



**Nishimatsu Construction Co., Ltd.**

Annual Report 2013

Year Ended March 31, 2013

# PROFILE

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

With its headquarters in Tokyo, Nishimatsu has a network of 6 regional headquarters and 7 branches around Japan, as well as a branch office and overseas offices in 7 countries and territories. The Company is well-known for its expertise in planning, design and construction in a wide variety of fields such as marine and harbor projects, airport projects, highways, dams, tunnels, railways, high-rise buildings and power plants.

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

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

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## ON THE COVER

### Project Name:

Haikata Construction Section, Nishiyama Tunnel Construction, Kyoto-daini-soto-kanjo-doro Belt Line

### Construction Site:

Oharano Haikatacho, Nishikyo-ku, Kyoto City, Kyoto Prefecture, Japan

### Construction Period:

February 27, 2010 – January 31, 2013

### Project Overview:

The Nishiyama Tunnel, which contains the Haikata Construction Section and is used exclusively for motor vehicles, consists of a tunnel with two inbound lanes and a tunnel with two outbound lanes. The Haikata Construction Section, which was built using the New Austrian Tunneling Method (NATM), is 1,558m in length (793m-long inbound lanes and 765m-long outbound lanes) and has an internal cross sectional area of 69m<sup>2</sup> (representative value).

# FINANCIAL HIGHLIGHTS

	Consolidated			Non-Consolidated		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013	2012	2013	2013
For the year:						
Orders received	¥ —	¥ —	\$ —	¥249,925	¥244,674	\$2,601,534
Net sales	263,929	253,251	2,692,726	253,516	239,980	2,551,618
Income before income taxes	2,397	4,862	51,699	1,559	3,330	35,403
Net income	2,732	3,411	36,272	2,001	2,848	30,281
At year-end:						
Total assets	¥322,524	¥342,975	\$3,646,730	¥310,537	¥328,229	\$3,489,945
Net assets	116,846	128,437	1,365,624	114,480	124,978	1,328,846
Common stock	23,514	23,514	250,012	23,514	23,514	250,012
Per share of common stock:						
(in yen and dollars)						
Net income	¥9.85	¥12.31	\$0.131	¥7.22	¥10.28	\$0.109
Cash dividends applicable to the year	4.00	4.00	0.043	4.00	4.00	0.043

Note 1: Figures in US\$ in this annual report are converted from yen at the rate of ¥94.05 = US\$1.00, the rate prevailing on March 31, 2013, for the readers' convenience only.  
 Note 2: Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year.

## Consolidated



# TO OUR SHAREHOLDERS



**Harusada Kondo**

*Representative Director and President*

## Business Results

Despite a recovery trend accompanying post-disaster reconstruction demand and government eco-car subsidies, the Japanese economy during the fiscal year under review remained stagnant. This was mainly attributable to a slowing of overseas economies amid the ongoing European sovereign debt crisis and sluggish economic growth in emerging countries. During the second half of fiscal 2013, there were signs of an economic rebound in light of improved export conditions due to an easing of persistently high yen rates as well as the positive effect of government monetary policies. Nevertheless, conditions remain uncertain mainly because of concerns about the continual slowing of overseas economies.

In the construction industry, public construction investment grew in line with post-disaster reconstruction demand. In private construction investment, capital spending in the manufacturing industry was weak, and housing-related construction investment was high. In

addition, the operating environment remained severe largely due to rising labor costs accompanying a shortage of qualified construction technical personnel.

Under these circumstances, the Nishimatsu Group recorded net sales of ¥253.2 billion on a consolidated basis, down 4.0% compared with the previous fiscal year.

Turning to earnings, income from operations totaled ¥2.6 billion, up 0.6% year on year. Despite a rise in gross profit reflecting the strong performance of the Company's overseas construction subsidiary, this marginal increase was the result of higher selling, general & administrative expenses accompanying an upswing in personnel costs and other factors. Ordinary profit jumped 25.9% to ¥4.3 billion owing largely to the posting of a foreign currency exchange gain. Net income grew 24.9% to ¥3.4 billion because of a gain on sales of investment securities that offset income taxes paid in fiscal 2013.

## The Medium-Term Business Plan 2014

To implement the Medium-Term Business Plan 2014 (fiscal 2012 – fiscal 2014), the Nishimatsu Group will take steps to strengthen its earnings base through following three basic policies:

- ◆ Build a stable earnings base (customers, organization, human resources)
- ◆ Establish new businesses as earnings drivers (overseas projects, real estate development)
- ◆ Establish a comprehensive service from planning through to maintenance

Regarding the construction business during the initial year of the Medium-Term Business Plan 2014, our efforts focused on implementing risk management and eliminating low-profit projects. As a result, we secured received orders worth approximately ¥260 billion (including our overseas subsidiary) that were well balanced between civil engineering and architectural construction projects. In the overseas construction business, we celebrated the 50th anniversary of our entry into the Hong Kong market in 2012 and are commemorating this milestone in Thailand this year. Throughout the past 50 plus years, we have been steadily increasing customer trust and accumulating achievements in both locations. In real estate development and the real estate operation business, we are securing stable earnings by actively investing in prime real estate and commencing full-scale operations of our real estate holdings-based corporate real estate business. Turning to new businesses, we steadily achieved results in each business segment. In particular, our recently established subsidiary Sci Tech Farm began selling vegetables grown indoors using directly cooled high power LED in the plant, which was jointly developed with Tamagawa University. Consequently, Sci Tech Farm commenced regular sales of leaf lettuce in February 2013 to supermarkets located along Odakyu Electric Railway lines in Tokyo and Kanagawa Prefecture.

Despite the above successes, challenges remain.

In the construction business, securing a stable earnings base for this mainstay business remains somewhat challenging mainly due to the deteriorating profitability of certain projects. In response, we will work to reduce total costs by further enhancing coordinated on-site support from the head office, regional headquarters and branch offices while thoroughly managing process, quality, cost control and other risks. We will also work to strengthen our competitiveness and earnings base by enhancing supply chains through bolstered collaboration with N-Net.

Nishimatsu will take steps to improve corporate value by attaining stable orders and earnings in its mainstay domestic construction business; by strengthening and expanding the overseas construction business as well as real estate development and real estate operations; and by continuing systematic initiatives to create new business opportunities.

We look forward to the ongoing support of our stakeholders as we work to achieve our goals.

### Medium-Term Business Plan 2014 Final Fiscal Year Consolidated Targets

(¥ billion)

	FY2012	FY2013	FY2014
Orders received	258	253	260
Net sales	253	290	277
Income from operations	2.6	3.0	3.5
Ordinary profit	4.3	3.0	3.5

近 藤 晴 貞

Harusada Kondo  
Representative Director and President

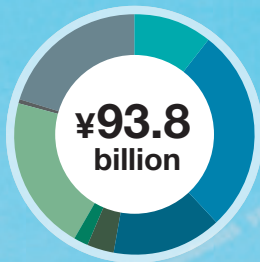
## CIVIL ENGINEERING

Net sales of civil engineering operations for the year came to ¥93.8 billion (US\$1.00 billion), a rise of 5.4% from the previous year.

Continuing to develop and introduce new civil engineering technologies based on those accumulated to date, Nishimatsu engages in infrastructure upgrading with the aim of creating comfortable surroundings in terms of people's lifestyles and the global environment.

### Sales Breakdown by Project

Dams & Hydroelectric Facilities	10.8%
Railways	27.5%
Water & Sewage Works	14.7%
Site Formation	3.4%
Harbors, Wharfs & Airports	2.1%
Road Construction	20.9%
Cable Tunnels	0.5%
Others	20.1%



### Top 5 Domestic Civil Engineering Projects (Completed)

	Name of Project	¥ million
1	Kaminaka Interchange Construction, Maizuru-Wakasa Expressway	4,624
2	Sagamigawa River Bridge and Other 5 Bridges Construction (Substructure Construction), Shin-Tomei Expressway	4,513
3	Haikata Construction Section, Nishiyama Tunnel Construction, Kyoto-daini-soto-kanjo-doro Belt Line	4,041
4	Toba Tunnel and Other 1 Tunnel Construction, Maizuru-Wakasa Expressway	2,840
5	Minamikasuga Open-cut Tunnel Construction, Kyoto-daini-soto-kanjo-doro Belt Line	2,638



### Sales Breakdown by Client

Public Sector	68.9%
Private Sector	31.1%

Kuginoo Dam Construction



Fiscal Year 2013, Ayase Sports Park Development Work, Phase 1



Sagamigawa River Bridge and Other 5 Bridges Construction (Substructure Construction), Shin-Tomei Expressway



Tomei Ashigara Bridge Rehabilitation Work, Tomei Expressway



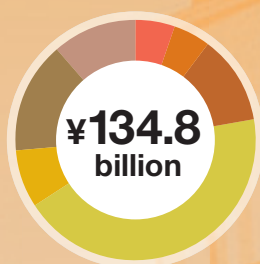
# BUILDINGS

Net sales of building operations for the year came to ¥134.8 billion (US\$1.43 billion), a drop of 12.1% from the previous year. Continued fierce price competition is anticipated.

Nishimatsu seeks harmony among “people,” “nature” and “buildings” in both the hard and soft aspects of its construction business by effectively using a variety of advanced construction technologies cultivated in every field.

## Sales Breakdown by Project

Office & Government Buildings	5.3%
Shopping Centers	5.1%
Factories & Power Stations	11.9%
Residential Buildings	43.6%
Educational, Research & Cultural Facilities	7.8%
Hospital & Welfare Facilities	15.0%
Others	11.3%



## Sales Breakdown by Client

Public Sector	14.9%
Private Sector	85.1%

## Top 5 Domestic Building Projects (Completed)

	Name of Project	¥ million
1	Office Building Construction Nanpeidaicho Plan	22,397
2	Complex Building Construction, West Town Area of Musashikosugi Station South Exit Area, 1st Class Urban Area Redevelopment Plan	11,044
3	Improve Military Family Housing Phase 4 and 5, Yokota Air Base, Japan	9,260
4	Improve Military Family Housing Phase 6, Yokota Air Base, Japan	3,783
5	D4-1 Residential Building Construction, Abeno B2 Urban Redevelopment Plan	3,772

Architectural Work, New Governmental Building Construction, Komaki Municipal Government



Complex Building Construction, West Town Area of Musashikosugi Station South Exit Area, 1st Class Urban Area Redevelopment Plan



INPEX Mega-Solar Power Station Joetsu Construction



Hokkaido Bank Curling Stadium Construction



# OVERSEAS ACTIVITIES

## Hong Kong

The Hong Kong construction industry has been experiencing another peak period since the construction of Hong Kong International Airport and associated infrastructure projects in the 1990's. Five new railway lines are under construction, and Nishimatsu is undertaking the most critical parts of three of them: West Island Line, South Island Line and Kwun Tong Line Extension. The Hong Kong Branch is now assigning its main resources to these new railway construction projects after successfully completing the Hong Kong West Drainage Tunnel project, which alleviates the risk of flooding in the densely populated area of Hong Kong Island. The highlights of the fiscal year under review are as follows.

The Hong Kong West Drainage Tunnel project was completed on time in August 2012. The project comprised 10km of large diameter hard rock TBM tunneling, a further 8km of drill and blast adits, and thirty-two drop shafts with associated intake structures. The excavation works for the adit construction used the drill-and-blast method with in-situ concrete lining works. Above ground, the water intake structures were completed in extremely challenging and complex urban environments. Beneath the intake structures, the deep drop shafts have been completed using the raise-boring method, RCD method and mechanical excavation techniques, with the lining works carried out using precast. The project was also recognized by winning the International Tunneling Award for Tunneling Project of the Year in 2011 (US\$100 million to US\$1 billion category).

For MTRC West Island Line Target Cost Contract 704, the massive underground cavern excavations for Hong Kong University Station and Sai Ying Pun Station have been completed and structure works are in full swing in close coordination with Track-laying works and other Designated Contractors works. The Running Tunnels are being excavated and concrete lined to connect with the transition section leading to the existing operating line at the east-end and to Kennedy Town Station at the west-end. Most of the adit blasting works are complete, and lining works are in progress. One of the most challenging elements, horizontal direction drilling, which is being undertaken for one of the Sai Ying Pun Station access adits, will be completed soon in preparation for ground freezing and the subsequent excavation of this soft ground section.

For Hong Kong University Station, 70 meter-deep shaft excavation in three locations (two entrances and one ventilation shaft) at the deepest access point from the surface in front of the university campus have commenced concrete structure works using the bottom-up method. Excavation has also been completed at the other entrances located at the lower terrain in the middle of the congested residential and commercial areas, with one entrance already handed over to Designated Contractors on time.

For Sai Ying Ping Station, the shaft excavation to the

deepest access entrance is continuing through mechanical breaking of the remaining rock plug. At other entrances, cofferdam excavation and lateral support works are progressing after the completion of continuous perimeter bored-piling works in close proximity to old buildings.

Contract SIL 902 is a critical part of MTRC's South Island Line, which is a medium-capacity railway connecting the MTR network at Admiralty to the Southern District of Hong Kong. The project includes the design and construction of Nam Fung Tunnel and two ventilation shafts. The tunnel is approximately 3.3km long and extends across Hong Kong Island from Admiralty Station in the north to the Nam Fung Ventilation Building in the south.

During the fiscal year under review, approximately 60% of the 220 meter-long approach tunnel box structure in Nam Fung was completed. The main tunnel drive from Nam Fung Portal went through the mixed ground section successfully, and the following excavation towards Admiralty has progressed nearly 1km using the drill-and-blast method. The excavated rock spoil materials from the tunnel are being transported to the barging facility erected at Telegraph Bay. The tunnel lining formwork shutter has been successfully assembled, transferred and jacked up inside the tunnel, while the first pouring of the concrete lining is anticipated to take place before the end of April 2013. Excavation of the shaft in Hong Kong Park through the use of mechanical breaking has reached 10 meters below ground level, and blasting works have commenced.

Contract KTE 1001 forms the largest single contract of MTRC's Kwun Tong Line Extension (KTE), which runs from west to east across the Kowloon peninsula. The project consists of approximately 2.3km of drill and blast running tunnels connecting the existing Yau Ma Tei Station in the west with the new Whampoa Station in the east (to be built under a separate contract). The works include substantial re-provisioning works for the connection to the existing Yau Ma Tei Station overrun tunnels together with a new Wylie Road Ancillary Building and the construction of a substantial new interchange station at Ho Man Tin. This new interchange station was constructed within large-scale site formation works formed by the surface



Hong Kong West Drainage Tunnel (Hong Kong)



drill-and-blast method. The project also includes 2km of Essential Public Infrastructure Works to bring passengers into the new station.

During fiscal 2012, tunnel blasting from the construction shafts at both Wylie Road Ancillary Building and Fat Kwong Street Playground has commenced and is in progress. Mechanical excavation works to enlarge and replace the existing tunnel lining at the overrun tunnel from the existing Yau Ma Tei Station have been largely completed, and preparation works for the concrete lining commenced. At the existing Yau Ma Tei Station, re-provisioning works at the station plant rooms and the back of house areas have also progressed smoothly and achieved a number of critical milestones within this fully operational railway environment.

The site formation works for the new interchange station are in progress, with production surface blasting being undertaken using electronic detonators as well as a temporary protective roof being used for the first time in Hong Kong. During the fiscal year under review, 70% of the project was completed. In fiscal 2013, we plan to complete surface blasting works and commence station construction.

The complex and extensive Essential Public Infrastructure Works continue to make good progress, with site formation works, permanent slope works, piling and foundation works, water main installation, numerous traffic management schemes and utility works all moving forward. In fiscal 2013, superstructure works at the elevated walkways and bridges will be undertaken.

The safety and environmental performance of Nishimatsu in Hong Kong remains above that of its key competitors and was recognized by its clients through various awards received for projects implemented during fiscal 2012. In addition, our project teams have established a close dialogue with Hong Kong's Environmental Protection Department to achieve full compliance with environmental regulations and continuously improve sustainability. In fiscal 2013, as part of our ongoing drive for excellence, we aim to learn more about and share with our colleagues in Hong Kong the high environmental standards established in Japan.

The following awards were received in fiscal 2012:

MTRC Contract KTE 1001

- MTRC's Best Site Condition Award, Contractors' Supervisor Safety Award

MTRC Contract SIL(E) 902

- MTRC's Contractors' Supervisor Safety Award, Silver Environmental Award

The provision of good quality works in a timely manner is one of our key objectives. Accordingly, we have continuously launched quality initiatives with the ultimate goal of achieving the highest standards of customer satisfaction.

As part of our continued Corporate Social Responsibility (CSR) program, we actively participate and engage with the

local community. We value our role in building a brighter future for Hong Kong's citizens and engaging proactively with our stakeholders during the construction of our projects. Among our other activities, our staff participates in children's toy donations, career talks in schools, visits to retirement homes, blood drives and our annual Coastal Cleanup campaign.

Given the Hong Kong Government's planned infrastructure spending of HK\$60 billion to HK\$70 billion annually until 2020, there is great potential for a higher degree of participation by major contractors like Nishimatsu in Hong Kong. For tunneling projects, which is our area of core competence, new projects coming on stream include the MTR's Shatin Central Link (North-South section), the Lam Tin Tunnel, the Central Kowloon Route, the Trunk Road T2 and new cavern construction projects. From these Nishimatsu can select suitable projects for tendering. With our proven track record, leading market position and highly professional management team, we are well positioned to capitalize on these upcoming job opportunities.

## Thailand

In 2012, the Thai economy steadily recovered from the damage caused by the massive flood that struck in 2011. The pace of the recovery exceeded forecasts. Along with post-flood plant restoration works, we constructed new factories and responded to customer initiatives, particularly automotive companies, who used the flood as an opportunity to relocate to larger production bases and establish numerous bases in other locations in addition to existing ones.

Under these circumstances, we completed without incident construction projects for companies including Asian Honda Motor Co., Ltd., Thai Koito Company Limited, Daihen Electric Co., Ltd., Asahi Kasei Spunbond (Thailand) Co., Ltd., Ajinomoto Co., (Thailand) Ltd. and Camplas (Thailand) Co., Ltd. We also received new construction orders from Honda Automobile (Thailand) CO., LTD., Thai Marujun Co., Ltd., Global Eco-can Stock (Thailand) Co., Ltd., Steel Alliance Service Center Co., Ltd. and Furukawa-Sky Aluminum (Thailand) Co., Ltd.

Amid favorable economic conditions in Thailand in 2013, Thailand's Office of the National Economic and Social Development Board forecasts a GDP growth rate of between 4.5% and 5.5%. A positive outlook among consumers has kept consumption rates firm, reflecting an increase in the minimum wage nationwide, low unemployment at around 0.6% and economic stimulus measures that include indirect tax rebates for new automobile purchasers.

In private sector investment, Japanese automobile and other manufacturers have positioned Thailand as an important manufacturing base for the Asian market. Against this backdrop, we believe that investment will continue to

increase as production capacity is enhanced and small- and medium-sized businesses actively take advantage of low-interest government loans. In addition, the Thai government is scheduled to invest a total of 2.2 trillion Baht to undertake large-scale transportation and logistics infrastructure upgrading projects. Specifically, this involves major public works projects extending over a seven-year period, including upgrades to high-speed rail lines and deep-sea ports as well as building land-based transportation routes to neighboring countries. This solid level of investment being provided by both the private and public sectors is underpinning economic growth in Thailand.

On the other hand, increasing the minimum wage can lead to a further tightening of labor demand as well as cause wage inflation. Consequently, labor-intensive and export-oriented businesses are expected to relocate the production of low-value-added products to neighboring countries in an effort to avoid the negative impact of higher minimum wages.

With the upcoming inauguration of the ASEAN Economic Community (AEC) set for the end of 2015, investment is being extended to Thailand's neighbors, Myanmar, Cambodia and Laos. Myanmar in particular is attracting considerable attention as it progresses towards democratization. Numerous challenges remain, including inadequate laws, regulations and financial systems along with a weak infrastructure. However, private investment is expected to gain momentum in light of the Japanese government's decision to provide loan assistance to upgrade Myanmar's infrastructure and the launching around 2015 of the Tirawa Special Economic Zone (SEZ), which is being developed jointly by Japan and Myanmar. Based on these circumstances, we are steadily working towards establishing Yangon offices for Nishimatsu and Thai Nishimatsu Construction Co., Ltd.

Thai Nishimatsu will celebrate the 50th anniversary of its foundation in 2013. Reflecting on the support of our customers and the various obstacles that Thai and Japanese employees, both past and present, have overcome during the last half century, we will continue ceaselessly contributing to the development of not only Thailand, but Myanmar and other neighboring countries with a renewed sense of purpose.



Thai Koito Technical Center (Thailand)

## Singapore

Construction demand in 2012 as reported by Singapore's Building and Construction Authority (BCA) in January 2013 was S\$28 billion, down from S\$35.5 billion in 2011. BCA projected demand in 2013 to be between S\$26 billion to S\$32 billion, reflecting a sustained workload for the next few years. Public sector demand is expected to increase significantly in 2013—constituting about 53% of the total industry demand, or between S\$14 billion and S\$17 billion—on the back of greater public housing requirements as well as rail and road construction needed to increase the capacity of rapid transit and road systems. The Land Transport Authority (LTA)'s various construction contracts for the Thomson Line, Eastern Region Line, Jurong Region Line, Circle Line Stage 6, Downtown Line Extension (DTL), Cross Island Line, North East Line Extension and North South Expressway are estimated to bring about S\$68 billion worth of contracts in the next decade.

Works on the LTA's Contract 929A (construction and completion of the tunnels between Ubi and Kaki Bukit stations, and Reception Tunnels) are progressing satisfactorily. One of the contract packages in the DTL3 project, Contract 929A was awarded to Nishimatsu in February 2011. The first tunnel boring machine commenced boring works in 2012 and is now close to completing the first of the bored tunnels.

Site preparatory works and the construction of the shafts for the bored tunneling works under the EW3 Contract have reached an advanced stage. This contract was awarded to us by SP Power Assets (SPPA), a provider of electricity transmission and distribution services in Singapore. The first tunnel boring machine is being fabricated, and delivery is expected at the end of 2013. This project is being carried out as a joint venture with the local contractor, KTC Civil Engineering and Construction Pte. Ltd.

Nishimatsu will continue to fulfill its contractual obligations for these two contracts while pursuing new opportunities and building up its core professional and supervisory teams to meet the challenges ahead.

## Vietnam

Since last year, Vietnam has seen a decline in real estate investment, which until recently had been robust, due to tighter government monetary policies. According to government estimates, Vietnam's GDP growth rate in 2012 fell compared with the previous fiscal year.

On the other hand, Japanese corporate investment in Vietnam has risen since last year. This reflects a deterioration of Sino-Japanese relations amid conflicting sovereignty claims over the Senkaku Islands, prompting even stronger calls for

Japanese companies to pursue a “China-plus-one” strategy to avoid investing exclusively in China.

Under these circumstances, Nishimatsu won an infrastructure works contract in the previous fiscal year at the Long Duc Industrial Park, which is located in southern part of the country. This project is scheduled to be completed in July 2013. We are also poised to wrap up construction in July of an administration building at Long Duc Industrial Park, a contract we won at the end of 2012.

In the north of the country, we completed construction of Panasonic Vietnam Co., Ltd.’s main plant at the end of 2012, an order we obtained last year. With a total floor area of approximately 24,000m<sup>2</sup>, this facility, which is equipped with a washing-machine factory and research and development facilities, will be Panasonic’s main manufacturing hub in Vietnam. We received enormous praise from Panasonic Vietnam for overcoming various difficulties to complete this project on schedule and without any trouble.

In tandem with completing infrastructure works at Long Duc Industrial Park, we expect numerous Japanese companies to expand their manufacturing operations to southern Vietnam in the years ahead. In the north, we have earned the trust of our customers by completing construction of multiple Japanese plants without incident at Thang Long Industrial Park I and II.



PHAV THANG LONG II FACTORY (Vietnam)

Letting no business opportunity slip by, Nishimatsu will aggressively expand its operations to win even more plant construction projects from Japanese companies expanding their businesses to Vietnam. To this end, we will leverage the expertise gained from previous projects while maximizing our personnel and other business resources to offer proposals and services that satisfy an even greater number of customers. We also plan to gain more customers by looking into in new areas, including renovation work focusing on Japanese companies already operating in Vietnam.

At the same time, we will continue to bid for infrastructure projects financed by Japanese government ODA (yen loans), including subway tunnels and other urban railway renovation, and water treatment facilities. For us, the ODA-related construction market remains promising.

However, delays in securing construction sites and

obtaining payment, one-sided contracts and other problems constitute considerable country risk in Vietnam. Accordingly, we plan to proceed with caution, narrowing down the list to projects suited to our technologies and expertise after fully scrutinizing unclear points in licensing requirements, bureaucratic procedures and legal interpretations.

## Malaysia

Driven by expanding domestic demand and vigorous private consumption, Malaysia’s GDP growth rate in fiscal 2012 was 5.6%, up from 5.1% in fiscal 2011. Despite failing to reach 7.2% in fiscal 2010, Malaysia’ GDP growth rate exceeded initial market forecasts. Looking at specific industries, the construction industry grew at an astounding rate of 18.5% throughout the year primarily on the back of public transportation infrastructure upgrading projects. Against this backdrop, Malaysia and Singapore announced on February 2013 plans to build a high-speed rail link extending from Singapore to Kuala Lumpur. With the completion date set for 2020, this new national project is attracting considerable attention. Looking ahead, numerous infrastructure projects are being planned in Malaysia, and expectations are high regarding construction opportunities in the environmental field.

In light of economic uncertainties in China and flooding in Thailand, Malaysia has become an attractive place to invest for overseas companies given its well-constructed network of roads and ports along with its affordable electricity and gas prices. Accordingly, the Malaysia Office of Nishimatsu has participated in many civil engineering and construction projects throughout the country. Currently, we are undertaking the following civil engineering and plant maintenance projects.

The Pahang-Selangor Raw Water Transfer Project, Lot 1-1, Water Transfer Tunnel and Related Works project being carried out in Kuala Lumpur suburb is 80% complete, with one of three boring machines having already broken through an excavated section of this tunnel. This project is slated to be finished in 2014.

The Design and Build Negotiated Contract for Kuching City Central Wastewater Management System: Centralised Sewerage for Kuching City Centre (Package 1) being undertaken in Kuching City, Sarawak State is proceeding apace, with completion planned for 2015.

Regarding plant maintenance projects in Kuching City, we have won contracts at an electronics component plant that extends from new construction and expansion work to maintenance. Through such projects, we are providing optimal facilities that meet customer needs.

The Malaysia Office of Nishimatsu will continue working to maintain the trust of customers in Malaysia.

## Nishimatsu's Tunnel Construction Technologies

Nishimatsu is advancing the development of safer, more effective and higher quality tunnel construction technology based on its successful track record in this field. Below is an introduction of our new highly practical technologies.

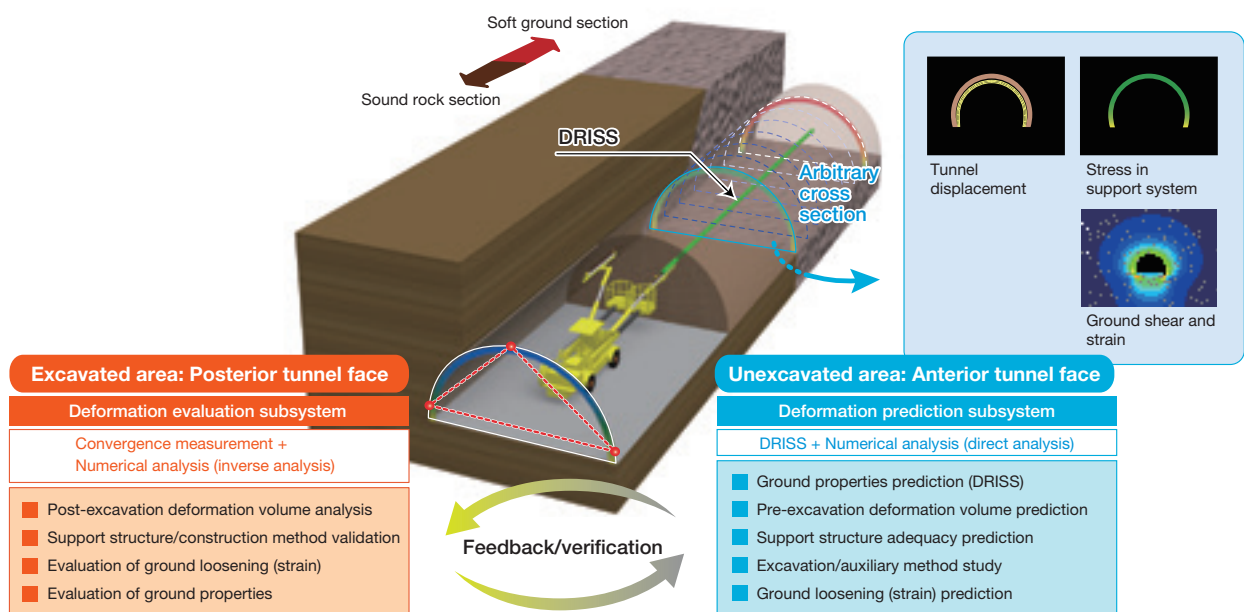
### 1 Predictive and Analysis System for Tunnel Deformation (PAS-Def)

Quick prediction of ground deformation ahead of tunnel faces by combining the Drilling Survey System (DRISS) tunnel face probing technology and numerical analysis

PAS-Def is a tunnel deformation prediction system that quickly predicts ground deformation ahead of tunnel faces by combining anterior tunnel-face sensory data obtained from boring mountain tunnels with convergence measurement data and numerical analysis.

The PAS-Def system fully integrates DRISS (which uses drill borehole data compiled by Nishimatsu) with numerical and measurement data to enable simple and quick deformation prediction on site. The PAS-Def system consists of an anterior tunnel face deformation prediction subsystem and deformation evaluation subsystem that reevaluates actual ground properties based on ground deformation found in already excavated areas. The continuous operation of these subsystems makes it possible to precisely predict deformation.

#### System Overview



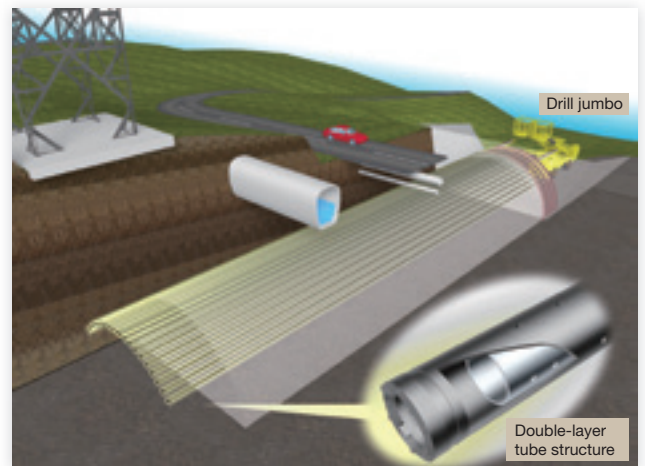
## 2 Long-Distance and Large-Caliber Forepiling Method (LL-Fp Method)

Increasing constructability while decreasing costs through the use of drill jumbo

The LL-Fp Method involves the long-distance placement of large-caliber ( $\phi 139.8\text{mm}$ ) steel tubes (forepiling) using drill jumbo, which are general-purpose mountain tunnel boring machinery, instead of specialized equipment.

The ground deformation and subsidence accompanying drilling mountain tunnels can seriously affect existing roads as well as underground structures located directly above such tunnels. Developed to effectively reduce deformations and subsidence, the LL-Fp Method involves placing a long-distance, large-caliber steel tube over 20 meters at a time into the ground in front of a tunnel face in order to form highly rigid umbrella-shaped tunnel arches prior to excavation that minimize the impact of excavation on nearby objects.

LL-Fp Method Overview



## 3 SIMLOCK Short Polypropylene Fiber for Concrete

Expanded product lineup

SIMLOCK is a short polypropylene fiber made from polypropylene resin that is used to strengthen concrete. Our proprietary X section and dimpled surface shape gives SIMLOCK excellent adhesiveness on concrete, reducing both cracking and peeling.

SIMLOCK now features improvements in areas including configuration (thickness, length, surface shape), hardness and concrete mixing rate compared with conventional products, and has undergone various types of performance testing. As a result, the SIMLOCK product lineup has been expanded to four types per application.

Examples of new applications for SIMLOCK include high-strength spray concrete as well as medium- and high-fluidity lining concrete with a high filling capability required during concrete placement. SIMLOCK is therefore suitable for high-performance applications, the need for which has increased in recent years in the tunnel construction field.

Cross-section shape



Product list



LX48 Fiber diameter 0.68mm×  
fiber length 48mm



LX30 Fiber diameter 0.68mm×  
fiber length 30mm



MX30 Fiber diameter 0.53mm×  
fiber length 30mm



SX20 Fiber diameter 0.37mm×  
fiber length 20mm

# OUR RESPONSE TO ENVIRONMENTAL ISSUES

As the movement for the creation of a “sustainable society” gathers momentum, the importance of the responsibilities and roles of companies in this endeavor is increasing.

Nishimatsu has set up the Environmental Committee, a company-wide, cross-functional organization that sets environmental performance targets and reviews environmental issues. The policies and proposals considered by the Environmental Committee are reported to top management, and decisions are implemented proactively throughout the Company.

Our main environmental preservation initiatives are as follows.

- 1 Recycling:** We aim to increase the recycling rate for industrial waste. To that end, we are aggressively reducing landfill waste through sorting and are outsourcing its processing to top-flight waste treatment contractors with high recycling rates.
- 2 Preventing global warming:** We have held seminars on the fuel-saving operation of vehicles and heavy construction machinery at our construction sites, and have also implemented training activities aimed at controlling fuel consumption. At our head office, regional headquarters, branch offices and sales offices, we are sparing no effort to reduce CO<sub>2</sub> emissions by reducing energy consumption through such measures as rigorous lights-off rules and the adoption of low-energy lighting equipment.
- 3 Protecting biodiversity:** We plan, design and carry out our construction projects while giving due consideration to biodiversity under our Nishimatsu biodiversity action principles. In addition, we have taken actions to preserve rare animal and plant species at work sites in Japan and prevent the introduction of specified invasive alien species.
- 4 Developing environmental technology:** We have researched and developed technologies to clean up atmospheric, soil and other forms of pollutants, and continue to incorporate them into our environmental protection businesses. In particular, we have developed an environment-friendly effluent treatment system that uses no chemicals as well as technologies that reduce the disposal volume of radioactive contaminated soil.
- 5 Creating environment-friendly designs:** We offer proposals to our clients in such areas as specifying the environmental performance of buildings and determining uses for facilities with low environmental impact and recycled products/materials.
- 6 Proposing environmental solutions:** Amid rising demand in recent years for greater use of renewable energy sources, we offer proposals to customers regarding the introduction of solar power generation systems.

Nishimatsu operates an ISO14001-certified environmental management system in order to effectively implement these environmental initiatives.

We will further step up our environmental preservation activities in an ongoing effort to hand over our irreplaceable global environment intact to future generations.

# FINANCIAL SECTION

Nishimatsu Construction Co., Ltd.

# 2013

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**Consolidated Balance Sheets**

March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2012	2013	2013
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 2, 11 and 15) .....	¥ 40,885	¥ 47,966	\$ 510,003
Marketable securities (Note 11) .....	69	—	—
Notes and accounts receivable, trade:			
Notes (Notes 11 and 15) .....	4,204	4,000	42,531
Accounts (Note 15) .....	108,878	106,725	1,134,766
Allowance for doubtful accounts (Note 2) .....	(724)	(561)	(5,968)
Inventories (Note 2) .....	35,860	35,238	374,675
Deferred income taxes (Notes 2 and 9) .....	31	27	287
Advance paid .....	18,103	12,987	138,082
Other current assets .....	6,634	4,355	46,317
Total current assets .....	213,940	210,737	2,240,693
<b>Investments and other assets:</b>			
Investment securities (Notes 2, 6, 11 and 15) .....	45,610	59,297	630,481
Investments in subsidiaries and affiliates (Note 11) .....	371	853	9,070
Others .....	6,639	5,040	53,589
Allowance for doubtful accounts (Note 2) .....	(1,775)	(419)	(4,457)
Total investments and other assets .....	50,845	64,771	688,683
<b>Property and equipment (Notes 2 and 11):</b>			
Land .....	34,324	42,030	446,888
Buildings .....	52,508	55,077	585,618
Machinery and equipment .....	9,623	9,302	98,904
Accumulated depreciation .....	(38,716)	(38,942)	(414,056)
Total property and equipment .....	57,739	67,467	717,354
<b>Total assets</b> .....	¥322,524	¥342,975	\$3,646,730

The accompanying notes are an integral part of these statements.



	Millions of yen		Thousands of U.S. dollars (Note 5)
	2012	2013	2013
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Short-term debt from banks (Notes 7 and 15) .....	¥ 9,567	¥ 11,605	\$ 123,391
Current portion of long-term debt (Note 7) .....	14,132	5,851	62,217
Notes and accounts payable, trade:			
Notes (Notes 11 and 15) .....	13,660	12,867	136,809
Accounts (Note 15) .....	84,389	75,893	806,941
Advances received on uncompleted contracts .....	17,194	23,554	250,447
Provision for warranties for completed construction (Note 2) .....	2,037	1,542	16,392
Provision for bonuses (Note 2) .....	665	936	9,950
Provision for loss on construction contracts (Note 2) .....	4,320	3,224	34,280
Accrued income taxes .....	144	451	4,795
Employees' deposits .....	4,299	4,426	47,061
Provision for loss on real estate business and other (Note 2) .....	2	15	159
Provision for loss on compensation for damage .....	390	—	—
Asset retirement obligations (Note 17) .....	21	—	—
Deposits received .....	16,905	13,796	146,689
Other current liabilities .....	2,016	3,812	40,528
<b>Total current liabilities</b> .....	<b>169,741</b>	<b>157,972</b>	<b>1,679,659</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 7 and 15) .....	21,048	35,452	376,944
Accrued retirement benefits (Notes 2 and 8) .....	2,939	4,143	44,049
Deferred income taxes (Notes 2 and 9) .....	8,044	12,538	133,312
Provision for environmental measures (Note 2) .....	226	227	2,411
Asset retirement obligations (Note 17) .....	179	108	1,154
Other long-term liabilities .....	3,501	4,098	43,577
<b>Total long-term liabilities</b> .....	<b>35,937</b>	<b>56,566</b>	<b>601,447</b>
<b>Total liabilities</b> .....	<b>205,678</b>	<b>214,538</b>	<b>2,281,106</b>
<b>Net assets:</b>			
Common stock:			
Authorized – 800,000,000 shares			
Issued and outstanding – 277,957,513 shares .....	23,514	23,514	250,012
Capital surplus .....	20,780	20,780	220,950
Retained earnings .....	65,500	67,801	720,906
Treasury stock, at cost .....	(227)	(242)	(2,574)
Unrealized gain on available-for-sale securities .....	7,354	16,136	171,567
Equity adjustment from foreign currency translation .....	(503)	(360)	(3,833)
Minority interests .....	428	808	8,596
<b>Total net assets</b> .....	<b>116,846</b>	<b>128,437</b>	<b>1,365,624</b>
<b>Total liabilities and net assets</b> .....	<b>¥322,524</b>	<b>¥342,975</b>	<b>\$3,646,730</b>

# Consolidated Statements of Income

For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2012	2013	2013
<b>Net sales</b> (Note 2):			
Completed construction contract.....	¥246,608	¥239,246	\$2,543,814
Real estate business and other.....	17,321	14,005	148,912
	263,929	253,251	2,692,726
<b>Cost of sales</b> (Note 2):			
Cost of completed construction contract.....	235,172	227,009	2,413,705
Cost of real estate business and other.....	13,828	10,627	112,987
	249,000	237,636	2,526,692
Gross profit.....	14,929	15,615	166,034
<b>Selling, general and administrative expenses</b> .....	12,277	12,948	137,682
Income from operations.....	2,652	2,667	28,352
<b>Other income (expenses):</b>			
Interest and dividend income.....	1,535	858	9,119
Interest expenses.....	(1,064)	(718)	(7,631)
Financing expenses.....	(371)	(190)	(2,022)
Gains on sales of investment securities.....	1,047	643	6,836
Gains on sales of fixed assets.....	240	125	1,324
Loss for completed work indemnification.....	(1,565)	—	—
Reversal of allowance for doubtful accounts.....	1,171	123	1,309
Loss on valuation of investment securities.....	(308)	(14)	(145)
Foreign currency exchange gains (losses).....	(343)	1,198	12,741
Provision for environmental measures.....	(1)	(1)	(8)
Compensation for damage.....	—	(132)	(1,403)
Other – net.....	(596)	303	3,227
	(255)	2,195	23,347
<b>Income before income taxes and minority interests</b> .....	2,397	4,862	51,699
<b>Income taxes</b> (Notes 2 and 9):			
Current.....	296	1,460	15,523
Deferred.....	(711)	(384)	(4,084)
	(415)	1,076	11,439
Income (loss) before minority interests.....	2,812	3,786	40,260
<b>Minority interests</b> .....	(80)	(375)	(3,988)
<b>Net income</b> .....	¥ 2,732	¥ 3,411	\$ 36,272
<b>Per share of common stock</b> (Note 19):			
Net income.....	¥9.85	¥12.31	\$0.131
Cash dividends applicable to the year.....	4.00	4.00	0.043

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2012	2013	2013
<b>Income before minority interests</b> .....	¥2,812	¥ 3,786	\$ 40,260
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities .....	791	8,782	93,373
Foreign currency translation adjustment.....	(90)	212	2,251
	701	8,993	95,624
<b>Comprehensive income</b> .....	3,513	12,780	135,884
<b>Comprehensive income attributable to:</b>			
Comprehensive income attributable to owners of the parent .....	3,464	12,336	131,162
Comprehensive income attributable to minority interest.....	49	444	4,722

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2012 and 2013

	Millions of yen							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Equity adjustment from foreign currency transaction	Minority interests	Total net assets
Balance as of April 1, 2011	¥23,514	¥20,780	¥63,877	¥(226)	¥ 6,563	¥(444)	¥380	¥114,444
Dividends declared			(1,109)					(1,109)
Net income			2,732					2,732
Purchase of treasury stock				(2)				(2)
Disposal of treasury stock			0	1				1
Changes in unrealized gain on available-for-sale securities					791			791
Changes in foreign currency translation						(59)		(59)
Changes in minority interests							48	48
Balance as of April 1, 2012	¥23,514	¥20,780	¥65,500	¥(227)	¥ 7,354	¥(503)	¥428	¥116,846
Dividends declared			(1,109)					(1,109)
Net income			3,411					3,411
Purchase of treasury stock				(16)				(16)
Disposal of treasury stock			(1)	1				0
Change of scope of consolidation			(0)					(0)
Changes in unrealized gain on available-for-sale securities					8,782			8,782
Changes in foreign currency translation						143		143
Changes in minority interests							380	380
Balance as of March 31, 2013	¥23,514	¥20,780	¥67,801	¥(242)	¥16,136	¥(360)	¥808	¥128,437

	Thousands of U.S. dollars (Note 5)							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Equity adjustment from foreign currency transaction	Minority interests	Total net assets
Balance as of April 1, 2012	\$250,012	\$220,950	\$696,438	\$(2,413)	\$ 78,194	\$(5,350)	\$4,550	\$1,242,381
Dividends declared			(11,792)					(11,792)
Net income			36,272					36,272
Purchase of treasury stock				(170)				(170)
Disposal of treasury stock			(4)	9				5
Change of scope of consolidation			(8)					(8)
Changes in unrealized gain on available-for-sale securities					93,373			93,373
Changes in foreign currency translation						1,517		1,517
Changes in minority interests							4,046	4,046
Balance as of March 31, 2013	\$250,012	\$220,950	\$720,906	\$(2,574)	\$171,567	\$(3,833)	\$8,596	\$1,365,624

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2012	2013	2013
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests .....	¥ 2,397	¥ 4,862	\$ 51,699
Adjustment for:			
Depreciation and amortization .....	1,822	1,757	18,683
Increase (decrease) in allowance for doubtful accounts .....	(1,170)	(123)	(1,309)
Increase (decrease) in provision for loss on construction contracts .....	(3,604)	(1,096)	(11,653)
Increase (decrease) in provision for loss on compensation for damage .....	—	(390)	(4,143)
Increase (decrease) in provision for retirement benefits .....	1,272	1,204	12,797
Loss (gain) on sales of investment securities .....	(1,047)	(643)	(6,836)
Loss (gain) on sales of property and equipment .....	(250)	(125)	(1,324)
Interest and dividend income .....	(1,344)	(858)	(9,119)
Interest expenses .....	1,064	718	7,631
Decrease (increase) in notes and accounts receivable .....	(23,786)	2,543	27,041
Decrease (increase) in inventory .....	9,430	674	7,161
Increase (decrease) in notes and accounts payable .....	15,121	(9,461)	(100,595)
Increase (decrease) in advance received on uncompleted contracts .....	(7,076)	6,207	65,997
Others .....	(3,698)	5,025	53,418
Sub-total .....	(10,869)	10,294	109,448
Interest and dividend received .....	1,358	865	9,204
Interest paid .....	(1,185)	(758)	(8,062)
Income taxes paid .....	(251)	(624)	(6,635)
Net cash provided by (used in) operating activities .....	(10,947)	9,777	103,955
<b>Cash flows from investing activities:</b>			
Payment for purchases of marketable and investment securities .....	(1,073)	(1,398)	(14,869)
Proceeds from sale of marketable and investment securities .....	1,460	1,709	18,167
Acquisition of property and equipment .....	(1,106)	(12,203)	(129,749)
Proceeds from sale of property and equipment .....	621	909	9,669
Disbursements for loans .....	(733)	(1,057)	(11,234)
Proceeds from collection of loans .....	3,361	1,321	14,046
Payments of long-term time deposits .....	—	(100)	(1,063)
Others .....	716	49	516
Net cash provided by (used in) investing activities .....	3,246	(10,770)	(114,517)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans .....	(12,413)	1,942	20,652
Borrowing of long-term debt .....	20,000	20,000	212,653
Repayment of long-term debt .....	(20,846)	(14,237)	(151,382)
Redemption of bonds with subscription rights to shares .....	—	(75)	(797)
Cash dividends paid .....	(1,109)	(1,109)	(11,795)
Others .....	(759)	16	173
Net cash provided by (used in) financing activities .....	(15,127)	6,537	69,504
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	(167)	1,517	16,137
<b>Net increase (decrease) of cash and cash equivalents .....</b>	(22,995)	7,061	75,079
<b>Cash and cash equivalents at beginning of year (Note 2) .....</b>	63,880	40,885	434,712
<b>Decrease in cash and cash equivalents due to the unconsolidated subsidiaries .....</b>	—	(80)	(852)
<b>Cash and cash equivalents at end of year (Note 2) .....</b>	¥40,885	¥47,866	\$508,939

The accompanying notes are an integral part of these statements.

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Nishimatsu Construction Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

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

## *Auditor's Responsibility*

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

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

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

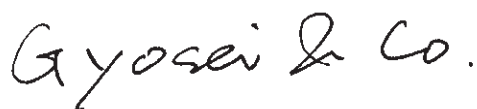
## *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nishimatsu Construction Co., Ltd. and its subsidiaries as of March 31, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## *Convenience Translation*

The United States dollar amounts shown in the consolidated financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 5.

Tokyo, Japan  
June 27, 2013



GYOSEI & Co.  
Certified Public Accountants

# Non-Consolidated Five-Year Summary

	Millions of yen				
	2009	2010	2011	2012	2013
Orders received	¥276,678	¥258,889	¥229,778	¥249,925	<b>¥244,674</b>
Orders received from overseas	21,245	41,091	15,387	46,176	<b>24,724</b>
Percentage of orders received from overseas	7.7%	15.9%	6.7%	18.5%	<b>10.1%</b>
Net sales	408,859	390,296	255,452	253,516	<b>239,980</b>
Cost of sales	381,109	375,858	237,564	239,525	<b>226,280</b>
Selling, general and administrative expenses	21,452	19,250	14,488	11,859	<b>12,449</b>
Income (loss) before income taxes	5,148	(18,657)	2,248	1,559	<b>3,330</b>
Net income (loss)	1,664	(36,971)	2,882	2,001	<b>2,848</b>
Percentage of income (loss) against net sales	0.4%	(9.5%)	1.1%	0.8%	<b>1.2%</b>
Total assets	568,131	397,883	317,794	310,537	<b>328,229</b>
Net assets	148,523	114,083	112,764	114,480	<b>124,978</b>
Percentage of net assets against total assets	26.1%	28.7%	35.5%	36.9%	<b>38.1%</b>
Common stock	23,514	23,514	23,514	23,514	<b>23,514</b>
Per share of common stock (in yen):					
Net income (loss)*	¥ 6.00	¥ (133.32)	¥ 10.39	¥ 7.22	<b>¥ 10.28</b>
Cash dividends applicable to the year	4.00	4.00	4.00	4.00	<b>4.00</b>
Net assets	535.56	411.42	406.71	412.91	<b>450.99</b>
Number of shareholders	29,874	28,185	29,275	26,808	<b>26,915</b>
Number of employees	3,426	3,327	2,392	2,340	<b>2,309</b>

Note:

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

# Non-Consolidated Balance Sheets

March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2013	2013
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 16).....	¥ 39,248	¥ 42,743	\$ 454,468
Marketable securities.....	60	—	—
Notes and accounts receivable, trade:			
Notes (Note 16).....	4,202	3,977	42,287
Accounts (Note 16).....	108,788	106,530	1,132,693
Allowance for doubtful accounts (Notes 2 and 15).....	(717)	(553)	(5,880)
Inventories (Notes 2 and 4).....	34,308	34,590	367,785
Short-term loans to subsidiaries and affiliates (Note 9).....	41	42	447
Advance paid.....	18,100	13,002	138,242
Other current assets.....	5,995	3,925	41,734
Total current assets.....	210,025	204,256	2,171,776
<b>Investments and other assets:</b>			
Investment securities (Note 2).....	41,583	55,118	586,050
Investments in subsidiaries and affiliates (Notes 2 and 9).....	1,796	2,347	24,956
Long-term loans to subsidiaries and affiliates (Note 9).....	195	231	2,458
Others.....	11,510	9,067	96,410
Allowance for doubtful accounts (Notes 2 and 15).....	(5,089)	(3,719)	(39,545)
Total investments and other assets.....	49,995	63,044	670,329
<b>Property and equipment (Notes 2 and 14):</b>			
Land.....	29,957	37,682	400,663
Buildings.....	45,912	49,176	522,873
Machinery and equipment.....	9,344	9,150	97,286
Accumulated depreciation.....	(34,696)	(35,079)	(372,982)
Total property and equipment.....	50,517	60,929	647,840
<b>Total assets</b> .....	¥310,537	¥328,229	\$3,489,945

The accompanying notes are an integral part of these statements.



	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2013	2013
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Short-term debt from banks (Note 16) .....	¥ 8,746	¥ 9,803	\$ 104,232
Short-term debt from subsidiaries and affiliates .....	744	760	8,081
Current portion of long-term debt (Note 16) .....	12,854	5,100	54,226
Notes and accounts payable, trade (Note 16):			
Notes .....	13,593	12,600	133,972
Accounts .....	83,229	74,079	787,651
Advance received on uncompleted contracts (Note 16) .....	16,178	21,663	230,331
Provision for warranties for completed construction (Notes 2 and 15) .....	2,037	1,542	16,392
Provision for bonuses (Notes 2 and 15) .....	651	913	9,706
Provision for loss on construction contracts (Notes 2 and 15) .....	4,320	3,224	34,280
Accrued income taxes .....	136	449	4,769
Employees' deposits .....	4,253	4,374	46,502
Provision for loss on real estate business and other (Notes 2 and 15) .....	2	15	159
Provision for loss on compensation for damage (Note 15) .....	390	—	—
Asset retirement obligations (Note 6) .....	1	—	—
Deposits received .....	16,888	13,777	146,490
Other current liabilities .....	1,714	3,540	37,620
<b>Total current liabilities</b> .....	<b>165,736</b>	<b>151,835</b>	<b>1,614,411</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 16) .....	17,100	32,000	340,245
Accrued retirement benefits .....	2,912	4,116	43,759
Deferred income taxes (Notes 2 and 7) .....	6,965	11,353	120,715
Provision for environmental measures (Notes 2 and 15) .....	226	227	2,411
Asset retirement obligations (Note 6) .....	98	108	1,154
Other long-term liabilities .....	3,020	3,612	38,404
<b>Total long-term liabilities</b> .....	<b>30,321</b>	<b>51,416</b>	<b>546,688</b>
<b>Total liabilities</b> .....	<b>196,057</b>	<b>203,251</b>	<b>2,161,099</b>
<b>Net assets:</b>			
Common stock:			
Authorized – 800,000,000 shares			
Issued and outstanding – 277,957,513 shares .....	23,514	23,514	250,012
Capital surplus .....	20,780	20,780	220,950
Legal reserve .....	5,878	5,878	62,502
Retained earnings .....	57,183	58,921	626,488
Treasury stock, at cost .....	(227)	(242)	(2,574)
Unrealized gain on available-for-sale securities .....	7,352	16,127	171,468
<b>Total net assets</b> .....	<b>114,480</b>	<b>124,978</b>	<b>1,328,846</b>
<b>Total liabilities and net assets</b> .....	<b>¥310,537</b>	<b>¥328,229</b>	<b>\$3,489,945</b>

# Non-Consolidated Statements of Income

For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2013	2013
<b>Net sales</b> (Note 2):			
Completed construction contract.....	¥242,288	¥228,594	\$2,430,553
Real estate business and other.....	11,228	11,386	121,065
	253,516	239,980	2,551,618
<b>Cost of sales</b> (Note 2):			
Cost of completed construction contract.....	231,107	217,852	2,316,344
Cost of real estate business and other.....	8,418	8,428	89,604
	239,525	226,280	2,405,948
Gross profit.....	13,991	13,700	145,670
<b>Selling, general and administrative expenses</b> .....	11,859	12,449	132,369
Income from operations.....	2,132	1,251	13,301
<b>Other income (expenses):</b>			
Interest and dividend income.....	1,331	815	8,669
Interest expenses.....	(997)	(669)	(7,116)
Financing expenses.....	(371)	(190)	(2,022)
Gains on sales of investment securities.....	963	643	6,836
Gains on sales of fixed assets.....	71	5	51
Loss for completed work indemnification.....	(1,565)	—	—
Reversal of allowance for doubtful accounts.....	1,172	—	—
Loss on valuation of investment securities.....	(392)	(14)	(145)
Foreign currency exchange gain (losses).....	(366)	1,280	13,614
Provision for environmental measures.....	(1)	—	—
Compensation for damage.....	—	(132)	(1,403)
Loss on support subsidiaries.....	—	(96)	(1,021)
Other – net.....	(418)	438	4,647
	(573)	2,079	22,102
<b>Income before income taxes</b> .....	1,559	3,330	35,403
<b>Income taxes</b> (Notes 2 and 7):			
Current.....	243	973	10,342
Deferred.....	(685)	(491)	(5,220)
	(442)	482	5,122
<b>Net income</b> .....	¥ 2,001	¥ 2,848	\$ 30,281
<b>Per share of common stock</b> (Note 12):			
Net income.....	¥7.22	¥10.28	\$0.109
Cash dividends applicable to the year.....	4.00	4.00	0.043

The accompanying notes are an integral part of these statements.

# Non-Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2012 and 2013

	Millions of yen						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Total net assets
Balance as of April 1, 2011 .....	¥23,514	¥20,780	¥5,878	¥56,292	¥(226)	¥ 6,526	¥114,683
Dividends declared .....				(1,109)			(1,109)
Net income .....				2,001			2,001
Purchase of treasury stock .....					(2)		(2)
Disposal of treasury stock .....				(1)	1		0
Change in unrealized gain on available-for-sale securities .....						826	826
Balance as of April 1, 2012 .....	¥23,514	¥20,780	¥5,878	¥57,183	¥(227)	¥ 7,352	¥114,480
Dividends declared .....				(1,110)			(1,110)
Net income .....				2,848			2,848
Purchase of treasury stock .....					(16)		(16)
Disposal of treasury stock .....				(0)	1		1
Change in unrealized gain on available-for-sale securities .....						8,775	8,775
Balance as of March 31, 2013 .....	¥23,514	¥20,780	¥5,878	¥58,921	¥(242)	¥16,127	¥124,978

	Thousands of U.S. dollars (Note 3)						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Total net assets
Balance as of April 1, 2012 .....	\$250,012	\$220,950	\$62,502	\$608,003	\$(2,413)	\$ 78,167	\$1,217,221
Dividends declared .....				(11,792)			(11,792)
Net income .....				30,281			30,281
Purchase of treasury stock .....					(170)		(170)
Disposal of treasury stock .....				(4)	9		5
Change in unrealized gain on available-for-sale securities .....						93,301	93,301
Balance as of March 31, 2013 .....	\$250,012	\$220,950	\$62,502	\$626,488	\$(2,574)	\$171,468	\$1,328,846

The accompanying notes are an integral part of these statements.

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Nishimatsu Construction Co., Ltd. which comprise the balance sheets as of March 31, 2013, and the statements of income and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

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

## *Auditor's Responsibility*

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

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

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

## *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nishimatsu Construction Co., Ltd. as of March 31, 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

## *Convenience Translation*

The United States dollar amounts shown in the financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 3.

Tokyo, Japan  
June 27, 2013



GYOSEI & Co.  
Certified Public Accountants

# CORPORATE DIRECTORY

## HEAD OFFICE

20-10, Toranomom 1-chome, Minato-ku,  
Tokyo 105-8401, Japan  
Phone: 81-3-3502-7694  
Fax: 81-3-3580-2745

## REGIONAL HEADQUARTERS & BRANCH OFFICES

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

## OVERSEAS OFFICES

### ■ Hong Kong

#### Hong Kong Branch Office

Room 508, Star House, Salisbury Road, Kowloon  
Phone: 852-2736-6461~5 Fax: 852-2730-1512

#### Fan Ling Machine & Mechanical Centre

P.O. Box 98612, Tsim Sha Tsui Post Office  
Phone: 852-2674-7535 Fax: 852-2674-6053

#### MTR West Island Line

c/o Gammon Nishimatsu WIL Joint Venture  
P.O. Box 33168, Sheung Wan Post Office,  
Hong Kong  
Phone: 852-3559-9000 Fax: 852-2818-7077

#### MTR South Island Line

No.25 Ocean Park Road Wong Chuk Hang,  
Hong Kong  
Phone: 852-3190-7600 Fax: 852-2552-0357

#### MTR Kwun Tong Line Extension

Fat Kwong Street Playground,  
Fat Kwong Street, Hong Hom, Kowloon  
Phone: 852-3401-2689 Fax: 852-2736-5995

### ■ Thailand

#### Bangkok Office

c/o Thai Nishimatsu Construction Co., Ltd.  
19th Floor, Sino-Thai Tower  
32/48 Sukhumvit 21 (Soi Asoke)  
Klongtoey-Nua, Wattana, Bangkok 10110  
Phone: 66-2258-9590~7 Fax: 66-2258-9599

#### Thai Nishimatsu Construction Co., Ltd.

19th Floor, Sino-Thai Tower  
32/48 Sukhumvit 21 (Soi Asoke)  
Klongtoey-Nua, Wattana, Bangkok 10110  
Phone: 66-2258-9590~7 Fax: 66-2258-9599  
E-mail: tncinnet@thainishimatsu.co.th

#### HATC Project Office

c/o Honda Automobile (Thailand) Co., Ltd.  
Rojana Industrial Park, 49 Moo. 9, Tambol Thanu,  
Amphur Uthai Ayutthaya 13210  
Phone: 66-3580-0003 Fax: 66-3571-9547

#### TMC Factory Project Office

c/o Thai Marujun Co., Ltd.  
Nongkhae Industrial Estate,  
Tambol Kokyae, Amphur Nongkhae,  
Saraburi 18230  
Phone: 66-3620-0792 Fax: 66-3620-0793

#### Thai Koito Project Office

c/o Thai Koito Co., Ltd.  
Bangplee Industrial Estate,  
370 Moo 17, Bangna-Trad Road, Tambol  
Bangsaothong Amphur Bangsaothong,  
Samutprakarn 10540  
Phone: 66-2705-9793 Fax: 66-2705-9793

#### BTMT Phase 4 Project Office

c/o Bridgestone Tire Manufacturing (Thailand) Co.,  
Ltd.  
Amata Nakorn Industrial Estate,  
700/622 Moo 4, Tambol Bankao,  
Amphur Panthong, Chonburi 20160  
Phone: 66-3845-2574~6 Fax: 66-3845-2572

#### FSTH Project Office

c/o Furukawa-Sky Aluminum (Thailand) Co., Ltd.  
Amata City Industrial Estate,  
7/352 Moo 6, Tambol Mabyangporn,  
Amphur Pluakdaeng, Rayong 21140  
Phone: 66-3802-7409 Fax: 66-3802-7408

#### SASC Extension Factory Project Office

c/o Steel Alliance Service Center Co., Ltd.  
Hemaraj Eastern Seaboard Industrial Estate,  
500/95 Moo 3, Tambol Tasit, Amphur Pluakdaeng,  
Rayong 21140  
Phone: 66-3301-0931 Fax: 66-3301-0932

#### Thai Dec Factory Project Office

c/o Global Eco-can Stock (Thailand) Co., Ltd.  
Eastern Seaboard Industrial Estate,  
Tambol Thasit, Amphur Pluankdaeng,  
Rayong 21140  
Phone: 66-3802-6583 Fax: 66-3802-6584

#### Machine & Material Center

Tambol Napradu, Amphur Panthong,  
Chonburi 20160

### ■ Singapore

#### Singapore Office

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

#### LTA Downtown Line Stage 3 Contract 929A (UBI) Project Office

6A Ubi Avenue 1  
Singapore 408943  
Phone: 65-6735-3928 Fax: 65-6672-6262

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

39A Tai Seng Street  
Singapore 533970  
Phone: 65-6922-7020 Fax: 65-6282-6190

### ■ Malaysia

#### Malaysia Office

Letter Box No. 60, 5th Floor  
UBN Tower, 10, Jalan P. Ramlee  
50250 Kuala Lumpur  
Phone: 60-3-2070-9911 Fax: 60-3-2078-9911

### ■ Vietnam

#### Hanoi Office

#402, D10 Giang Vo, Ba Dinh District,  
Hanoi, Vietnam  
Phone: 84-4-3772-3034~6 Fax: 84-4-3772-3032

#### Ho Chi Minh Office

1st Floor, Block A, FIDECO Building  
28 Phung Khac Khoan, District 1  
Ho Chi Minh City, Vietnam  
Phone: 84-8-3823-7513 Fax: 84-8-3823-7514

### ■ Sri Lanka

#### Upper Kotmale Hydropower Project, Lot-2 Project Office

c/o Maeda - Nishimatsu Joint - Venture  
No.73, Jawatta Road, Colombo 5, Sri Lanka  
Phone: 94-11-2553866 Fax: 94-11-4528260

### ■ Algeria

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

c/o COJAAL, Direction des Travaux Constantine  
Cité Boulkercha Hacen, Z. I, Ain Smara  
BP68 Constantine 25140, Algeria  
Phone: 213-31-972-500 Fax: 213-31-972-272

# INVESTOR INFORMATION

<b>Board of Directors and Statutory Auditors</b>		<b>Established</b>																									
<i>Representative Director and President</i>	Harusada Kondo	September 1937																									
<i>Representative Directors</i>	Uichi Mizuguchi Akira Maeda Takashi Suzuki	<b>Authorized Number of Shares</b>																									
		800,000,000 shares																									
<i>Directors</i>	Yoshiyuki Sawai Takao Komori Nobutoshi Takase Katsuaki Saito Nobuaki Sato	<b>Issued and Outstanding Number of Shares</b>																									
		277,957,513 shares																									
		<b>Paid-in Capital</b>																									
		¥23,513 million																									
		<b>Number of Shareholders</b>																									
		26,915																									
<i>Statutory Auditors</i>	Toshiyuki Fujii Wataru Hamura Toshiyuki Matsuda Sumio Uesugi	<b>Major Shareholders</b>																									
		Thousands of Shares																									
		Japan Trustee Services Bank, Ltd. (trust account)	12,780																								
		Japan Trustee Services Bank, Ltd. (trust account No. 4)	12,510																								
		The Master Trust Bank of Japan, Ltd. (trust account)	10,344																								
		CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	7,748																								
		Mizuho Corporate Bank, Ltd.	5,070																								
		Meiji Yasuda Life Insurance Company	4,577																								
		Mizuho Trust & Banking Co., Ltd.	4,000																								
		Nishimatsu Construction Employee Shareholders' Association	3,672																								
		CB Hong Kong CB London Fund 135 T&D Asset Management Ltd.	3,500																								
		Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	3,431																								
<b>Executive Officers</b>		<b>Employees</b>																									
<i>Chief Executive Officer and President</i>	Harusada Kondo	<table border="1"> <thead> <tr> <th>Category</th> <th>Count</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Administrative Staff</td> <td>625</td> <td>27.1%</td> </tr> <tr> <td>Civil Engineers</td> <td>704</td> <td>30.5%</td> </tr> <tr> <td>Building Engineers</td> <td>892</td> <td>38.6%</td> </tr> <tr> <td>Mechanical Engineers</td> <td>42</td> <td>1.8%</td> </tr> <tr> <td>Electrical Engineers</td> <td>23</td> <td>1.0%</td> </tr> <tr> <td>Others</td> <td>23</td> <td>1.0%</td> </tr> <tr> <td><b>Total</b></td> <td><b>2,309</b></td> <td><b>100%</b></td> </tr> </tbody> </table>		Category	Count	Percentage	Administrative Staff	625	27.1%	Civil Engineers	704	30.5%	Building Engineers	892	38.6%	Mechanical Engineers	42	1.8%	Electrical Engineers	23	1.0%	Others	23	1.0%	<b>Total</b>	<b>2,309</b>	<b>100%</b>
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<i>Executive Vice Presidents</i>	Uichi Mizuguchi Akira Maeda																										
<i>Senior Managing Officer</i>	Takashi Suzuki																										
<i>Managing Officers</i>	Yoshiyuki Sawai Takao Komori Nobutoshi Takase Toshio Furuya Shuichi Abe Akimitsu Takashima Haruto Ban Yoshiaki Kudo Akira Matsumoto																										
<i>Executive Officers</i>	Shigeru Tokura Hideo Kaneko Hiroo Morimoto Junichiro Saito Yuichi Kono Shozo Sakai Kazunari Umeda Jun Morita																										
		<b>Stock Listing</b>																									
		Tokyo Stock Exchange (First Section) (August 1963)																									
		<b>Independent Certified Accountants</b>																									
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		<b>Administrator of Shareholders' Register</b>																									
		Mizuho Trust & Banking Co., Ltd.																									
		<b>Other Publications in English</b>																									
		Corporate Guide																									

(As of June 27, 2013)

(As of March 31, 2013)



# **Nishimatsu Construction Co., Ltd.**

20-10, Toranomom 1-chome, Minato-ku, Tokyo 105-8401, Japan

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