completion method are ¥315,234 million (\$2,847,388 thousand).

### (f) Income taxes

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

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

### (g) Foreign currency transactions

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

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

### (h) Hedge accounting

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) Provision for warranties for completed construction

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

## 3. Important accounting estimates

### (a) Estimation for the percentage of completion method

Sales from the percentage of completion method are ¥315,234 million (\$2,847,388 thousand).

Provision for loss on construction contracts are ¥1,488 million (\$13,441 thousand).

In applying 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. 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 on 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

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

### (j) Allowance for doubtful accounts

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

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

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

### (l) Provision for bonuses

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

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

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

### (n) Provision for environmental measures

It is calculated based on a rational estimate and the Group recognized ¥3 million (\$24 thousands) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

### (o) Other accounting policies on preparing consolidated financial statements

- (1) Process of the equivalent of consumption tax and local consumption tax  
Consumption tax and local consumption tax are accounted for using the tax exclusion method.
- (2) Accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly define  
In the construction business, joint venture accounting process is mainly recognized assets, liabilities, profit and expenses by member's investment ratio.

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

Provision for warranties for completed construction are ¥9,816 million (\$88,661 thousand).

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

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

financial statements for the next consolidated fiscal year. In addition, in the current consolidated fiscal year, construction defects related to the interior work of the apartment located in Tokyo, which was completed and delivered in March 2019, was found. It has become probable that repair work costs and incidental costs associated with repair work will be incurred, therefore, we estimated the costs to be 9,049 million yen and recorded as Provision for warranties for completed construction work.

#### 4. Accounting standards not yet implemented, etc.

- Accounting Standards on Revenue Recognition (Corporate Accounting Standards No.29, March 31,2020)
- Implementation Guidelines on Accounting Standards on Revenue Recognition (Corporate Accounting Standards Application Guideline No.30, March 26,2021)

##### (1) Overview

- Step1: Identify the contract(s) with a customer  
 Step2: Identify the performance obligations in the contract  
 Step3: Determine the transaction price  
 Step4: Allocate the transaction price to the performance obligations in the contract

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

Step5: Recognize revenue when the entity satisfies a performance obligation and as it fulfills

##### (2) Planned applicable date

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

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

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

#### 5. Changes in presentations

##### (a) Notes to consolidated statement of Cash Flows

"Increase (decrease) in provision for warranties for completed construction" which was listed in "Others" under "Cash flows from operating activities" in the previous fiscal year, is separately listed from the fiscal year ended March 31, 2021, because of more quantitative materiality.

The consolidated financial statement of the previous fiscal year has been reclassified to reflect this change in presentation. As a result, ¥21,969 million of presented in "Others" under "Cash flows from operating activities" in the consolidated statement of cash flows of the previous fiscal year has been reclassified as ¥1 million of "Increase (decrease) in provision for loss on compensation for damage", ¥34 million of "Increase (decrease) in

provision for warranties for completed construction", ¥12,862 million of "Increase (decrease) in deposits received" and ¥9,072 million of "others"

##### (b) Application of Accounting Standard for Disclosure of Accounting Estimates

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, March 31, 2020) has been applied since the fiscal year under review, and notes on significant accounting estimates are posted. However, in accordance with the transitional provisions prescribed in the previous on paragraph 11 of such Accounting Standard, such notes do not show the details relating to the previous fiscal year.

#### 6. Additional information

Disclosure of accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly define For the fiscal year ended March 31, 2021, the Group has adopted "Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No.24 of March 31, 2020) and disclosed "Accounting Principles and procedures adopted when requirements under the relating accounting standards are not clearly define".

Estimates on the effects of new coronavirus infections

Time to converge the COVID-19 is uncertain, and on the premise of continuing normal business activities, the Group has assumed accounting estimates about the percentage of completion method and impairment of fixed assets while thoroughly implementing measures to prevent the spread of infection.

#### 7. Significant subsequent events

##### (Issue of unsecured bonds)

At the board meeting held on May 28, 2021, the Company made the following comprehensive resolution regarding the issuance of unsecured bonds.

1. Corporate bond type	Domestic unsecured straight corporate bonds
2. The total amount of issued corporate bonds	30 billion yen (however, it can be issued once or divided into multiple times.)
3. Redemption deadline	7 years
4. Amount of each offered bond	100 million yen
5. The upper limit of interest rate of each offered bond	0.45% or less
6. Redemption method	Bullet maturity amortization
7. Amount paid for each offered bond	100 yen for every 100 yen offered
8. Redemption amount of each offered bond	100 yen for every 100 yen offered
9. Application period	From June 1, 2021 to September 30, 2021
10. Interest payment method and deadline	Every 6 months, deferred payment
11. Collateral/Guarantee	No collateral/guarantee.
12. Use of funds	Debt repayment, working capital and investment and loan funds.
13. Book-Entry bond system	The provisions of the Law Concerning Book-Entry Transfer of Corporate Bonds and Shares, etc. apply to the bonds.
14. Others	Determining the specific conditions for each issuance and all matters necessary for the issuance of corporate bonds are left to the General Manager of the Management Headquarters within the range specified above.

#### 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 ¥110.71 = US\$1, which was the exchange rate prevailing as of March 31, 2021.

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, 2020 and 2021, securities with quoted market prices were summarized as follows:

##### Other securities with quoted market prices

	Millions of yen			Thousands of U.S. dollars		
	2020	2021		2021		
	Acquisition cost	Fair value	Unrealized gains (losses)	Acquisition cost	Fair value	Unrealized gains (losses)
Other securities whose market values recorded in the balance sheet exceed their acquisition costs:						
Equity securities .....	¥22,899	¥42,561	¥19,662	¥17,016	¥32,467	¥15,451
Sub-total .....	22,899	42,561	19,662	17,016	32,467	15,451
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:						
Equity securities .....	5,533	4,773	(760)	2,233	1,790	(443)
Sub-total .....	5,533	4,773	(760)	2,233	1,790	(443)
Total.....	¥28,432	¥47,334	¥18,902	¥19,249	¥34,257	¥15,008
				\$173,872	\$309,431	\$135,559

##### Available-for-sale securities sold during the fiscal year ended March 31, 2020 and 2021

	Millions of yen			Thousands of U.S. dollars		
	2020	2021		2021		
	Proceeds	Total gain on sales	Total loss on sales	Proceeds	Total gain on sales	Total loss on sales
Equity securities .....	¥1,349	¥912	¥(437)	¥27,437	¥15,242	¥444
				\$247,832	\$137,676	\$4,009

### Loss on valuation of investment securities

FY2019 (April 1, 2019 to March 31, 2020)

As of March 31, 2020, an impairment loss is recognized of ¥1,235 million of securities (other securities of unlisted stocks)

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

As of March 31, 2021, an impairment loss is recognized of ¥53 million of securities (other securities of 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, 2021 was approximately 0.311 per cent.

(b) Long-term debt comprised the following:

	Issuer	Type	Date of issue	Millions of yen			Thousands of U.S. dollars		
				2020	2021	2021	2020	2021	2021
0.500 per cent unsecured Japanese Yen bond due Jul 24, 2020	Nishimatsu Construction Co., Ltd.	The 6th unsecured Japanese Yen bonds	Jul 24, 2015	¥15,000	¥	\$	—	—	—
0.810 per cent unsecured Japanese Yen bond due Jul 22, 2022	Nishimatsu Construction Co., Ltd.	The 7th unsecured Japanese Yen bonds	Jul 24, 2015	10,000	10,000	90,326			
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	180,652			
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	135,489			
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	135,489			
				45,000	60,000	541,956			
Less: Portion due within 1 year				—	—	—			
				¥45,000	¥60,000	\$541,956			

The aggregate annual maturities of lease on March 31, 2021 were as follows:

	Millions of yen	Thousands of U.S. dollars
2021.....	¥21	\$194
2022.....	¥18	\$161
2023.....	¥ 8	\$ 76
2024 and thereafter.....	¥ 3	\$ 23

The amount of commercial paper (scheduled to be repaid within one year) as of March 31, 2021 is as follows:

The interest rate applied to this commercial paper is 0.020%.

	Millions of yen	Thousands of U.S. dollars
2021.....	¥20,000	\$180,652

### 11. Retirement benefit and pension plan

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

FY2019 (April 1, 2019 to March 31, 2020)

#### (a) Retirement benefit obligation

Recognition of retirement benefit obligation:

	Millions of yen
Retirement benefit obligation as of April 1, 2019.....	¥25,991
Service cost.....	1,282
Interest cost.....	179
Actuarial gain or loss.....	97
Retirement benefits paid.....	(1,364)
Others.....	8
Retirement benefit obligation as of March 31, 2020.....	¥26,193

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, 2019.....	¥17,516
Expected return on plan assets.....	317
Actuarial gain or loss.....	(964)
Contribution by the Company.....	2,338
Retirement benefits paid.....	(1,005)
Plan assets as of March 31, 2020.....	¥18,200

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

	Millions of yen
Funded retirement benefit obligation.....	¥ 25,986
Plan assets.....	(18,200)
	7,786
Unfunded retirement benefit obligation.....	207
Net liability for retirement benefit in the Consolidated Balance Sheet.....	7,993
Net defined benefit liability.....	7,993
Retirement benefit asset.....	—
Net liability for retirement benefit in the Consolidated Balance Sheet.....	¥ 7,993

#### (d) Components of net periodic pension cost for the year ended March 31, 2020

	Millions of yen
Service cost.....	¥1,282
Interest cost.....	179
Expected return on plan assets.....	(316)
Amortization of actuarial gain or loss.....	37
Unrecognized past service cost.....	(91)
Total.....	¥1,091

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
Past service cost.....	¥ (91)
Actuarial gain or loss.....	(1,024)
Total.....	¥(1,115)

#### (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
Unrecognized actuarial gain or loss.....	¥1,643
Total.....	¥1,643

#### (g) Pension assets

##### Details of plan assets

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

	2020
Bonds.....	46%
Securities.....	11%
General accounts.....	23%
Others.....	20%
Total.....	100%

Retirement benefits trust established for corporate pension plans accounts for 22% 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

	2020
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 ¥198 million.

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

#### (a) Retirement benefit obligation

Recognition of retirement benefit obligation:

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation as of April 1, 2020.....	¥26,193	\$236,591
Service cost.....	1,268	11,449
Interest cost.....	180	1,627
Actuarial gain or loss.....	33	295
Retirement benefits paid.....	(1,142)	(10,313)
Others.....	(9)	(75)
Retirement benefit obligation as of March 31, 2021.....	¥26,523	\$239,574

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
Plan assets as of April 1, 2020.....	¥18,200	\$164,396
Expected return on plan assets.....	353	3,189
Actuarial gain or loss.....	652	5,885
Contribution by the Company.....	2,732	24,677
Retirement benefits paid.....	(793)	(7,165)
Plan assets as of March 31, 2021.....	¥21,144	\$190,982

#### (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
Funded retirement benefit obligation.....	¥ 26,315	\$ 237,691
Plan assets.....	(21,144)	(190,982)
	5,171	46,709
Unfunded retirement benefit obligation.....	209	1,883
Net liability for retirement benefit in the Consolidated Balance Sheet.....	5,380	48,592
Net defined benefit liability.....	6,341	57,273
Retirement benefit asset.....	(961)	(8,681)
Net liability for retirement benefit in the Consolidated Balance Sheet.....	¥ 5,380	\$ 48,592

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

	Millions of yen	Thousands of U.S. dollars
Service cost.....	¥1,268	\$11,449
Interest cost.....	180	1,627
Expected return on plan assets.....	(353)	(3,189)
Amortization of actuarial gain or loss.....	293	2,650
Unrecognized past service cost.....	—	—
Total.....	¥1,388	\$12,537

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		Thousands of U.S. dollars	
	2021	2021	2021	2021
Past service cost .....	¥ —	\$ —		
Actuarial gain or loss .....	912	8,240		
Total .....	¥912	\$8,240		

### (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		Thousands of U.S. dollars	
	2021	2021	2021	2021
Unrecognized actuarial gain or loss .....	¥730	\$6,598		
Total .....	¥730	\$6,598		

### (g) Pension assets

#### Details of plan assets

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

	2021
Bonds .....	57%
Securities .....	12%
General accounts .....	22%
Others .....	9%
Total .....	100%

Retirement benefits trust established for corporate pension plans accounts for 20% 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

	2021
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 ¥200 million.

## 12. Income taxes

### Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities at March 31, 2020 and 2021 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	2020	2021	2021	2020	2021	2021
Deferred tax assets:						
Net defined benefit liability.....	¥ 3,829	¥ 2,901	\$ 26,206			
Impairment loss of long-lived assets .....	2,660	2,524	22,798			
Allowance for doubtful accounts.....	76	—	—			
Provision for bonuses .....	1,226	886	8,001			
Carryforwards.....	919	791	7,143			
Provision for warranties for completed construction.....	244	3,004	27,130			
Loss on valuation of real estate.....	253	253	2,287			
Provision for allowance for loss on construction projects .....	322	455	4,113			
Valuation loss on investment securities .....	176	154	1,387			
Others .....	2,089	2,684	24,253			
Subtotal deferred tax assets.....	11,794	13,652	123,318			
Valuation allowance for net operating loss carryforwards (*1).....	(897)	(784)	(7,082)			
Valuation allowance for the sum of deductible temporary differences .....	(4,383)	(4,202)	(37,957)			
Valuation allowance.....	(5,280)	(4,986)	(45,039)			
Gross deferred tax assets .....	¥ 6,514	¥ 8,666	\$ 78,279			
Deferred tax liabilities:						
Unrealized gain on available-for-sale securities...	(5,792)	(4,603)	(41,578)			
Reserve for reduction entry of replaced property .....	(483)	(481)	(4,349)			
Others .....	(606)	(569)	(5,135)			
Gross deferred tax liabilities.....	¥ (6,881)	¥ (5,653)	\$ (51,062)			
Net deferred tax assets (liabilities).....	¥ (367)	¥ 3,013	\$ 27,217			

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

Previous fiscal year (As of March 31, 2020)

	Millions of yen						
	2020						
	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).....	¥ 231	¥ 138	¥ 5	¥ 16	¥ 325	¥ 203	¥ 918
Valuation allowance .....	(210)	(138)	(5)	(16)	(325)	(203)	(897)
Deferred tax assets .....	21	—	—	—	—	—	21

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

Current fiscal year (As of March 31, 2021)

	Millions of yen						
	2021						
	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).....	¥ 138	¥ 5	¥ 16	¥ 325	¥ 129	¥ 178	¥ 791
Valuation allowance .....	(131)	(5)	(16)	(325)	(129)	(178)	(784)
Deferred tax assets .....	7	—	—	—	—	—	7

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

Thousands of U.S. dollars

	2021						Total
	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	
Net operating loss carryforwards (a) .....	\$ 1,249	\$ 43	\$ 145	\$ 2,931	\$ 1,167	\$ 1,608	\$ 7,143
Valuation allowance .....	(1,188)	(43)	(145)	(2,931)	(1,167)	(1,608)	(7,082)
Deferred tax assets .....	61	—	—	—	—	—	61

(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:

	2020	2021
Statutory tax rate .....	30.6%	30.6%
(Adjustment)		
Permanent non-deductible items .....	1.0%	0.7%
Permanent non-taxable items .....	(0.3)%	(0.1)%
Inhabitant taxes on per capita levy .....	0.6%	0.6%
Valuation allowance .....	(5.4)%	(1.2)%
Tax credit .....	(1.4)%	(0.7)%
Others .....	0.6%	1.6%
Effective tax rate .....	25.7%	31.5%

## 13. Lease transactions

### 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 Sheet

(a) Investments in non-consolidated subsidiaries and affiliates as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Investment securities .....	¥751	¥765	\$6,906

(b) Collateral assets and secured liabilities:

Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligations as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Pledged assets for loans on subsidiaries and affiliates:			
Building and structures .....	¥275	¥265	\$2,397
Land.....	37	37	332
Investment securities .....	104	127	1,148
Total.....	¥416	¥429	\$3,877

(c) Loan guarantee:

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

	Millions of yen			Thousands of U.S. dollars
	2020	2021	2021	2021
	¥19	¥14	¥129	

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

	Millions of yen			Thousands of U.S. dollars
	2020	2021	2021	2021
MUL Nishimatsu Property (Thailand) Co., Ltd.....	¥117	¥107	¥971	

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

	Millions of yen			Thousands of U.S. dollars
	2020	2021	2021	2021
Total amount of loan commitment.....	¥10,000	¥20,000	¥180,652	
Loans outstanding.....	—	10,000	90,326	

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

	Millions of yen			Thousands of U.S. dollars
	2020	2021	2021	2021
Building and structures .....	¥ 28	¥ —	\$ —	
Land.....	503	¥708	6,392	
Total.....	¥531	¥708	\$6,392	

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

	Millions of yen			Thousands of U.S. dollars
	2020	2021	2021	2021
Building and structures .....	¥55	¥—	\$—	
Total.....	¥55	¥—	\$—	

## 15. Notes to Consolidated Statement of income

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

	Millions of yen			Thousands of U.S. dollars
	2020	2021	2021	2021
	¥351	¥626	\$5,654	

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

	Millions of yen			Thousands of U.S. dollars
	2020	2021	2021	2021
Employees' salary and allowances.....	¥9,150	¥9,418	\$85,073	
Retirement benefit expenses.....	490	588	5,309	
Provision for bonuses .....	400	41	370	

(c) Research and development expenses for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
	¥1,506	¥1,533	\$13,851

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Buildings and structures .....	¥—	¥ 6	\$ 54
Land.....	81	4	33
Machinery.....	2	1	12
Fixtures.....	—	0	0
Other.....	0	0	3
Total.....	¥83	¥11	\$102

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Buildings and structures .....	¥56	¥ 7	\$ 61
Land.....	—	1,939	17,518
Machinery.....	1	0	1
Fixtures.....	—	0	0
Other.....	—	3	20
Total.....	¥57	¥1,949	\$17,600

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Buildings and structures .....	¥4	¥47	\$424
Machinery.....	0	0	0
Fixtures.....	1	6	58
Other.....	1	2	12
Total.....	¥6	¥55	\$494

(g) Impairment losses

**FY2019 (April 1, 2019 to March 31, 2020)**

Not applicable.

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

The Group recognized impairment loss on the following asset groups for the year ended March 31, 2021.

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 decline in profitability. The difference between the book value and the recoverable amount was posted as loss on impairment (¥280 million).

Location	Purpose	Type of asset	Millions of yen
			2021
Hakodate, Hokkaido	For rent	Building, Land	¥280

In addition, the recoverable value of the rental property was estimated based on the future cash flow discounted by the rate of 2.9% value in use.

## 16. Notes to Consolidated Comprehensive Income

Other comprehensive income for the year ended March 31, 2020 and 2021 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
	2020	2021	2021
Unrealized gain on available for sale securities			
Amount arising during the year .....	¥(18,587)	¥ 11,051	\$ 99,820
Reclassification adjustments .....	324	(14,750)	(133,230)
Equity adjustment from foreign currency translation			
Amount arising during the year .....	247	(499)	(4,511)
Remeasurements of defined benefit plans			
Amount arising during the year .....	(1,062)	619	5,589
Reclassification adjustments .....	(54)	293	2,651
Amount before income tax effect .....	(19,132)	(3,286)	(29,681)
Income tax effect .....	5,930	910	8,221
Total.....	¥(13,202)	¥ (2,376)	\$ (21,460)

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unrealized gain on available for sale securities			
Amount before income tax effect .....	¥(18,264)	¥(3,698)	\$ (33,409)
Income tax effect .....	5,589	1,189	10,742
Amount after adjustment of income tax effect .....	¥(12,675)	¥(2,509)	\$ (22,667)
Foreign currency translation adjustment			
Amount before income tax effect .....	¥ 247	¥ (499)	\$ (4,511)
Income tax effect .....	—	—	—
Amount after adjustment of income tax effect .....	¥ 247	¥ (499)	\$ (4,511)
Remeasurements of defined benefit plans			
Amount before income tax effect .....	¥ (1,115)	¥ 912	\$ 8,240
Income tax effect .....	341	(279)	(2,522)
Amount after adjustment of income tax effect .....	¥ (774)	¥ 633	\$ 5,718
Other comprehensive income			
Amount total of other comprehensive income .....	¥(19,132)	¥(3,286)	\$ (29,681)
Income tax effect .....	5,930	910	8,221
Amount after adjustment of income tax effect .....	¥(13,202)	¥(2,376)	\$ (21,460)

## 17. Notes to Consolidated Statement of Changes in Net Assets

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

	Thousand shares	
	2020	2021
Common stock		
Number of shares at the beginning of year.....	55,591	55,591
Number of shares increased .....	—	—
Number of shares decreased.....	—	—
Number of shares at the end of year .....	55,591	55,591

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

	Thousand shares	
	2020	2021
Common stock		
Number of shares at the beginning of year.....	889	890
Number of shares increased .....	1	1
Number of shares decreased.....	—	0
Number of shares at the end of year.....	890	891

a) FY2019 (April 1, 2019 to March 31, 2020)

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

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

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

(c) Dividends

FY2019 (April 1, 2019 to March 31, 2020)

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 27, 2019	Common stock	¥5,744	\$52,778	¥105	\$0.945	March 31, 2019	June 28, 2019

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 26, 2020	Common stock	Retained earnings	¥5,744	\$52,777	¥105	\$0.965	March 31, 2020	June 29, 2020

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

1. Dividends paid

Resolution	Class of shares	Total dividend		Dividend per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 26, 2020	Common stock	¥5,744	\$51,880	¥105	\$0.948	March 31, 2020	June 29, 2020

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

Resolution	Class of shares	Source of dividend	Total dividend		Dividend per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 29, 2021	Common stock	Retained earnings	¥5,744	\$51,879	¥105	\$0.948	March 31, 2021	June 30, 2021

## 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 uncollectibility.

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

The Group monitors fair value and financial position periodically and reviewed the status of 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**

The book value, fair value, and difference of the financial instruments on the consolidated balance sheet as of March 31, 2020 and 2021 were as follows.

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

	Millions of yen		
	2020		
	Book value	Fair value	Difference
Cash and deposits	¥ 46,459	¥ 46,459	¥ -
Notes receivable, accounts receivable from completed construction contracts and other	220,311	220,171	(140)
Investment in securities	47,334	47,334	-
Long-term loans	597	-	-
Allowance for doubtful accounts *	(81)	-	-
	516	504	(12)
<b>Assets</b>	¥314,620	¥314,469	¥(152)
Notes payable, accounts payable for construction contracts and other	¥ 93,144	¥ 93,144	¥ -
Short-term debt	41,909	41,909	-
Commercial paper	35,000	35,000	-
Current portion of bond	15,000	15,000	-
Bond	30,000	29,972	(28)
Long-term debt	-	-	-
Liabilities	¥215,053	¥215,025	¥ (28)
Derivative	-	-	-

	Millions of yen		
	2021		
	Book value	Fair value	Difference
Cash and deposits	¥ 43,769	¥ 43,769	¥ -
Notes receivable, accounts receivable from completed construction contracts and other	203,082	202,868	(214)
Investment in securities	34,257	34,257	-
Long-term loans	600	-	-
Allowance for doubtful accounts *	(76)	-	-
	524	512	(12)
<b>Assets</b>	¥281,632	¥281,406	¥(226)
Notes payable, accounts payable for construction contracts and other	¥ 56,305	¥ 56,305	¥ -
Short-term debt	35,039	35,039	-
Commercial Paper	20,000	20,000	-
Current portion of bond	-	-	-
Bond	60,000	59,978	(22)
Long-term debt	-	-	-
Liabilities	¥171,344	¥171,322	¥ (22)
Derivative	-	-	-

	Thousands of U.S. dollars		
	2021		
	Book value	Fair value	Difference
Cash and deposits	\$ 395,353	\$ 395,353	\$ -
Notes receivable, accounts receivable from completed construction contracts and other	1,834,361	1,832,421	(1,940)
Investment in securities	309,431	309,431	-
Long-term loans	5,417	-	-
Allowance for doubtful accounts *	(688)	-	-
	4,729	4,625	(104)
<b>Assets</b>	\$2,543,874	\$2,541,830	\$(2,044)
Notes payable, accounts payable for construction contracts and other	\$ 508,584	\$ 508,584	\$ -
Short-term debt	316,494	316,494	-
Commercial paper	180,652	180,652	-
Current portion of bond	-	-	-
Bond	541,956	541,750	(206)
Long-term debt	-	-	-
Liabilities	\$1,547,686	\$1,547,480	\$(206)
Derivative	-	-	-

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

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

**Assets**

1) Cash and deposits

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

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

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

3) Investment in securities

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

4) Long-term loan

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

**Liabilities**

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

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

2) Bond

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

3) Long-term debt

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

2. Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2020 and 2021 were as follows:

Classification	Millions of yen			Thousands of U.S. dollars
	2021			
	2020	2021	2021	
	Book value	Book value	Book value	
Unlisted securities.....	¥4,013	¥4,208	¥38,011	
Silent partnerships.....	3,237	5,412	48,880	
Stock for non-consolidated subsidiaries and affiliates.....	751	765	6,906	

3. Redemption schedule for receivable and securities to maturity at March 31, 2020 and 2021

	Millions of yen			
	2020			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits .....	¥ 46,459	¥ -	¥ -	¥ -
Notes receivable, accounts receivable from completed construction contracts and other.....	200,943	18,836	532	0
Investment in securities	-	-	-	-
Debt security held to maturity (government bonds).....	-	-	-	-
Long-term loan.....	-	492	71	33
Total .....	¥247,402	¥19,328	¥603	¥33

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

	Thousands of U.S. dollars			
	2021			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits .....	\$ 395,353	\$ -	\$ -	\$ -
Notes receivable, accounts receivable from completed construction contracts and other.....	1,625,773	204,721	3,668	-
Investment in securities	-	-	-	-
Debt security held to maturity (government bonds).....	-	-	-	-
Long-term loan.....	-	4,918	253	245
Total .....	\$2,021,126	\$209,639	\$4,121	\$245

4. Redemption schedule for bond, long-term debt, and lease liability as of March 31, 2020 and 2021.

	Millions of yen					
	2020					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond.....	¥15,000	¥ -	¥10,000	¥ -	¥20,000	¥ -
Long-term debt .....	-	-	-	-	-	-
Lease liability .....	32	21	18	15	5	1
Total .....	¥15,032	¥21	¥10,018	¥15	¥20,005	¥ 1

	Millions of yen					
	2021					
	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	¥ -
Long-term debt .....	-	-	-	-	-	-
Lease liability .....	24	21	18	8	2	0
Total .....	¥24	¥10,021	¥15,018	¥20,008	¥15,002	¥ 0

	Thousands of U.S. dollars					
	2021					
	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.....	\$ -	\$90,326	\$135,489	\$180,652	\$135,489	\$ -
Long-term debt .....	-	-	-	-	-	-
Lease liability .....	216	194	161	76	22	1
Total .....	\$216	\$90,520	\$135,650	\$180,728	\$135,511	\$ 1

**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 2020 was ¥2,598 million, in 2021 was ¥3,650 million (\$32,972 thousand).

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

Millions of yen			
Carrying amount		Fair value	
April 1, 2019	Increased (decreased)	March 31, 2020	March 31, 2020
¥67,438	¥42,803	¥110,241	¥148,127

Millions of yen			
Carrying amount		Fair value	
April 1, 2020	Increased (decreased)	March 31, 2021	March 31, 2021
¥110,241	¥5,583	¥115,824	¥158,007

Thousands of U.S. dollars			
Carrying amount		Fair value	
April 1, 2020	Increased (Decreased)	March 31, 2021	March 31, 2021
\$995,764	\$50,426	\$1,046,190	\$1,427,218

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

2. The main reason of increase in 2020 was the purchase, ¥43,846 million (\$402,892 thousand), those of decrease were the depreciation ¥1,379 million (\$12,669 thousand).

The main reason of increase in 2021 was the purchase, ¥14,454 million (\$130,560 thousand), those of decrease were the selling ¥5,890 million (\$53,202 thousand), depreciation ¥1,933 million (\$17,459 thousand), transfer to sales of real estate ¥723 million (\$6,526 thousand), impairment losses ¥280 million (\$2,531 thousand).

3. 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 financial statement for the years ended March 31, 2020 and 2021 were as follows:

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

1 Obligation to remove asbestos based on "Act on Asbestos Health Damage Relief"

The estimated period of service of the building is 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%.

2 Obligation to soil investigation based on Soil Contamination Countermeasures Act

The estimated period of service of the building is 8 to 17 years from acquisition and the discount rate has calculated the adjustment amount of an asset retirement obligation by having used 1.035 to 1.989%.

3 Rationally estimated cost of obligation to restore to original state based on real estate rental contract

The estimated period of service of rental stores owned by the Group is 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 2 years 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, 2020 and 2021 was as follows:**

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at beginning of year.....	¥424	¥481	\$4,340
New obligations by acquisition of fixed assets .....	54	237	2,144
Increase because of reasonable estimate can be made .....	—	—	—
Adjustment for time's passage.....	3	4	34
Decrease because of executed obligation.....	—	(85)	(767)
Balance at end of year.....	¥481	¥637	\$5,751

**21. Segment information**

**(a) Decision of reportable segments**

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

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

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

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

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

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

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

**(c) Net sales, profit or loss, assets and liabilities by reportable business segments for the years ended March 31, 2020 and 2021.**

	Millions of yen				
	2020				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers.....	¥141,178	¥240,857	¥9,587	¥ —	¥391,622
Intersegment or transfer....	—	—	275	(275)	—
Total.....	¥141,178	¥240,857	¥9,862	¥(275)	¥391,621
Operating income (loss) ....	15,526	7,832	1,965	(10)	25,313
Depreciation and amortization.....	694	535	1,388	—	2,617

1. "Adjustments" of negative 10 million yen in "Operating income" is due to the deletion with which segments transact.
2. Adjustments are made between "Segment profit" and "Operating income" reported in the consolidated statement of income.
3. Assets of each segment are not mentioned because of not distribution to the business segment.

	Millions of yen				
	2021				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers.....	¥127,397	¥196,852	¥11,992	¥ —	¥336,241
Intersegment or transfer....	—	—	257	(257)	—
Total.....	¥127,397	¥196,852	¥12,249	¥(257)	¥336,241
Operating income (loss) ....	8,411	9,199	3,348	(7)	20,951
Depreciation and amortization.....	690	660	2,001	—	3,350

1. "Adjustments" of negative 7 million yen in "Operating income" is due to the deletion with which segments transact.
2. Adjustments are made between "Segment profit" and "Operating income" reported in the consolidated statement of income.
3. Assets of each segment are not mentioned because of not distribution to the business segment.

	Thousands of U.S. dollars				
	2021				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers.....	\$1,150,729	\$1,778,087	\$108,320	\$ —	\$3,037,136
Intersegment or transfer....	—	—	2,321	(2,321)	—
Total.....	\$1,150,729	\$1,778,087	\$110,641	\$(2,321)	\$3,037,136
Operating income (loss) ....	75,972	83,089	30,238	(60)	189,239
Depreciation and amortization.....	6,235	5,958	18,070	—	30,263

**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, 2020 and 2021.

**(2) Geographical areas**

Information by geographical segment for the years ended March 31, 2020 and 2021 were summarized as follows:

	Millions of yen			
	2020			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	¥361,839	¥29,782	¥—	¥391,621

	Millions of yen			
	2021			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	¥317,940	¥18,301	¥—	¥336,241

	Thousands of U.S. dollars			
	2021			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	\$2,871,831	\$165,305	\$—	\$3,037,136

**Information about tangible assets**

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

**(3) Major customers**

This item for the years ended March 31, 2021 is omitted because net sales to no single customer represented 10% or more of total net sales of the consolidated statement of income.

**(4) Impairment losses**

There are no impairment losses on fixed assets by reportable business segment for the year end March 31, 2020.

The detail for the year ended March 31, 2021 was as follows:

	Millions of yen				
	2021				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Impairment losses .....	¥—	¥—	¥280	¥—	¥280

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

Not Applicable.

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

Not Applicable.

**(7) Information on Related Parties**

Not Applicable.

**22. 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, 2020 and 2021.

**a) Per share information**

	Yen			U.S. dollars		
	2020	2021	2021	2020	2021	2021
Net income:						
Basic .....	¥ 342.24	¥ 313.83	¥ 313.83	\$ 2.835	\$ 2.835	\$ 2.835
Net assets:.....	3,599.01	3,765.62	3,765.62	34.013	34.013	34.013

1. Diluted net income per share for the years ended March 31, 2019 and 2020 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
	2020	2021	2021
Profit attributable to owners of parent .....	¥18,721	¥17,167	\$155,062
Amount that does not belong to general shareholders.....	—	—	—
Profit attributable to owners of parent .....	18,721	17,167	155,062
Average number of shares of common stock during the year (Unit:1000) .....	54,702	54,701	54,701

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Total amount under net assets.....	¥199,287	¥207,537	\$1,874,601
Amount deducted from the total amount under net assets .....	2,415	1,555	14,043
(Of which non - controlling interests) .....	(2,415)	(1,555)	(14,043)
Net assets at the end of the year related to common stock .....	196,872	205,982	1,860,558
Number of shares of common stock at the end of the year used in the calculation of net assets per share (Unit:1000).....	54,702	54,701	54,701

**23. Quarterly information for FY2020 (April 1, 2020 to March 31, 2021)**

a) Accumulated period

	Millions of yen			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2020 Jun 30, 2020	Jul 1, 2020 Sep 30, 2020	Oct 1, 2020 Dec 31, 2020	Jan 1, 2021 Mar 31, 2021
Net sales .....	¥76,208	¥161,703	¥248,330	¥336,241
Profit before income taxes .....	2,534	7,579	14,801	23,998
Profit attributable to owners of parent.....	1,667	5,012	10,018	17,167
Per share of net income (Yen) .....	30.47	91.63	183.13	313.83

	Thousands of U.S. dollars			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2020 Jun 30, 2020	Jul 1, 2020 Sep 30, 2020	Oct 1, 2020 Dec 31, 2020	Jan 1, 2021 Mar 31, 2021
Net sales .....	\$688,355	\$1,460,602	\$2,243,064	\$3,037,136
Profit before income taxes .....	22,889	68,461	133,694	216,768
Profit attributable to owners of parent.....	15,057	45,275	90,485	155,062
Per share of net income (U.S. dollars) .....	0.275	0.828	1.654	2.835

b) Each period

	Yen			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2020 Jun 30, 2020	Jul 1, 2020 Sep 30, 2020	Oct 1, 2020 Dec 31, 2020	Jan 1, 2021 Mar 31, 2021
Per share of net income.....	¥30.47	¥61.16	¥91.50	¥130.70

	U.S. dollars			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2020 Jun 30, 2020	Jul 1, 2020 Sep 30, 2020	Oct 1, 2020 Dec 31, 2020	Jan 1, 2021 Mar 31, 2021
Per share of net income.....	\$0.275	\$0.552	\$0.826	\$1.181

# 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, 2021, 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, 2021, 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.

### 1. Accounting estimation for 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 and its consolidated subsidiaries are ¥315,234 million and account for 93.8% of the total net sales in the consolidated statement of income.

In applying 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 percentage of completion method falls under key audit matters.

#### Audit procedures

To review the reasonableness of the accounting estimation for the percentage of completion method, we took mainly the following audit procedures.

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

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

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

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

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

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

### Details of key audit matters and reasons for the decision

As stated in the explanatory notes (Important accounting estimates), provision for warranties for completed construction recorded in the consolidated financial statements for the current period are ¥9,815 million. This includes the estimated repair work costs, etc. of ¥9,049 million for the apartment located in Tokyo (hereinafter referred to as “the matter”).

The Company and its consolidated subsidiaries record the estimated amount of the cost of repairing defects related to completed construction as provision for warranties for completed construction. In the current period, construction defects related to the interior work of the matter, which was completed and delivered in March 2019, was found, and it has become probable that repair work costs and incidental costs associated with repair work will be incurred. The Company estimates the costs to be ¥9,049 million.

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

### Audit procedures

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

● We assessed the design, implementation and operation of the internal control concerning the estimation of the provision for warranties for completed construction.

● To understand the general outline of the matter, we received multiple briefings from the repair work manager, etc. and asked questions as appropriate. In addition, we consulted with the management, etc. to understand how the Company has been responding to the matter.

● We understood the details of the repair work costs and associated incidental costs by visiting the site, asking questions to the site manager, and observing the site. We also reviewed the consistency between the details and major breakdown documents concerning the repair work costs, etc.

● To confirm that the criteria for recording the provision are met, we browsed minutes, relevant documents, etc. of the Board of Directors meetings and other important meetings and reviewed the reasonableness and appropriateness of the costs the Company should bear in the future, including the possibility that the costs will be incurred.

● We confirmed that the assumptions that have a significant impact on the repair work, etc. are consistent with relevant evidence and that the estimated amount of provision for warranties for completed construction is calculated based on the prerequisites.

● To see whether there are any subsequent events that call for the reconsideration of the prerequisites, we received a briefing from the repair work manager, etc. and asked questions as appropriate. In addition, we browsed the minutes of the Board of Directors meetings and other important meetings.

### 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 隆之 

Takayuki Nakagawa  
Designated Engagement Partner  
Certified Public Accountant

新島 敏也 

Toshiya Shinshima  
Designated Engagement Partner  
Certified Public Accountant

Gyosei & Co.  
Tokyo, Japan  
June 29, 2021

## Non-Consolidated Five-Year Summary

Nishimatsu Construction Co., Ltd.

	Millions of yen				2021
	2017	2018	2019	2020	
Orders received .....	¥355,488	¥369,972	¥340,302	¥361,014	<b>¥312,278</b>
Orders received from overseas .....	18,317	37,925	11,088	(1,384)	<b>2,089</b>
Percentage of orders received from overseas .....	5.2%	10.3%	3.3%	(0.4%)	<b>0.7%</b>
Net sales .....	307,045	276,157	336,854	377,167	<b>328,253</b>
Cost of sales .....	266,004	236,503	294,629	334,773	<b>290,118</b>
Selling, general and administrative expenses .....	16,186	16,842	17,688	17,742	<b>17,867</b>
Profit before income taxes .....	27,283	24,814	26,659	25,510	<b>25,663</b>
Profit.....	19,336	17,126	18,626	19,143	<b>18,087</b>
Percentage of income against net sales.....	6.3%	6.2%	5.5%	5.1%	<b>5.5%</b>
Total assets *2 .....	373,539	369,265	452,214	483,112	<b>464,220</b>
Net assets *2.....	163,564	178,404	192,845	193,587	<b>203,231</b>
Percentage of net assets against total assets .....	43.8%	48.3%	42.6%	40.1%	<b>43.8%</b>
Common stock.....	23,514	23,514	23,514	23,514	<b>23,514</b>
Per share of common stock (in yen) : *1					
Net income .....	¥ 350.42	¥ 312.39	¥ 340.48	¥ 349.94	<b>¥ 330.64</b>
Cash dividends applicable to the year.....	21.00	95.00	105.00	105.00	<b>105.00</b>
Net assets .....	2980.09	3261.27	3525.31	3538.96	<b>3715.32</b>
Number of shareholders .....	18,599	17,816	17,535	17,854	<b>17,170</b>
Number of employees .....	2,504	2,536	2,606	2,684	<b>2,762</b>

Note:

\*1 Profit per share of common stock is based upon the weighted average number of common stock outstanding during each year.

As of October 1, 2017, a 5:1 share consolidation of common stock was implemented.

Accordingly, net income per share and net assets per share have been calculated on the assumption that this consolidation of shares was carried out at the beginning of the year ending March 2018.

\*2 Effective beginning the March 31, 2019 fiscal year, the Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (Accounting Standards Board of Japan (ASBJ) Guidance No.28 of February 16, 2018)."

The accounting standard has been retrospectively applied to the major management indicators for the March, 2018 fiscal year and earlier.

# Non-Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd.  
March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 15).....	¥ 32,237	¥ 34,966	\$ 315,832
Notes and accounts receivable, trade:			
Notes (Note 15).....	4,007	4,479	40,461
Accounts (Note 15).....	215,086	197,970	1,788,182
Allowance for doubtful accounts (Notes 2 and 14).....	(164)	(164)	(1,477)
Inventories (Notes 2 and 7).....	13,018	14,374	129,831
Short-term loans to subsidiaries and affiliates.....	80	327	2,949
Advance paid.....	12,937	9,387	84,793
Other current assets.....	7,760	3,844	34,722
Total current assets.....	284,961	265,183	2,395,293
<b>Investments and other assets:</b>			
Investment securities (Notes 2 and 12).....	52,511	41,711	376,762
Investments in subsidiaries and affiliates (Notes 2 and 8).....	8,798	8,802	79,509
Investments in capital of subsidiaries and affiliates.....	4,955	4,766	43,048
Long-term loans to subsidiaries and affiliates.....	785	754	6,811
Deferred tax assets (Notes 2 and 9).....	—	2,977	26,894
Others.....	5,811	6,988	63,123
Allowance for doubtful accounts (Notes 2, 9 and 14).....	(86)	(80)	(730)
Total investments and other assets.....	72,774	65,918	595,417
<b>Property and equipment (Notes 2 and 13):</b>			
Land.....	75,367	77,837	703,067
Buildings.....	78,010	83,988	758,629
Machinery and equipment.....	10,031	9,458	85,431
Accumulated depreciation.....	(38,031)	(38,164)	(344,718)
Total property and equipment.....	125,377	133,119	1,202,409
Total assets.....	¥483,112	¥464,220	\$4,193,119

The accompanying notes are an integral part of this statement.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Liabilities and Net assets</b>			
<b>Current liabilities:</b>			
Short-term debt from banks (Note 15).....	¥ 41,909	¥ 35,039	\$ 316,494
Current portion of bonds payable.....	15,000	—	—
Commercial papers (Note 15).....	35,000	20,000	180,652
Notes and accounts payable, trade:			
Notes (Note 15).....	28,655	18,674	168,675
Accounts (Note 15).....	60,218	36,063	325,742
Advances received on uncompleted contracts (Note 15).....	16,150	18,646	168,418
Provision for warranties for completed construction (Notes 2 and 14).....	797	9,816	88,661
Provision for bonuses (Notes 2 and 14).....	3,908	2,812	25,398
Provision for loss on construction contracts (Notes 2 and 14).....	1,052	1,488	13,441
Accrued income taxes.....	4,425	7,921	71,552
Provision for loss on real estate business and other (Notes 2 and 14).....	25	28	253
Deposits received.....	36,039	34,078	307,809
Other current liabilities.....	3,967	4,129	37,307
Total current liabilities.....	247,145	188,694	1,704,402
<b>Long-term liabilities:</b>			
Bonds payable.....	30,000	60,000	541,956
Accrued retirement benefits.....	6,143	5,694	51,434
Deferred income taxes (Notes 2 and 9).....	550	—	—
Provision for environmental measures (Notes 2 and 14).....	97	3	24
Asset retirement obligations.....	457	608	5,492
Other long-term liabilities.....	5,133	5,990	54,108
Total long-term liabilities.....	42,380	72,295	653,014
Total liabilities.....	289,525	260,989	2,357,416
<b>Net assets:</b>			
Common stock :			
Authorized - 160,000,000 shares			
Issued and outstanding - 55,591,502 shares.....	23,514	23,514	212,390
Capital surplus.....	20,780	20,780	187,701
Legal reserve.....	5,878	5,878	53,096
Retained earnings.....	132,453	144,796	1,307,886
Treasury stock, at cost.....	(2,175)	(2,177)	(19,666)
Valuation difference on available-for-sale securities.....	13,137	10,440	94,296
Total net assets.....	193,587	203,231	1,835,703
Total liabilities and net assets.....	¥483,112	¥464,220	\$4,193,119

## Non-Consolidated Statement of Income

Nishimatsu Construction Co., Ltd.  
March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Net sales</b> (Note 2):			
Completed construction contract.....	¥367,167	<b>¥314,720</b>	<b>\$2,842,746</b>
Real estate business and other.....	10,000	<b>13,533</b>	<b>122,232</b>
	377,167	<b>328,253</b>	<b>2,964,978</b>
<b>Cost of sales</b> (Notes 2 and 16):			
Cost of completed construction contract.....	327,781	<b>281,190</b>	<b>2,539,874</b>
Cost of real estate business and other.....	6,993	<b>8,929</b>	<b>80,652</b>
	334,774	<b>290,119</b>	<b>2,620,526</b>
Gross profit.....	42,393	<b>38,134</b>	<b>344,452</b>
<b>Selling, general and administrative expenses</b> .....	17,742	<b>17,867</b>	<b>161,389</b>
Income from operations.....	24,651	<b>20,267</b>	<b>183,063</b>
<b>Other income (expenses):</b>			
Interest and dividend income.....	1,820	<b>3,108</b>	<b>28,073</b>
Interest expenses.....	(473)	<b>(444)</b>	<b>(4,007)</b>
Financing expenses.....	(107)	<b>(169)</b>	<b>(1,526)</b>
Gain on sales of investment securities.....	883	<b>15,242</b>	<b>137,676</b>
Gain on investments in silent partnerships.....	82	<b>54</b>	<b>492</b>
Gains on sales of non-current assets.....	25	<b>210</b>	<b>1,894</b>
Loss on retirement of non-current assets.....	(6)	<b>(54)</b>	<b>(492)</b>
Loss on valuation of investment securities.....	(1,236)	<b>(53)</b>	<b>(482)</b>
Reversal of provision for environmental measures.....	—	<b>67</b>	<b>603</b>
Reversal of allowance for doubtful accounts.....	—	<b>5</b>	<b>46</b>
Provision for warranties for completed construction.....	—	<b>(9,049)</b>	<b>(81,736)</b>
Loss on sales of non-current assets.....	—	<b>(1,988)</b>	<b>(17,957)</b>
Infectious disease related costs.....	—	<b>(684)</b>	<b>(6,181)</b>
Loss on sale of investment securities.....	—	<b>(444)</b>	<b>(4,009)</b>
Impairment losses.....	—	<b>(280)</b>	<b>(2,531)</b>
Foreign currency exchange loss.....	(212)	<b>(13)</b>	<b>(117)</b>
Compensation income.....	187	—	—
Head office relocation expenses.....	(219)	<b>(113)</b>	<b>(1,017)</b>
Other - net.....	302	<b>1</b>	<b>12</b>
	859	<b>5,396</b>	<b>48,741</b>
<b>Profit before income taxes</b> .....	25,510	<b>25,663</b>	<b>231,804</b>
<b>Income taxes</b> (Note 2)			
Current.....	5,644	<b>9,914</b>	<b>89,551</b>
Deferred.....	723	<b>(2,338)</b>	<b>(21,117)</b>
	6,367	<b>7,576</b>	<b>68,434</b>
<b>Profit</b> .....	¥ 19,143	<b>¥ 18,087</b>	<b>\$ 163,370</b>
	Yen		U.S. dollars
<b>Per share of common stock</b>			
Net income (loss).....	¥349.94	<b>¥330.64</b>	<b>\$2.987</b>
Cash dividends applicable to the year.....	105.00	<b>105.00</b>	<b>0.948</b>

The accompanying notes are an integral part of this statement.

## Non-Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd.  
March 31, 2020 and 2021

	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
<b>Balance at April 1, 2019</b> .....	¥23,514	¥20,780	¥5,878	¥119,054	¥(2,172)	¥ 25,791	¥192,845
Dividends declared.....				(5,744)			(5,744)
Profit.....				19,143			19,143
Purchase of treasury stock.....					(3)		(3)
Disposal of treasury shares.....		(0)					(0)
Net changes of items other than shareholder's equity.....						(12,654)	(12,654)
<b>Balance at April 1, 2020</b> .....	¥23,514	¥20,780	¥5,878	¥132,453	¥(2,175)	¥ 13,137	¥193,587
Dividends declared.....				(5,744)			(5,744)
Profit.....				18,087			18,087
Purchase of treasury shares.....					(2)		(2)
Disposal of treasury shares.....		(0)			0		0
Net changes of items other than shareholder's equity.....						(2,697)	(2,697)
<b>Balance at March 31, 2021</b> .....	<b>¥23,514</b>	<b>¥20,780</b>	<b>¥5,878</b>	<b>¥144,796</b>	<b>¥(2,177)</b>	<b>¥ 10,440</b>	<b>¥203,231</b>
	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
<b>Balance at April 1, 2020</b> .....	\$212,390	\$187,701	\$53,096	\$1,196,396	\$(19,645)	\$118,660	\$1,748,598
Dividends declared.....				(51,880)			(51,880)
Profit.....				163,370			163,370
Purchase of treasury shares.....					(21)		(21)
Disposal of treasury shares.....					0		0
Net changes of items other than shareholder's equity.....		(0)				(24,364)	(24,364)
<b>Balance at March 31, 2021</b> .....	<b>\$212,390</b>	<b>\$187,701</b>	<b>\$53,096</b>	<b>\$1,307,886</b>	<b>\$(19,666)</b>	<b>\$ 94,296</b>	<b>\$1,835,703</b>

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.

## 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).

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.

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 current assets as in case of the plan assets exceeded the retirement benefit obligations.

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

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

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

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

Sales from the percentage of completion method is ¥308,616 million (\$2,787,607 thousand).

### (h) Income taxes

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

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

### (i) Hedge accounting

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

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

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

### (j) Appropriations of retained earnings

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

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

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

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

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

### (m) Allowance for doubtful accounts

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

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

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

### (o) Provision for bonuses

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

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

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

### (q) Provision for environmental measures

It is calculated based on a rational estimate and the Company recognized ¥3 million (\$24 thousand) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

### (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 are different from the accounting on consolidated balance sheet.
- (2) Process of the equivalent of consumption tax and local consumption tax Consumption tax and local consumption tax are accounted for using the tax exclusion method.
- (3) Accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly define. In the construction business, joint venture accounting process is mainly recognized assets, liabilities, profit and expenses by member's investment ratio.

## 3. Important accounting estimates

(a) Estimation for the percentage of completion method

Sales from the percentage of completion method are ¥308,616 million (\$2,787,607 thousand).

Provision for loss on construction contracts are ¥1,488 million (\$13,441 thousand).

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

(b) Provision for warranties for completed construction

Provision for warranties for completed construction are ¥9,816 million (\$88,661 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 presentation

### Application of Accounting Standard for Disclosure of Accounting Estimates

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, March 31, 2020) has been applied since the fiscal year under review, and notes on significant accounting estimates are posted. However, in accordance with the transitional provisions prescribed in the previous on paragraph 11 of such Accounting Standard, such notes do not show the details relating to the previous fiscal year.

## 5. Additional information.

Disclosure of accounting principles and procedures adopted when requirement under the relating accounting standards are not clearly define. For the fiscal year ended March 31, 2021, the Group has adopted "Revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No.24 of March 31, 2020) and disclosed "Accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly define".

Estimates on the effects of new coronavirus infections

Time to converge the COVID-19 is uncertain, and on the premise of continuing normal business activities, the Group has assumed accounting estimates about the percentage of completion method and impairment of fixed assets while thoroughly implementing measures to prevent the spread of infection.

## 6. United States dollar amounts

The United States dollar amounts presented in the accompanying non-consolidated financial statements are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥110.71 = US\$1, which was the exchange rate prevailing as of March 31, 2021.

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

## 7. Significant subsequent events

### (Issue of unsecured bonds)

At the board meeting held on May 28, 2021, the Company made the following comprehensive resolution regarding the issuance of unsecured bonds.

1. Corporate bond type	Domestic unsecured straight corporate bonds
2. The total amount of issued corporate bonds	30 billion yen (however, it can be issued once or divided into multiple times.)
3. Redemption deadline	7 years
4. Amount of each offered bond	100 million yen
5. The upper limit of interest rate of each offered bond	0.45% or less
6. Redemption method	Bullet maturity amortization
7. Amount paid for each offered bond	100 yen for every 100 yen offered
8. Redemption amount of each offered bond	100 yen for every 100 yen offered
9. Application period	From June 1, 2021 to September 30, 2021
10. Interest payment method and deadline	Every 6 months, deferred payment
11. Collateral/Guarantee	No collateral/guarantee.
12. Use of funds	Debt repayment, working capital and investment and loan funds.
13. Book-Entry bond system	The provisions of the Law Concerning Book-Entry Transfer of Corporate Bonds and Shares, etc. apply to the bonds.
14. Others	Determining the specific conditions for each issuance and all matters necessary for the issuance of corporate bonds are left to the General Manager of the Management Headquarters within the range specified above.

## 8. Inventories

Inventories comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Costs on uncompleted construction contracts.....	¥ 4,990	¥ 6,370	\$ 57,539
Real estate for sale.....	7,470	7,338	66,282
Raw materials and supplies.....	558	666	6,010
Total.....	¥13,018	¥14,374	\$129,831

## 9. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Stocks of subsidiaries.....	¥8,682	¥8,682	\$78,418
Stocks of affiliates.....	116	120	1,091
Total.....	¥8,798	¥8,802	\$79,509

## 10. Income taxes

### Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deferred tax assets:			
Accrued retirement obligations.....	¥ 3,279	¥ 2,629	\$ 23,751
Impairment loss of long-lived assets.....	2,446	2,389	21,575
Provision for allowance for loss on construction projects.....	322	455	4,113
Allowance for doubtful accounts.....	76	—	—
Provision for bonuses.....	1,196	860	7,772
Provision for warranties for completed construction.....	244	3,004	27,130
Valuation loss on investment securities.....	176	154	1,387
Loss on valuation of real estate.....	253	253	2,287
Other.....	1,752	2,380	21,495
Subtotal deferred tax assets.....	¥ 9,744	¥12,124	\$109,510
Valuation allowance.....	(3,962)	(3,871)	(34,977)
Gross deferred tax assets.....	¥ 5,782	¥ 8,251	\$ 74,533
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities...	¥(5,792)	¥ (4,603)	\$ (41,578)
Reserve for reduction entry of replaced property.....	(483)	(382)	(3,449)
Others.....	(57)	(289)	(2,612)
Gross deferred tax liabilities.....	¥(6,332)	¥ (5,274)	\$ (47,639)
Net deferred tax assets (liabilities).....	¥ (550)	¥ 2,977	\$ 26,894

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

	2020	2021
Statutory tax rate (Adjustment).....	30.6%	30.6%
Permanent non-deductible items.....	1.0%	0.6%
Permanent non-taxable items.....	(1.2)%	(2.7)%
Inhabitant taxes on per capita levy.....	0.6%	0.6%
Valuation allowance.....	(5.2)%	(0.3)%
Tax credit.....	(1.4)%	(0.6)%
Other.....	0.6%	1.3%
Effective tax rate.....	25.0%	29.5%

## 11. 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, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Pledged assets for loans on subsidiaries and affiliates:			
Buildings.....	¥275	¥265	\$2,397
Land.....	37	37	332
Investment securities.....	104	120	1,080
Total.....	¥416	¥422	\$3,809

(b) Loan guarantee

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Total.....	¥18	¥14	\$129

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Total amount of loan commitment.....	¥10,000	¥20,000	\$180,652
Loans outstanding.....	—	¥10,000	\$ 90,326

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Buildings.....	¥ 28	¥ —	\$ —
Land.....	503	708	6,392
Total.....	¥531	¥708	\$6,392

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Buildings.....	¥55	¥—	\$—

## 12. Notes to non-consolidated statements of income

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Land.....	¥80	¥208	\$1,879
Machinery.....	2	1	12
Fixtures.....	1	0	1
Other.....	0	1	2
Total.....	¥82	¥210	\$1,894

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Buildings and structures.....	¥56	¥ 35	\$ 316
Land.....	—	1,951	17,620
Machinery.....	1	0	0
Fixtures.....	—	0	1
Other.....	—	2	20
Total.....	¥57	¥1,988	\$17,957

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Buildings and structures.....	¥4	¥47	\$424
Machinery.....	0	0	0
Fixtures.....	1	6	58
Others.....	1	2	10
Total.....	¥6	¥55	\$492

### 13. Details of securities

#### (a) Stock

##### Investment Securities - Available-for-sale securities

Issuer	Number of shares	Millions of yen	Thousands of U.S. dollar
		Balance as of March 31, 2021 on balance sheets	Balance as of March 31, 2021 on balance sheets
SUMITOMO REALTY & DEVELOPMENT CO., LTD.	5,000,000	¥19,530	\$176,407
CENTRAL JAPAN RAILWAY COMPANY	137,500	2,276	20,555
TEIKOKU SEN-I CO., LTD.	1,000,000	2,242	20,251
HULIC CO., LTD.	1,405,500	1,834	16,567
MIZUHO FINANCIAL GROUP, INC.	705,548	1,128	10,190
TSURUYA DEPARTMENT STORE INC.	12,000	1,104	9,972
KYUSHU FINANCIAL GROUP, INC.	1,983,999	942	8,512
HANKYU HANSHIN HOLDINGS, INC.	200,000	709	6,404
KYUSHU RAILWAY COMPANY	274,300	706	6,377
KEIKYU CORPORATION	402,108	672	6,069
JAPAN NUCLEAR FUEL LIMITED	66,664	667	6,021
WEST JAPAN RAILWAY COMPANY	100,000	614	5,542
EAST JAPAN RAILWAY COMPANY	75,000	588	5,310
SHIKOKU ELECTRIC POWER CO., INC.	625,055	538	4,855
KYUSHU ELECTRIC POWER COMPANY, INC.	437,788	478	4,318
KEIHAN HOLDINGS CO., LTD.	79,169	364	3,289
KANSAI INTERNATIONAL AIRPORT LAND COMPANY, LTD.	6,300	315	2,845
METROPOLITAN INTERCITY RAILWAY COMPANY	6,000	300	2,710
LE SYSTEM CO., LTD.	4,318	300	2,710
KANSAI ELECTRIC POWER CO., INC.	233,607	280	2,528
OTHER (83 ISSUES)	4,261,434	2,796	25,268
<b>Total</b>	<b>17,016,290</b>	<b>¥38,383</b>	<b>\$346,700</b>

#### (b) Other

##### Investment Securities-Available-for-sale securities

Type and issue	Number of investment units, etc	Millions of yen	Thousands of U.S. dollar
		Figure on balance sheet	Figure on balance sheet
Investment in anonymous association (Toranomon Ichigo Godokai-sha)	—	¥ 750	\$ 6,774
Investment in anonymous association (Toranomon Niigo Godokai-sha)	—	1,166	10,537
Investment in anonymous association (Kamiamacho Property Godokai-sha)	—	883	7,976
Mitsui Fudosan Private REIT Inc.	300	300	2,710
Investment in limited investment association (2 issue)	53	229	2,066
Investment in anonymous association (1 issue)	—	0	0
<b>Total</b>	<b>—</b>	<b>¥3,328</b>	<b>\$30,063</b>

### 14. Details of fixed assets

Type of assets	Millions of yen						
	Balance at April 1, 2020	Increase during the year	Decrease during the year	Balance at March 31, 2021	Accumulated depreciation or accumulated amortization at March 31, 2020	Depreciation for the year	Net balance at March 31, 2021
<b>Tangible assets</b>	<b>¥ 74,155</b>	<b>¥ 5,907</b>	<b>¥ 3,605</b>	<b>¥ 76,457</b>	<b>¥28,016</b>	<b>¥2,212</b>	<b>¥ 48,441</b>
Buildings	3,373	62	59	3,375	1,871	92	1,505
Structures	7,292	10	188	7,114	6,429	335	685
Machinery and equipment	398	7	8	396	352	28	44
Vehicles	1,879	150	199	1,830	1,446	186	384
Tools, furniture, and supplies	75,367	8,691	6,222	77,837	—	—	77,837
Land	457	15	354	118	50	32	68
Lease assets	486	4,979	1,310	4,155	—	—	4,155
Construction in progress	—	—	—	—	—	—	—
<b>Total tangible assets</b>	<b>¥163,407</b>	<b>¥19,821</b>	<b>¥11,945</b>	<b>¥171,282</b>	<b>¥38,164</b>	<b>¥2,885</b>	<b>¥133,119</b>
<b>Intangible assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,597</b>	<b>2,704</b>	<b>270</b>	<b>893</b>
Software	—	—	—	465	275	2	190
Others	—	—	—	—	—	—	—
<b>Total intangible assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,062</b>	<b>2,979</b>	<b>272</b>	<b>1,083</b>
Long-term prepaid expenses	30	13	7	36	17	8	19
Deferred assets	—	—	—	—	—	—	—
<b>Total deferred assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

Type of assets	Thousands of U.S. dollars						
	Balance at April 1, 2020	Increase during the year	Decrease during the year	Balance at March 31, 2021	Accumulated depreciation or accumulated amortization at March 31, 2020	Depreciation for the year	Net balance at March 31, 2021
<b>Tangible assets</b>	<b>\$ 669,816</b>	<b>\$ 53,352</b>	<b>\$ 32,561</b>	<b>\$ 690,608</b>	<b>\$253,061</b>	<b>\$19,978</b>	<b>\$ 437,547</b>
Buildings	30,464	559	534	30,489	16,898	835	13,591
Structures	65,865	91	1,700	64,255	58,069	3,023	6,187
Machinery and equipment	3,593	61	74	3,580	3,180	256	400
Vehicles	16,976	1,353	1,798	16,532	13,061	1,683	3,471
Tools, furniture, and supplies	680,757	78,507	56,198	703,067	—	—	703,067
Land	4,131	134	3,201	1,064	448	287	614
Lease assets	4,389	44,974	11,831	37,532	—	—	37,532
Construction in progress	—	—	—	—	—	—	—
<b>Total tangible assets</b>	<b>\$1,475,991</b>	<b>\$179,031</b>	<b>\$107,897</b>	<b>\$1,547,127</b>	<b>\$344,717</b>	<b>\$26,062</b>	<b>\$1,202,409</b>
<b>Intangible assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>32,491</b>	<b>24,424</b>	<b>2,441</b>	<b>8,067</b>
Software	—	—	—	4,199	2,487	16	1,712
Others	—	—	—	—	—	—	—
<b>Total intangible assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>36,689</b>	<b>26,911</b>	<b>2,457</b>	<b>9,779</b>
Long-term prepaid expenses	276	120	66	330	156	71	174
Deferred assets	—	—	—	—	—	—	—
<b>Total deferred assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

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

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Buildings	Sakai-shi, Sakai-ku Osaka	For rent	¥2,076	\$18,748
Buildings	Fujisawa-shi, Kanagawa	For rent	1,046	9,449
Buildings	Suita-shi, Osaka	For rent	1,025	9,259
Land	Shibuya-ku, Tokyo	For rent	3,494	31,558
Land	Kyoto-shi, Shimogyo-ku Kyoto	For rent	1,750	15,807
Construction in progress	Toyama-shi, Toyama	For rent	1,733	15,656

#### (b) Major decrease during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Land	Nogata-shi, Fukuoka	For rent	¥1,771	\$15,996
Land	Amagasaki-shi, Hyogo	For rent	1,023	9,237

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

## 15. Details on provisions

	Millions of yen				
	Balance at April 1, 2020	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2021
Allowance for doubtful accounts.....	¥ 249	¥ 21	¥ —	¥ 26	¥ 244
Provision for warranties for completed construction....	797	9,527	508	—	9,816
Provision for bonus.....	3,908	2,812	3,908	—	2,812
Provision for loss on construction contracts.....	1,052	626	61	129	1,488
Provision for loss on real estate business and other.....	25	3	—	—	28
Provision for environmental measures.....	97	—	28	66	3

	Thousands of U.S. dollars				
	Balance at April 1, 2020	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2021
Allowance for doubtful accounts.....	\$ 2,252	\$ 193	\$ —	\$ 238	\$ 2,207
Provision for warranties for completed construction.....	7,197	86,057	4,593	—	88,661
Provision for bonus.....	35,296	25,398	35,296	—	25,398
Provision for loss on construction contracts.....	9,502	5,654	553	1,162	13,441
Provision for loss on real estate business and other.....	226	27	—	—	253
Provision for environmental measures.....	875	—	249	602	24

(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 23 million yen and collect of loans receivable of 3 million yen.

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

## 16. Major assets and liabilities

### (Assets)

#### 1. Cash and deposits

	Millions of yen	Thousands of U.S. dollars
Cash and deposits		
Cash.....	¥ 35	\$ 312
Deposits		
Current deposits.....	9,752	88,087
Saving deposits.....	24,621	222,391
Time deposits.....	558	5,042
Total	¥34,966	\$315,832

#### 2. Notes receivable

##### a) Break down by payer

Payer	Millions of yen	Thousands of U.S. dollars
Chiyoda Corporation Co., Ltd. ....	¥1,117	\$10,087
Chiyoda TechnoAce Co., Ltd. ....	837	7,556
Kato Works Co., Ltd. ....	784	7,084
Sanko Co., Ltd. ....	623	5,626
Hitachi Zosen Co., Ltd. ....	284	2,562
Others.....	835	7,546
Total	¥4,479	\$40,461

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

Settlement month	Millions of yen	Thousands of U.S. dollars
2021, April.....	¥ 368	\$ 3,328
May.....	1,808	16,331
June.....	1,321	11,936
July.....	913	8,249
August.....	69	617
September and beyond.....	—	—
Total	¥4,479	\$40,461

The figure for August includes items unsettled as of July 31 (worth ¥46 million) as July 31, 2021 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.....	¥ 27,440	\$ 247,850
Central Nippon Expressway Company Limited.....	18,617	168,163
Nagareyama City Hirakata District Joint Development Co., Ltd.....	15,417	139,252
Zao Special Purpose Company.....	12,247	110,619
Kyushu Railway Company.....	10,597	95,719
Others.....	113,652	1,026,579
Total.....	¥197,970	\$1,788,182

##### b) Stagnation

	Millions of yen	Thousands of U.S. dollars
Posted in fiscal year 2021.....	¥197,659	\$1,785,379
Posted in fiscal year 2020 or before.....	311	2,802
Total.....	¥197,970	\$1,788,182

#### 4. Real estate for sale

Item	Millions of yen	Thousands of U.S. dollars
Land for sale.....	¥2,496	\$22,546
Building for sale.....	48	433
Total.....	¥2,544	\$22,979

Breakdown of land is as follows:

Region	Square meter	Millions of yen	Thousands of U.S. dollars
Tohoku region.....	39,649.04	¥1,512	\$13,657
Other region.....	8,864.89	984	8,889
Total.....	48,513.93	¥2,496	\$22,546

#### 5. Cost on uncompleted construction contract

	Millions of yen			
	Balance at April 1, 2020	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2021
Work in progress.....	¥4,990	¥282,569	¥281,189	¥6,370

	Thousands of U.S. dollars			
	Balance at April 1, 2020	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2021
Work in progress.....	\$45,077	\$2,552,336	\$2,539,874	\$67,539

Breakdown of the balance at March 31, 2021 is as follows:

Item	Millions of yen	Thousands of U.S. dollars
Materials cost.....	¥5,321	\$48,064
Labor cost.....	2	19
Subcontracts cost.....	876	7,909
Other region.....	171	1,547
Total.....	¥6,370	\$57,539

#### 6. Payment on estate trade

Item	Millions of yen	Thousands of U.S. dollars
Operation cost payment.....	¥2,509	\$22,667
Other part-time business disbursements.....	1,714	15,484
Others.....	571	5,152
Total.....	¥4,794	\$43,303

#### 7. Raw materials & supplies

Item	Millions of yen	Thousands of U.S. dollars
Materials for sale.....	¥420	\$3,797
Unused material.....	55	497
Raw materials & supplies.....	49	442
Others.....	141	1,274
Total.....	¥665	\$6,010

#### 8. Advance paid

Item	Millions of yen	Thousands of U.S. dollars
JV, such as advances paid.....	¥9,278	\$83,802
Others.....	109	991
Total.....	¥9,387	\$84,793

### (Liabilities)

#### 1. Notes payable

##### a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
Tsutsumi Kogyo Co., Ltd. ....	¥ 115	\$ 1,043
SUMIKEN MITSUI ROAD CO., LTD. ....	103	931
JR Kyushu Trading Co., Ltd. ....	97	880
Kubota Construction Co., Ltd. ....	94	849
KYOKUTO KOWA CORPORATION.....	76	686
Others.....	877	7,918
Total	¥1,362	\$12,307

##### b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2021, April.....	¥ 540	\$ 4,877
May.....	822	7,430
Total	¥1,362	\$12,307

#### 2. Electronically recorded obligation

##### a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
KUROSAWA CONSTRUCTION CO., LTD.....	¥ 1,152	\$ 10,408
HEXEL Works, Inc. ....	785	7,087
KINDEN CORPORATION.....	573	5,177
SANKEN SETSUBI KOGYO CO., LTD. ....	554	5,005
S.C.CEMENT CO., LTD. ....	498	4,495
Others.....	13,750	124,196
Total	¥17,312	\$156,368

##### b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2021, April.....	¥ 7,767	\$ 70,155
May.....	9,545	86,213
Total	¥17,312	\$156,368

#### 3. Accounts for payable for construction

Recipient	Millions of yen	Thousands of U.S. dollars
Itochu-Marubeni-Sumisho Techno Steel Inc. ....	¥ 775	\$ 6,996
Marubeni Construction Material Lease Co., Ltd. ....	722	6,519
KINDEN CORPORATION.....	668	6,034
KUROSAWA CONSTRUCTION CO., LTD.....	658	5,946
HEXEL Works, Inc. ....	553	4,999
Others.....	32,687	295,248
Total.....	¥36,063	\$325,742

## Independent Auditor's Report

### 4. Short-term debt

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Bank, Ltd.	¥12,000	\$108,391
Sumitomo Mitsui Banking Corporation	8,850	79,939
Resona Bank, Ltd.	4,858	43,880
The Norinchukin Bank	2,500	22,582
Higo Bank, Ltd.	2,000	18,065
Mizuho Trust & Banking Co., Ltd.	867	7,831
The Hyakujushi Bank, Ltd.	500	4,516
The 77 Bank, Ltd.	500	4,516
Others	2,964	26,774
Long-term debt due within one year	¥ —	\$ —
Total	¥35,039	\$316,494

### 5. Advances received on uncompleted construction

Millions of yen			
Balance at April 1, 2020	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2021
¥16,150	¥136,680	¥134,185	¥18,646

Thousands of U.S. dollars			
Balance at April 1, 2020	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2021
\$145,880	\$1,234,575	\$1,212,037	\$168,418

The difference of ¥194,068 million between total sales of ¥328,253 million on the non-consolidated statement of income and the amount transferred to net sales of ¥134,185 million indicated above is equal to the sum of accounts receivable from completed construction contracts of ¥194,471 million for fiscal 2021 and the decrease of ¥403 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	¥19,112	\$172,630
Deposit consumption tax	14,346	129,584
Others	620	5,595
Total	¥34,078	\$307,809

### 7. Corporate bonds

Issued by	Millions of yen	Thousands of U.S. dollars
Corporation (7th unsecured straight bond)	¥10,000	\$ 90,326
Corporation (8th unsecured straight bond)	20,000	180,652
Corporation (9th unsecured straight bond)	15,000	135,489
Corporation (10th unsecured straight bond)	15,000	135,489
Total	¥60,000	\$541,956

More details mentioned at FINANCIAL SECTION, 1 CONSOLIDATED FINANCIAL STATEMENTS

## 17. Cost of completed construction

### 1. Cost of completed construction

Item	Millions of yen		Millions of yen		Thousands of U.S. dollars	
	2020	% to Total	2021	% to Total	2021	2021
Raw materials	¥ 61,048	18.6%	¥ 59,397	21.1%	\$ 536,506	
Labor	14,331	4.4%	16,304	5.8%	147,272	
(of which, outsourced labor cost)	(14,331)	(4.4)%	(16,304)	(5.8)%	(147,272)	
Outsourcing cost	205,240	62.6%	163,155	58.0%	1,473,715	
Expenses	47,162	14.4%	42,333	15.1%	382,381	
(of which personnel expenses)	(17,641)	(5.4)%	(15,723)	(5.6)%	(142,022)	
Total	¥327,781	100.0%	¥281,189	100.0%	\$2,539,874	

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	
	2020	% to Total	2021	% to Total	2021	2021
Land	¥ 430	6.1%	¥ 198	2.2%	\$ 1,787	
Buildings	515	7.4%	368	4.1%	3,321	
Expenses	4,012	57.4%	5,550	62.2%	50,137	
Sub-total	4,957	70.9%	6,116	68.5%	55,245	
Other	2,036	29.1%	2,813	31.5%	25,408	
Total	¥6,993	100.0%	¥8,929	100.0%	\$80,653	

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, 2021, and the non-consolidated statements of income, comprehensive income and 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, 2021, and its non-consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Key Audit Matters

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

## 1. Accounting estimation for the 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 ¥308,615 million and account for 94.0% of the total net sales in the non-consolidated statement of income.

In applying 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 percentage of completion method falls under key audit matters.

### Audit procedures

To review the reasonableness of the accounting estimation for the percentage of completion method, we took mainly the following audit procedures.

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

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

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

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

### Details of key audit matters and reasons for the decision

As stated in the explanatory notes (Important accounting estimates), provision for warranties for completed construction recorded in the non-consolidated financial statements for the current period are ¥9,815 million. This includes the estimated repair work costs, etc. of ¥9,049 million for the apartment located in Tokyo (hereinafter referred to as “the matter”).

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

#### Audit procedures

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

- We assessed the design, implementation and operation of the internal control concerning the estimation of the provision for warranties for completed construction.
- To understand the general outline of the matter, we received multiple briefings from the repair work manager, etc. and asked questions as appropriate. In addition, we consulted with the management, etc. to understand how the Company has been responding to the matter.
- We understood the details of the repair work costs and associated incidental costs by visiting the site, asking questions to the site manager, and observing the site. We also reviewed the consistency between the details and major breakdown documents concerning the repair work costs, etc.
- To confirm that the criteria for recording the provision are met, we browsed minutes, relevant documents, etc., of the Board of Directors meetings and other important meetings and reviewed the reasonableness and appropriateness of the costs the Company should bear in the future, including the possibility that the costs will be incurred.
- We confirmed that the assumptions that have a significant impact on the repair work, etc. are consistent with relevant evidence and that the estimated amount of provision for warranties for completed construction is calculated based on the prerequisites.
- To see whether there are any subsequent events that call for the reconsideration of the prerequisites, we received a briefing from the repair work manager, etc. and asked questions as appropriate. In addition, we browsed the minutes of the Board of Directors meetings and other important meetings.

#### 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the Company 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 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 6 .

#### 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

新島 敏也 

Toshiya Shinshima  
Designated Engagement Partner  
Certified Public Accountant

Gyosei & Co.  
Tokyo, Japan  
June 29, 2021

# Corporate Outline

Registered Name	Nishimatsu Construction Co., Ltd.	Founded	1874
Head Office	Toranomon Hills Business Tower 17-1, Toranomon 1-chome, Minato-ku, Tokyo, 105-6407 Japan	Established	September 20, 1937
Representative	Nobutoshi Takase, Representative Director and President	Paid-up Capital	¥23,513,643,819
		Number of Employees	2,762 (As of March 31, 2021)

# Regional Headquarters and Branch Offices

## Domestic Offices

### North Japan Regional Headquarters

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

### Sapporo Branch

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

### Kanto Civil Engineering Regional Headquarters

1-18, Toranomon 1-chome, Minato-ku, Tokyo, 105-0001 Japan  
Phone: 81-3-3502-7558

### Hokuriku Branch

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

### Kanto Architectural Regional Headquarters

17-21, Shinbashi 6-chome, Minato-ku, Tokyo, 105-0004 Japan  
Phone: 81-3-3502-0287

### West Japan Regional Headquarters

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

### Chubu Branch

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

### Chugoku Branch

2-28, Kokutajimachi 2-chome, Naka-ku, Hiroshima, 730-8589 Japan  
Phone: 81-82-247-9281

### Shikoku Branch

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

### Kyushu Regional Headquarters

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

### Okinawa Branch

22-3, Nishi 1-chome, Naha, 900-0036 Japan  
Phone: 81-98-851-3122

## Overseas Offices

### Hong Kong Branch

Room 508, Star House, Salisbury Road, Kowloon Hong Kong

### Bangkok Office

19th Floor, Sino-Thai Tower 32/48 Sukhumvit 21 (Soi Asoke) KlongtoeyNua, Wattana, Bangkok 10110 Thailand

### Singapore Office

80 Bendemeer Road #03-01A, Singapore 339949

### Malaysia Office

B-20-13 Summer Suites No.8, Jalan Cendana Off Jalan Sultan Ismail 50250 Kuala Lumpur

## Vietnam Offices

### Hanoi Office

24th Floor, Ngoc Khanh Plaza, 1 Pham Huy Thong Street, Ngoc Khanh Ward, Ba Dinh District, Hanoi, Vietnam

### Ho Chi Minh Office

8 Floor, Thien Phuoc 2 Building, 110 CMT 8 Street, Ward 7, District 3, Ho Chi Minh City, Vietnam

### Myanmar Office

Room No.B4-I, No.53/62, Myanma Gon Yi Street, Tharkayta Industrial Zone, Tharkayta Township, Yangon, Myanmar.

### Philippines Office

Unit 303, GCCP Building 150 Legaspi Street, Legaspi Village, Makati 1229, Philippines

### Thai Nishimatsu Construction Co., Ltd.

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

### Lao Nishimatsu Construction Co., Ltd.

1st Floor Savan-SENO Special Economic Zone, Authority's Office No. 9 Phetsalad Road, Nakea Village, Kaisone Phomvihanh District, Savannakhet Province, Lao PDR, P.O. Box 200

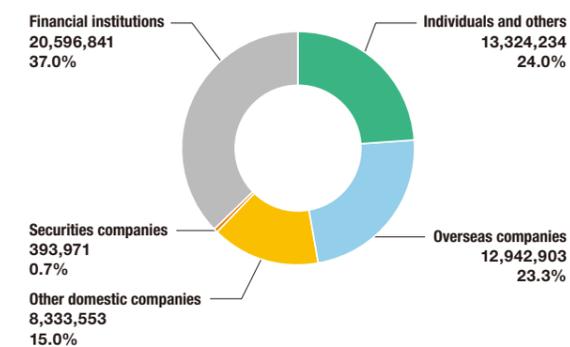
### Nishimatsu Vietnam Co., Ltd.

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

# Stock Status (As of March 31, 2021)

Total number of authorized shares	160,000,000
Total number of issued shares	55,591,502 (including 890,792 shares of treasury stock)
Number of shareholders	20,235

## Shareholder Distribution

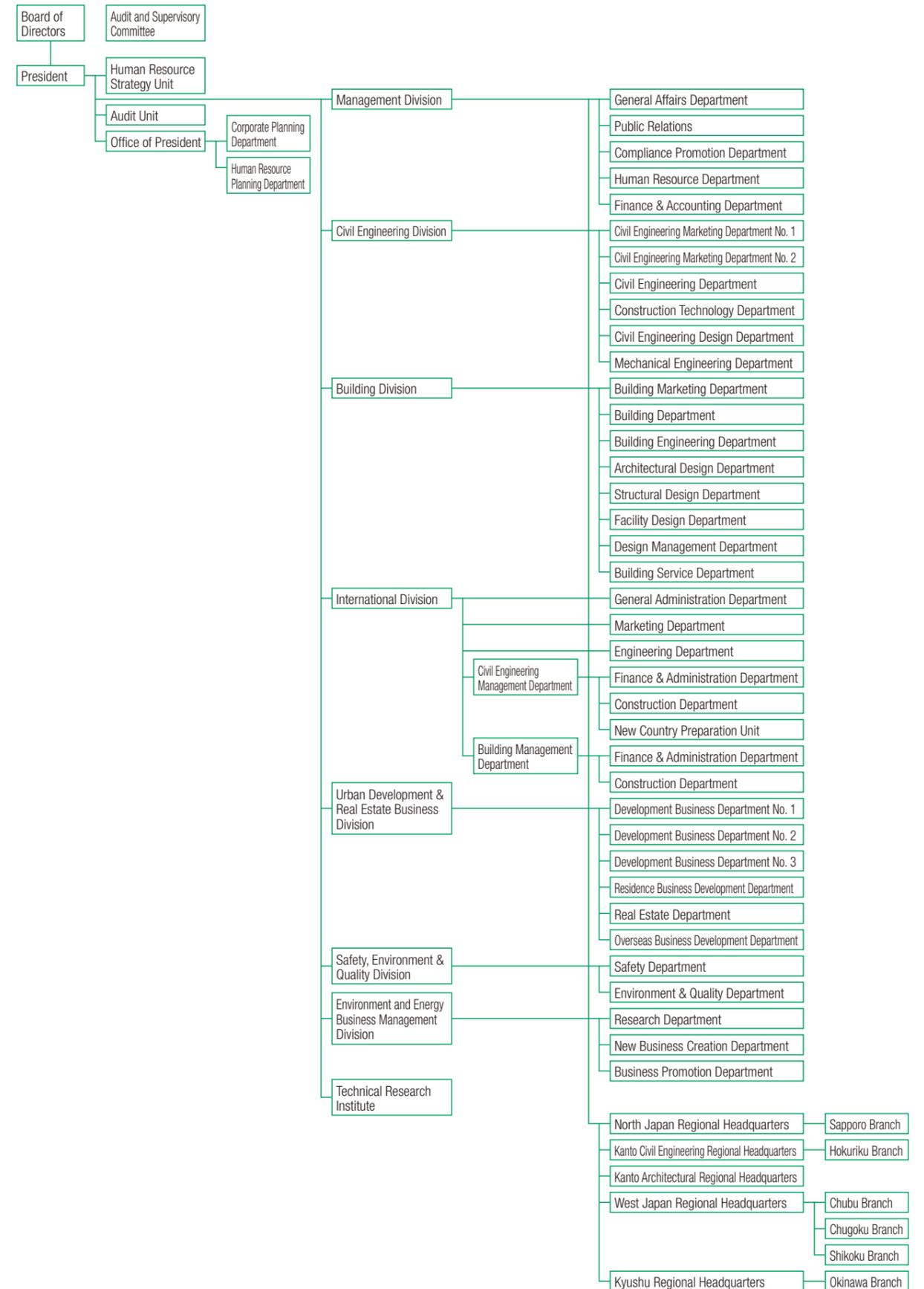


## Major Shareholders (Top ten shareholders)

Name	Shares held (Thousands)	Shareholding ratio (%)
City Index Eleventh Co., Ltd.	5,438	9.94
Custody Bank of Japan, Ltd. (Trust account)	4,859	8.88
The Master Trust Bank of Japan Ltd. (Trust account)	4,679	8.55
NOMURA AYA	4,600	8.41
Custody Bank of Japan, Ltd. (Trust account 4)	2,144	3.92
STATE STREET BANK AND TRUST COMPANY 505103	1,102	2.02
Meiji Yasuda Life Insurance Company	915	1.67
Nishimatsu Construction Employee Stock Ownership Association	805	1.47
S-GRANT.CO., LTD.	796	1.46
DFA INTL SMALL CAP VALUE PORTFOLIO	718	1.31

Note: Treasury stock of 890,792 shares is excluded from the above list. The shareholding ratio is calculated excluding treasury stock.

# Organization Structure (As of April 1, 2021)





**Inquiries:**

Nishimatsu Construction Co., Ltd.  
CSR Planning Section, Corporate Planning Department  
Toranomon Hills Business Tower,  
17-1, Toranomon 1-chome, Minato-ku, Tokyo,  
105-6407 Japan  
Phone: 81-3-3502-0222 Fax: 81-3-3502-7593



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



Nishimatsu Construction  
supports COOL CHOICE