

Nishimatsu Construction Co., Ltd.

Annual Report 2014

Year Ended March 31, 2014



PROFILE

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

With its headquarters located in Tokyo, Nishimatsu has a network of 5 regional headquarters and 7 branches in 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 such wide ranging fields 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 to meet the demands of its clients while driving forward the frontiers of construction technology.

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ON THE COVER

Project Name	Hamanomachi Hospital Construction
Construction Site	3-2-1, Nagahama, Chuo-ku, Fukuoka City, Fukuoka Prefecture, Japan
Construction Period	March 1, 2011 - March 31, 2013
Project Overview	10 floors and 1 basement hospital with 468 beds
Structure	1F (Steel/Reinforced Concrete)
	2F - 10F (Steel)
	Basement (Reinforced Concrete/Steel-frame-and-Reinforced-Concrete-Composite)
Total Floor Area	39,670.70m ²

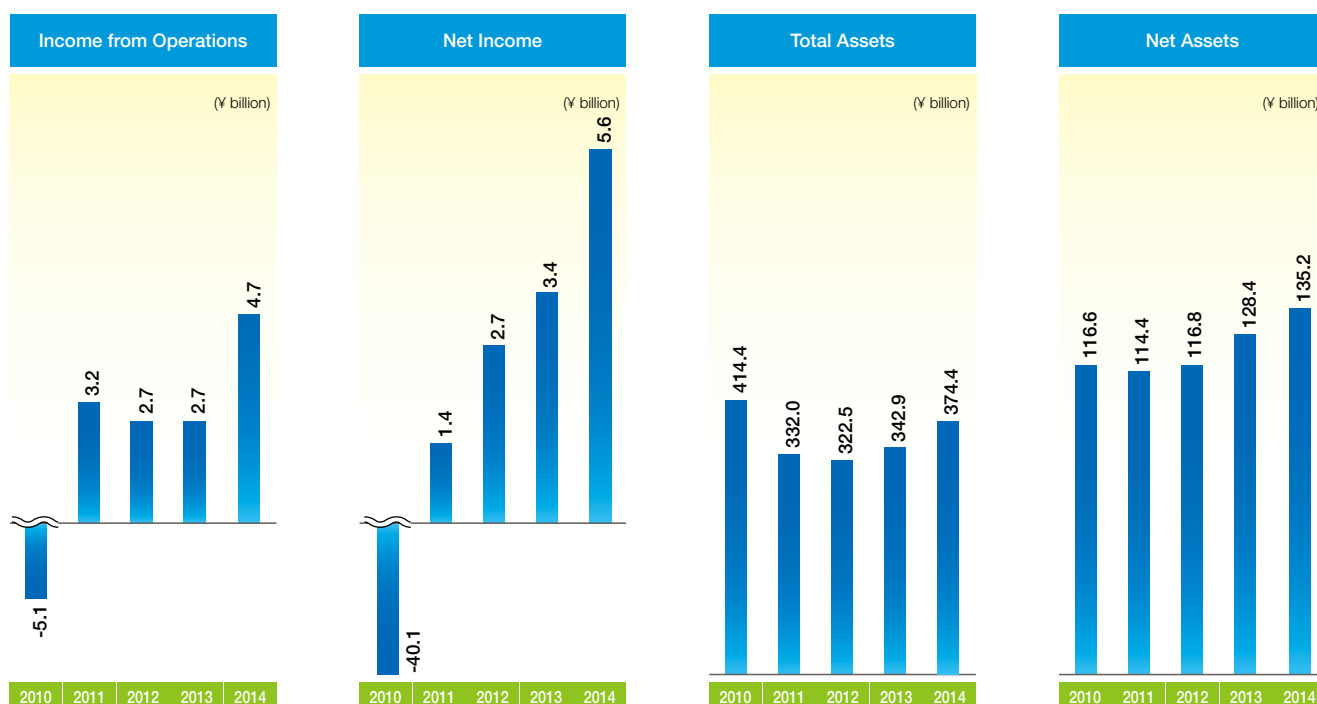
FINANCIAL HIGHLIGHTS

	Consolidated			Non-Consolidated		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014	2013	2014	2014
For the year:						
Orders received	¥ —	¥ —	\$ —	¥244,674	¥299,055	\$2,905,711
Net sales	253,251	314,638	3,057,116	239,980	299,610	2,911,097
Income before income taxes	4,862	2,828	27,479	3,330	2,165	21,036
Net income	3,411	5,587	54,280	2,848	5,453	52,984
At year-end:						
Total assets	¥342,975	¥374,399	\$3,637,769	¥328,229	¥359,090	\$3,489,018
Net assets	128,437	135,202	1,313,665	124,978	133,499	1,297,116
Common stock	23,514	23,514	228,465	23,514	23,514	228,465
Per share of common stock:						
(in yen and dollars)						
Net income	¥12.31	¥20.16	\$0.196	¥10.28	¥19.68	\$0.101
Cash dividends applicable to the year	4.00	6.00	0.058	4.00	6.00	0.058

Note 1: Figures in US\$ in this annual report are converted from yen at the rate of ¥102.92 = US\$1.00, the rate prevailing on March 31, 2014, 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





Harusada Kondo

Representative Director and President

Business Results

During the fiscal year under review, the Japanese economy bounced back gently, as the export environment improved due to the economic measures of the government and the yen depreciation and the corporate earning environment got better due to the recovery of personal consumption, although there remain some concerns about the uncertainties of the economies of emerging countries.

In the construction industry, there remain concerns about rising labor costs due to the shortage of qualified construction technical personnel and rising material expenses. However, we can see a sign of recovery of private equipment investment mainly for the non-manufacturing industry, in addition to healthy public investment, and the business environment surrounding the construction industry is getting better.

Under these circumstances, the Nishimatsu Group recorded net sales of ¥314.6 billion on a consolidated

basis, up 24.2% compared with the previous fiscal year. Income from operations totaled ¥4.7 billion, up 77.7% year on year, thanks to the increase in gross profit from completed work and the strong performance of the Company's overseas construction subsidiary. Ordinary profit totaled ¥6.1 billion, up 41.8% year on year, because of a foreign currency exchange gain of ¥1.2 billion and other factors. In addition, due to the worsening of the lease business environment, etc., ¥1.9 billion was posted as an impairment loss of fixed assets for some pieces of rental real estate in the section of extraordinary losses, but net income totaled ¥5.5 billion, up 63.8% year on year, due to the decrease in income taxes-deferred after the posting of deferred tax assets, etc.

The Medium-Term Business Plan 2014

To implement the Medium-Term Business Plan 2014 (fiscal 2012 - 2014), the Nishimatsu Group will take steps to strengthen its earnings base through the 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 in the future, it is expected that public investment will be steady due to post-disaster reconstruction projects, the Tokyo Olympic Games, and national resilience undertakings, etc. and private equipment investment will be healthy due to the gentle recovery of corporate performance. Namely, our business environment is getting favorable.

On the other hand, it is anticipated that labor and material costs will increase considerably due to the shortage of qualified construction technical personnel and then profitability will decrease. Thus, we need to cope with this problem.

Nishimatsu manages to secure qualified construction technical personnel and streamline material procurement according to future work volume by taking into account deliberate orders to subcontracting companies with a focus on the companies belonging to N-Net, a cooperative association composed of companies working with Nishimatsu Construction, from the planning stage for construction projects. We also make efforts to cultivate qualified construction technical personnel and improve their positions by providing an assistance to workers in obtaining qualifications, making an allowance payment to senior forepersons who are recognized as particularly excellent workers or as Nishimatsu Masters, and by other measures through “the system for excellent construction technical person-

nel” targeted at the forepersons and qualified construction technical personnel of subcontracting companies that belong to N-Net. We will continue these activities with N-Net in an active manner, and fortify our construction systems.

As for our overseas construction business, we established International Division in April this year, to expand our businesses while further improving risk management and clarifying the locus of responsibility.

In new business fields, we will make efforts to expand our businesses, by constructing a new factory that houses a showroom of manufacturing system packages in Sagamihara City, Kanagawa Prefecture, in order to commercialize LED farms on a full-scale basis in collaboration with Tamagawa University.

As for the CRE business of our own real estate, we plan to utilize our own property efficiently and actively by building and leasing the facilities for elderly people in Setagaya City, Tokyo.

In fiscal 2014, which is the last year of our Medium-Term Business Plan 2014, we aim to improve our corporate value by strengthening the earning base strategically based on our basic policy.

<Forecasts for consolidated results>

	(¥ billion)
	FY2014
Orders received	294
Net sales (Real Estate included)	312 (8)
Income from operations	6.0
Ordinary profit	5.7

近 藤 晴 貞

Harusada Kondo
Representative Director and President

CIVIL ENGINEERING

Abekawa River Crossing Tunnel Construction,
Surugahigashi Shimizu New Cable Route Construction



Municipal Road Route 9 Disaster Reinstatement
and Reconstruction Grant Works



Viaduct Construction, Hanazono Construction Section,
Kyushu Shinkansen



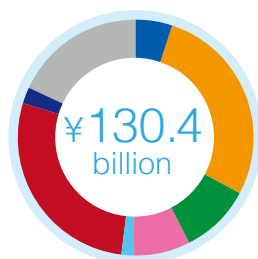
Redevelopment Work for Container Yard, Building and Other Facilities

Net sales of civil engineering operations (non-consolidated) for the year amounted to ¥130.4 billion (US\$1.27 billion), an increase of 39.1% from the previous year.

In addition to the ongoing development and introduction of new civil engineering technologies that draw on the accumulated efforts of the past, Nishimatsu upgrades infrastructure with the aim of creating comfortable surroundings in terms of people's lifestyles and the global environment.

Sales Breakdown by Project

Dams & Hydroelectric Facilities	5.1%
Railways	27.8%
Water & Sewage Works	9.7%
Site Formation	7.8%
Harbors, Wharfs & Airports	1.7%
Road Construction	27.7%
Cable Tunnels	2.3%
Others	17.9%



Sales Breakdown by Client

Public Sector	66.3%
Private Sector	33.7%



Top 5 Domestic Civil Engineering Projects

(Completed)

	Name of Project
1	Disaster Waste Treatment Work, Watari Natori Block (Natori Treatment Area)
2	Toga Tunnel Construction, No. 3 Construction Section, Construction Road
3	Topp Dam Construction, Stage 7
4	Abekawa River Crossing Tunnel Construction, Surugahigashi Shimizu New Cable Route Construction
5	Tamase Construction Section, Shin-Meishin Expressway

BUILDINGS

Net sales of building operations (non-consolidated) for the year amounted to ¥159.5 billion (US\$1.55 billion), an increase of 18.3% from the previous year. Continued fierce price competition is anticipated.

Nishimatsu seeks harmony among “people,” “nature” and “buildings” from both the hard and soft perspective of its construction business. To this end, the Company effectively uses a variety of advanced construction technologies cultivated in every field.

Sales Breakdown by Project

Office & Governmental Buildings	6.0%
Hotel & Accommodation Facilities	0.0%
Shopping Centers	10.7%
Factories & Power Stations	7.5%
Warehouse & Logistics Facilities	16.6%
Residential Buildings	30.9%
Educational, Research & Cultural Facilities	10.0%
Hospital & Welfare Facilities	10.8%
Recreation Facilities	1.0%
Others	6.5%



Sales Breakdown by Client

Public Sector	9.0%
Private Sector	91.0%

Top 5 Domestic Building Projects

(Completed)

	Name of Project
1	Post Acquisition Improvement Program (PAIP) Improve Military Family Housing Phase II and III, Misawa Air Base, Japan
2	AEON MALL Tendo Construction
3	New Residential Building Construction, Itabashi-ku Kaga 1-chome Plan
4	Hamanomachi Hospital Construction
5	Prologis Park Amagasaki 3 Project

Hamanomachi Hospital Construction



Prologis Park Amagasaki 3 Project



Senbakasei Head Office Building Construction



AEON MALL Tendo Construction

OVERSEAS ACTIVITIES



In contrast to the sluggish global economy, Hong Kong construction industry enjoyed another booming year with the Government's continued heavy spending on the construction of new railway lines, major infrastructures and public housing. But at the same time, the surge in construction activities has created inevitable problems of rising construction costs and shortage of skilled labor. Despite such challenges, Nishimatsu, in the fiscal year under review, has focused on the delivery of the 3 new railway projects that we have undertaken and has made significant progress in many fronts.

For the Target Cost West Island Line Contract 704, the excavation and lining of the Hong Kong University Station, the connecting entrance adits and running tunnels have been completed. Finishing works are in progress in close coordination with the Designated Contractor's E&M works. The underground structures of the 4 entrances to Hong Kong University Station have been completed and are closely followed by the above-ground structures proceeding in full swing. The Sai Ying Pun Station structure is achieving similar good progress with the cavern lining structures completed and finishing works well advanced. All entrance adits to Sai Ying Pun Station have been excavated and lined except one section of adit to be excavated in soft material by ground-freezing technique. The structure works of the 4 entrance to Sai Ying Ping Station are progressing well with the target to achieve the opening of the West Island Line in December this year.

For the Kwun Line Extension Contract 1001, the massive 700,000m³ site formation work for Ho Man Tin Interchange Station has been recently completed, with stabilization of the steep cutting on both sides by glass-fiber soil-nails and rock blasting using state-of-the-art electronic blasting techniques at close proximity to nearby residential buildings and busy trunk road. Following the stage-by-stage completion of site formation, structures works of Ho Man Tin Station are now in full swing. For the railway tunnel works, encouraging progress has been achieved for the running tunnels connecting to the existing Yau Ma Tei Station, with the first section being handed over to the track-laying contractor on time. For the running tunnels from Wylie Road Ancillary Building, tunnel excavation has advanced safely through faulted soft grounds and has passed underneath the existing East Rail Line. For the section from Fat Kwong Street Shaft to Ho Man Tin Station, the tunnel and east cavern excavation has been completed and lining works are in progress. For the section towards Whampoa Station, we have successfully excavated through the shallow rock cover area and we have just recently completed excavation at the breakthrough point. The complex and extensive Essential Public Infrastructure Works continue to progress well. The first section of footbridge across Hau Man Street has been erected. Piers for the major footbridge across Chatham Road North have already been erected. Piling works for the Public Transport Interchange at Chung Hau Street have been completed followed by bridge piers and deck structure

construction. Slope cutting and stabilization works for the entrances at Chung Hau Street and Fat Kwong Street have been completed and excavation works are continuing for the cross-road subways.

For the South Island Line Contract 902, the main tunnel has been driven successfully through 2 major fault zones: Wan Chai Gap Fault and Magazine Gap Fault. To date, the tunnel has achieved approximately 75% completion of its total length of 3,232m. This is closely followed by lining works, overhead vent duct works, tunnel invert and central dividing wall works. At the southern end, the connecting transition box structure works have been 80% completed. For the Nam Fung Portal Ventilation Building, the alternative foundation works have been completed and the structure within the strutted cofferdam is cast up to L3 level. At the northern end, the blasting of the 83m-deep Hong Kong Park Shaft has been completed and the bottom sump pit was cast together with the lowest 2 levels of the substructure.

Nishimatsu continues to maintain very high standards of safety quality and environment performance. Our achievements have been recognized by industry stakeholders through awards such as the following:

SAFETY AWARD	PROJECT	ORGANIZATION
Best Site Condition Award	MTR Contract 1001	MTRCL
Contractors' Supervisor Safety Award		MTRCL
Silver Environmental Award	MTR Contract 902	MTRCL
Contractors' Supervisor Safety Award		MTRCL
Hong Kong Awards for Environmental Excellence (Sectorial Awards) – Construction Industry Silver Award		HKAEE
Considerate Contractors Site Award (Bronze Award)	MTR Contract 1001	DEVB
Model Frontline Supervisor Award		DEVB
Silver Environmental Award	MTR Contract 1001	MTRCL
Bronze Stakeholders Engagement Award		MTRCL
DNV Independent Audit Highest Score Award		MTRCL
Best Site Condition Award		MTRCL
Contractors' Supervisor Safety Award		MTRCL

Our goal to meet customer satisfaction by achieving the highest quality standards is exemplified by obtaining zero NC in both Contracts 902 & 1001 during the latest Milestone Quality Audits carried out by MTRC's Quality Department.

Being a socially responsible contractor, we have joined more than 26 CSR activities which include dragon boat racing, MTR Race Walking for charity, site visits for students and stakeholders, green talks and career talks in schools, visits to nursing homes for the elderly, an annual coastal cleanup campaign, and an onsite blood donations campaign. We value our CSR resources not only for contributing to charity, but also for nourishing new generations, and caring for workers and the

whole construction industry.

Whilst the Hong Kong Government continues its ambitious 10 major infrastructure projects programme, Nishimatsu will actively seek opportunities for new projects capitalizing on our extensive tunneling experience and project management skills in order to maintain sustainable business in the Hong Kong Branch. Recently, we have been successfully prequalified for the Stage 1 tender of MTR Shatin-Central Link Target Cost Contract 1123 for Exhibition Station & West Approach Tunnel and hope to be invited into the Stage 2 tender process. Looking ahead, there will be a steady flow of more tunnel projects like the Central Kowloon Route, Trunk Road T2 and MTR's South Island Line (West) projects. With our expertise and innovative solutions for challenging site conditions, we will be well-positioned to participate and bid competitively for our chosen target projects.



Thai Marujun New Factory

The Thai economy has recovered from devastating floods in 2011 and continued to grow. However, political instability has affected the economic situation of Thailand and surrounding countries since mid-2013. Amidst such conditions, Thai Nishimatsu Construction Co., Ltd. has successfully completed the following projects: BTMT Project Phase 4, Tanabe New WE Factory, SHIHEN Factory Extension, HATC EGAS New Factory, Thai Marujun New Factory, Nippon Kinzoku (Thailand) Extension, and SASC Factory Extension. Additionally, we have also been awarded Construction of HATC SAWADI Project, Thai DEC Factory and UACJ Project Phase 2.

As a result of enlarged anti-government activities in Thailand, the rate of growth has declined significantly from 6.5% to 3.0% compared to year 2012. Regarding private investment represented by automobile industry, sales volume increased during the first half of year 2013. However, sales

volume decreased in the second half of the year mainly due to expiration of the tax rebate scheme for the first-time car buyers. It is also estimated that yearly sales volume will decline in the year 2014. However, some companies are shifting the role of Thailand to export base and are considering the expansion of export destinations to include Oceania and South West Asia in addition to South East Asia. Such companies will drive the market for factory construction.

In such circumstances, it may be necessary to accelerate the consideration of new investment other than Thailand. However, Thailand still has advantages in the stability of infrastructure, provision of water and electricity, and management of industrial parks.

On the other hand, public investment has been affected by the absence of government due to anti-government activities. This has caused the suspension of flood control projects and infrastructure of transportation systems which were scheduled for commencement in 2013. Such delay of infrastructure development will not only result in a cooling-off period in the short term, but also a decline in international competitiveness of Thailand in medium to long-term.

For year 2014, we will strive to cultivate new business areas including advanced factory maintenance projects, residential projects in cooperation with new business partners, and maintenance services for civil structures in addition to the new factory building project and existing factory expansion project. Moreover, we have already established a Myanmar office and utilized resources to gather and analyze onsite information as we prepare for upcoming investment in Myanmar.



As reported by Singapore's Building and Construction Authority (BCA) in January 2014, construction demand in 2014 continues to remain strong. Public sector projects are expected to contribute to the bulk of the industry's total demand at close to 60%, which is between S\$19-22 billion. This is being sustained by an anticipated higher volume of contracts to be awarded for institutional and civil engineering construction works.

Works on the LTA's Contract 929A, the Construction and Completion of tunnels between Ubi and Kaki Bukit Stations and reception tunnels awarded by the Land Authority of Singapore (LTA) in February 2011 are now in an advanced stage. The tunnel boring works for one of the four bored tunnels have been completed and the construction of the remaining bored tunnels is progressing amidst challenging conditions. The contract completion date is in December 2016.



The first of the two Tunnel Boring Machines (TBM) was launched in 22 February 2014 whilst the second TBM is expected to be launched in June 2014 at the EW3 Contract of the East West Transmission Cable Tunnels. The tunnel project was awarded by the Singapore Power Assets (SPPA) to Nishimatsu Construction Co., Ltd. in joint venture with a local contractor, Messrs KTC Civil Engineering and Construction Pte. Ltd. The contract completion date is in April 2017.

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



Contract 929A Construction and Completion of Tunnels between Ubi and Kaki Bukit Station and Reception Tunnels for Down Town Line 3

The Vietnamese government has set the target real GDP growth rate at 5.8% for 2014, and 6.0% for 2015, while considering that signs of economic recovery are emerging. As the relation between China and Japan has worsened since the onset of the territorial dispute over the Senkaku Islands, many Japanese firms have invested in Vietnam, which is a candidate country of "China-plus-one" to avoid concentrating investments on China.

In this situation, we completed the PAPVN Welfare Building Expansion Project of Panasonic Vietnam Co., Ltd. in northern Vietnam at the end of March 2014 for which we received an order two years ago.

In southern Vietnam, we completed the Contract Package 1 (Construction of Infrastructure Works in The Long Duc Industrial Park Project) of Long Duc Industrial Park in November 2013, and P-4 (Design-Build Construction of Office Building in Long Duc Industrial Park) in July 2013, as scheduled, although their deadlines were tight. Our clients acclaimed these construction works.

At present, the LEO Electronics (Vietnam) Ltd. Factory Expansion Project is ongoing in northern Vietnam, to be completed at the end of April 2014. In southern Vietnam, the Paramount Bed Vietnam Factory Project in Long Duc Industrial Park is to be finished in May.

In southern Vietnam, the land and infrastructure for Long Duc Industrial Park are being improved, and so it is expected that many Japanese firms will construct factories there. In this circumstance, we have received a lot of inquiries. In northern Vietnam, we built several factories of Japanese firms without trouble in Thang Long Industrial Parks 1 and 2, and are approaching new clients with this achievement.

We hope to actively expand the business to receive more orders for the construction of new factories from Japanese firms by seizing this business opportunity, taking full advantage of our resources, including the know-how and personnel, etc. developed through the above construction, giving proposals to meet the needs of clients, and aiming to offer more satisfactory services. In addition, we aim to cultivate new clients by pursuing possibilities in new fields, including building maintenance, renewal, and construction of commercial facilities, as well as the development of the land and infrastructure for industrial complexes.

On the other hand, the Japanese government plans to hold the bidding for the construction of infrastructure, including underground tunnels, urban railways, and water treatment plants, as ODA. Accordingly, Vietnam remains promising as the ODA construction market.

While there are country risks in Vietnam such as approval systems, vague procedures and legal interpretation, we will tackle with the projects carefully and aggressively by narrowing down our targets so as to utilize our technologies and know-how through deep analyses on such country risks and conditions of contract as well as clients' capacity and reliability

in timely acquisition of the construction land and payment.



P-4 Design – Build Construction of Office Building in Long Duc Industrial Park



The GDP growth rate of Malaysia in fiscal 2013 increased by 4.7%, which was lower than the rate in the previous year: 5.6%, because domestic demand and private consumption were sluggish, although the economy was supported by the demand for export to advanced countries, which show signs of economic recovery. However, the market forecast indicates that the growth rate in fiscal 2014 will be 4.5% to 5.5%. As for the growth rate of each field, the construction industry witnessed a two-digit growth rate successively. From fiscal 2014, there are many projects for developing infrastructure centered on public transportation systems, such as a high-speed railway between Malaysia and Singapore.

While the economic unrest in China and the political instability in Thailand are lingering, Malaysia has well-developed infrastructure, including roads and ports, and energy, including electricity and gas, is available at low prices, and so it is expected that many foreign firms will conduct more investments there.

The Malaysia Office of Nishimatsu has so far participated in many civil engineering and building projects. At present, we engage in the civil engineering infrastructure projects and factory maintenance works in the recent stable economic situation of Malaysia.

As for the Pahang-Selangor Raw Water Transfer Project, Lot1-1, Water Transfer Tunnel and Related Works in the vicinity of Kuala Lumpur, about 95% has been completed with tunnel work finished in February 2014, and we aim to finish the whole of the work within fiscal 2014.

The Design And Build Contract For Kuching City Central Wastewater Management System: Centralized Sewerage For Kuching City Centre (Package 1) in Kuching, Sarawak has progressed steadily, and we aim to complete it in 2015.

Another project in Kuching, Sarawak is the maintenance work following the construction of a new factory for electronic parts. We have met the needs of clients for many years.

We will keep thanking the community and society of

Malaysia, grasp social demands and clients' requests in advance, and make efforts to contribute to society and improve customer satisfaction through the projects.



Since Thein Sein was elected as the President of Myanmar in March 2011, democratization has progressed, the economic sanctions by the U.S. and EU, etc. are partly lifted, and economic activities are gaining steam. The real economic growth rate of Myanmar was 6.3% in 2012, and on the order of 8% in 2013. However, the market has not kept up with the rapid growth, because of intricate factors, including the insufficiency of social infrastructure and legal systems, which hampers the socioeconomic growth of the country.

As for the current situation of overseas investment, the number of registered foreign firms is 2,700 (which accounts for nearly 10% of the total number of registered firms in Myanmar), and among them, the number of Japanese registered firms is less than 200, according to the announcement of the Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development. The comparison with the numbers of Japanese firms in ASEAN indicates that the number in Myanmar is still less than that in Cambodia and only exceeds that in Laos.

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

In 2014, Myanmar is to be appointed as the presidency holder of ASEAN, and so international conferences are expected to energize its domestic economy like Sea Game held last year. From the political aspect, this country will become a member of international society, and its leadership will be tested.

After the ongoing construction of the Thilawa industrial park in the special economic zone is completed in 2015, it is expected that Japanese manufacturers will actively start businesses there, social infrastructure for electricity, water supply, and transportation will be enriched with the ODA of the Japanese government, distribution will be intensified around the East-West Economic Corridor, where roads are to be improved, and industrialization will progress rapidly.

We will seek business opportunities with Japanese firms that plan to make inroads into the market of Myanmar and aim to participate in the construction work supported by the Japanese ODA, in order to occupy a large share of the market after the general election in 2015.

At present, we are discussing how to contribute to the country as a builder through technological transfer, amid many constraints, such as the immature legal systems for business operation, and hope to develop a business environment that would lead to the growth of Myanmar.

Nishimatsu's New Construction Technologies

Nishimatsu is developing safer, more effective and higher quality technology in the construction and renovation of structures.

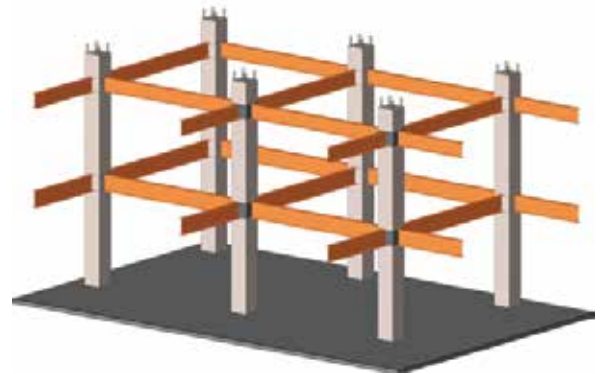
Below is an introduction of our new highly practical technologies.

1 Reinforced Concrete Column and Steel Beam Structure (RCS construction method)

Realization of rational construction using structural members suited for respective parts

For high-rise large span framed structures, such as large-scale commercial facilities and distribution warehouses, steel (S) structures are generally adopted. However, in the case of S structures, costs augment due to welding, fire-resistive coating, and column base treatment, etc., and so combined construction methods that are excellent in effectiveness and economic performance are being developed nowadays. Among combined construction methods, the reinforced concrete column and steel beam structure is one of the construction methods attracting much attention, because it is possible to utilize the characteristics of both reinforced concrete (RC) and S structures, by adopting the highly rigid RC structure for columns and the S structure, which can tolerate a large span, for beams.

Our company has already adopted the RCS construction method for complex facilities and large distribution warehouses, etc. as a rational, economical method.



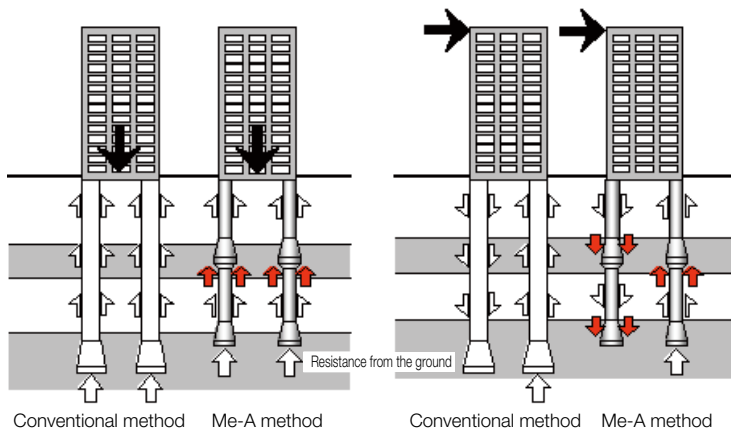
Schematic diagram of the construction method (RC columns and S beams)

2 Multi Enlarged – NODES Ace Pile Method (Me-A method)

Piling method for improving safety and reducing costs

The Me-A method is a cast-in-place concrete pile method in which enlarged parts (nodes) are formed at the middle and tip of each pile using an earth drill method for increasing bearing capacity. By forming an enlarged part at the middle of each pile in addition to the pile tip to increase ground resistance, it is possible to disperse bearing points to the tip and middle of each pile, unlike a conventional bottom-enlarged pile, which increases bearing capacity at the pile tip only. Accordingly, this method can be expected to alleviate the risk of the subsidence of buildings and improve safety. In addition, the enlarged parts resist the seismic force that would push over buildings, providing withdrawal resistance effectively.

The application of this method makes it possible to use shorter and thinner piles than conventional ones and reduce the cost of piling. No matter how heavy buildings are like super-high-rise buildings that require large-diameter piles, this method can reduce the pile installation cost by 10% to 30%, as long as an intermediate supporting layer exists in the ground.



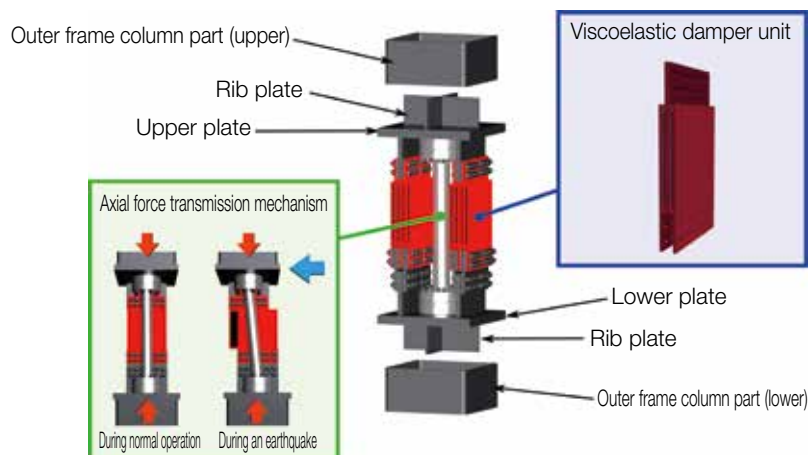
Unearthed Me-A pile

3 Built-in Damper Reinforcing Method (BiD frame construction method)

Structure strengthening method that integrates a damping system into the columns of a building's outer frame and features excellent openness without brace reinforcement

It has been recognized that it is necessary to reinforce the aseismic performance of existing complex housings with insufficient earthquake performance, but the reinforcement has been scarcely conducted, because occupants have to leave their rooms temporarily during indoor work, the living environment changes due to the reinforcement, and the landscape from each room degrades after the setting of braces on balconies. In addition, mid to high-rise buildings cannot be reinforced sufficiently with general methods for improving the strength and toughness of buildings.

This is a method to ensure earthquake resistance of existing buildings, in which a frame for the outer steel structure on the veranda side or corridor side of an apartment complex is constructed and unified with the existing building through an additional floor, and a damping system with a viscoelastic damper and an axial force transmission mechanism that shoulders axial force of the columns are integrated with the center portions of the steel columns to absorb energy during an earthquake.



Construction scene

OUR RESPONSE TO ENVIRONMENTAL ISSUES

In fiscal 2013, our “environmentally-friendly business administration” finally started in a practical manner, launching various projects, as abnormal weathers, including smothering heat and heavy snow, occurred around the world.

What we first conducted was the development of in-company systems. The Comprehensive Environmental Committee, which had been an advisory body, was dissolved developmentally, and reorganized as the Environmental Committee specified officially in the regulations of our company. The detailed measures were discussed and planned monthly in the Working Group for Planning Environmental Management (composed of the chief-level people of each department in the headquarters). Among the planned projects, three major ones conducted in this fiscal year will be introduced.

01

Enrollment in Minato Eco-Conscious Consortium and participation in some activities

We enrolled in the Minato Eco-Conscious Consortium (mecc) held in Minato City, where our company is headquartered, listened to the lectures by experts, obtained the information on the activities of other companies, interacted with people in other fields, and participated in various events, including the planting at the venue of Tokyo Olympics, while deepening the environmental knowledge of the members of the working group, motivating the members, and finding some hints for our activities. This activity will be continued.

02

Commencement of the company-wide activities for passing the Eco Test (Certification Test for Environmental Specialists)

In order to implement environmental protection activities in a sustainable manner, it is important for all members to participate and exchange various opinions and ideas for reaching a consensus, rather than allowing only a few staff members to stand out. We decided to promote the members to pass the Eco Test as a shortcut to having necessary knowledge and awareness, and defined this qualification as a designated business qualification of our company on April 1, 2014.

03

Agreement with Challenge 25 Campaign

We concurred with the Challenge 25 Campaign suggested by the Ministry of the Environment, and implemented measures for mitigating global warming at all workplaces in Japan. The Challenge 25 Campaign will restart with the new title “Climate Change Campaign (Fun to Share)” in fiscal 2014. Our company will enroll in this and pursue environmental activities.

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.

2014

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Consolidated Balance Sheets

March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2013	2014	2014
Assets			
Current assets:			
Cash and time deposits (Notes 2 and 15)	¥ 47,966	¥ 53,202	\$ 516,930
Marketable securities	—	25	243
Notes and accounts receivable, trade:			
Notes (Notes 11 and 15)	4,000	2,996	29,115
Accounts (Note 15)	106,725	130,836	1,271,242
Allowance for doubtful accounts (Note 2)	(561)	(396)	(3,846)
Inventories (Note 2)	35,238	27,601	268,183
Deferred income taxes (Notes 2 and 9)	27	3,251	31,586
Advance paid	12,987	9,001	87,460
Other current assets	4,355	7,225	70,182
Total current assets	210,737	233,741	2,271,095
Investments and other assets:			
Investment securities (Notes 2, 6, 11 and 15)	59,297	65,608	637,468
Investments in subsidiaries and affiliates (Note 11)	853	829	8,051
Others	5,040	5,152	50,058
Allowance for doubtful accounts (Note 2)	(419)	(410)	(3,981)
Total investments and other assets	64,771	71,179	691,596
Property and equipment (Notes 2 and 11):			
Land	42,030	45,870	445,690
Buildings	55,077	52,823	513,239
Machinery and equipment	9,302	9,210	89,487
Accumulated depreciation	(38,942)	(38,424)	(373,338)
Total property and equipment	67,467	69,479	675,078
Total assets	¥342,975	¥374,399	\$3,637,769

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2013	2014	2014
Liabilities and net assets			
Current liabilities:			
Short-term debt from banks (Notes 7 and 15)	¥ 11,605	¥ 11,313	\$ 109,922
Current portion of long-term debt (Notes 7 and 15).....	5,851	4,858	47,201
Notes and accounts payable, trade:			
Notes (Notes 11 and 15)	12,867	14,829	144,080
Accounts (Note 15)	75,893	86,684	842,248
Advances received on uncompleted contracts	23,554	25,041	243,307
Provision for warranties for completed construction (Note 2)	1,542	1,455	14,139
Provision for bonuses (Note 2)	936	1,406	13,663
Provision for loss on construction contracts (Note 2).....	3,224	4,636	45,045
Accrued income taxes	451	632	6,142
Employees' deposits	4,426	4,924	47,843
Provision for loss on real estate business and other (Note 2).....	15	54	528
Deposits received	13,796	13,497	131,143
Other current liabilities	3,812	2,675	25,974
Total current liabilities.....	157,972	172,004	1,671,235
Long-term liabilities:			
Long-term debt (Notes 7 and 15).....	35,452	41,965	407,741
Net defined benefit liability.....	—	8,908	86,550
Accrued retirement benefits (Notes 2 and 8).....	4,143	—	—
Deferred income taxes (Notes 2 and 8)	12,538	12,179	118,331
Provision for environmental measures (Note 2)	227	227	2,205
Asset retirement obligations (Note 17).....	108	108	1,048
Other long-term liabilities	4,098	3,806	36,994
Total long-term liabilities.....	56,566	67,193	652,869
Total liabilities	214,538	239,197	2,324,104
Net assets:			
Common stock:			
Authorized – 800,000,000 shares			
Issued and outstanding – 277,957,513 shares	23,514	23,514	228,465
Capital surplus	20,780	20,780	201,908
Retained earnings	67,801	73,533	714,472
Treasury stock, at cost	(242)	(287)	(2,789)
Unrealized gain on available-for-sale securities	16,136	20,357	197,794
Equity adjustment from foreign currency translation.....	(360)	(72)	(702)
Remesurements of defined benefit plans	—	(3,816)	(37,079)
Minority interests	808	1,193	11,596
Total net assets	128,437	135,202	1,313,665
Total liabilities and net assets	¥342,975	¥374,399	\$3,637,769

Consolidated Statements of Income

For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2013	2014	2014
Net sales (Note 2):			
Completed construction contract.....	¥239,246	¥303,077	\$2,944,786
Real estate business and other.....	14,005	11,561	112,330
	253,251	314,638	3,057,116
Cost of sales (Notes 2 and 12):			
Cost of completed construction contract.....	227,009	288,093	2,799,191
Cost of real estate business and other.....	10,627	8,582	83,389
	237,636	296,675	2,882,580
Gross profit.....	15,615	17,963	174,536
Selling, general and administrative expenses (Note 12).....	12,948	13,225	128,498
Income from operations	2,667	4,738	46,038
Other income (expenses):			
Interest and dividend income.....	858	908	8,823
Interest expenses	(718)	(677)	(6,580)
Financing expenses	(190)	(95)	(924)
Gain on sales of investment securities.....	643	—	—
Reversal of provision for warranties for completed construction	—	100	975
Reversal of allowance for doubtful accounts	123	29	289
Gain (Loss) on sales of fixed assets (Note 12)	125	(899)	(8,739)
Loss on impairment of long-lived assets.....	—	(1,925)	(18,702)
Foreign currency exchange gain	1,198	1,209	11,745
Compensation for damage.....	(132)	(80)	(777)
Other – net	288	(480)	(4,669)
	2,195	(1,910)	(18,559)
Income before income taxes and minority interests	4,862	2,828	27,479
Income taxes (Notes 2 and 9):			
Current.....	1,460	1,237	12,018
Deferred	(384)	(4,275)	(41,539)
	1,076	(3,038)	(29,521)
Income before minority interests	3,786	5,866	57,000
Minority interests	(375)	(279)	(2,720)
Net income	¥3,411	¥5,587	\$54,280
Per share of common stock (Note 19):			
Net income (loss)	¥12.31	¥20.16	\$0.196
Cash dividends applicable to the year	4.00	6.00	0.058

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2013	2014	2014
Income before minority interests	¥ 3,786	¥ 5,866	\$ 57,000
Other comprehensive income:			
Unrealized gain on available-for-sale securities	8,782	4,221	41,014
Equity adjustment from foreign currency translation.....	212	397	3,856
	8,994	4,618	44,870
Comprehensive income	12,780	10,484	101,870
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	12,336	10,096	98,095
Comprehensive income attributable to minority interest.....	444	388	3,775

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2013 and 2014

	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	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance as at 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)
Net Changes of items other than shareholder's equity					8,782	143		380	9,305
Balance as at April 1, 2013	¥23,514	¥20,780	¥67,801	¥(242)	¥ 16,136	¥(360)	—	¥808	¥128,437
Dividends declared			(1,108)						(1,108)
Net income			5,587						5,587
Purchase of treasury stock				(46)					(46)
Disposal of treasury stock		0		1					1
Change of scope of consolidation			1,253						1,253
Net changes of items other than shareholder's equity					4,221	288	(3,816)	385	1,078
Balance as at March 31, 2014	¥23,514	¥20,780	¥73,533	¥(287)	¥20,357	¥(72)	¥(3,816)	¥1,193	¥135,202

	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	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance as at April 1, 2013	\$228,465	\$201,908	\$658,777	\$(2,352)	\$156,780	\$(3,503)	—	\$7,855	\$1,247,930
Dividends declared			(10,770)						(10,770)
Net income			54,280						54,280
Purchase of treasury stock				(444)					(444)
Disposal of treasury stock				7					7
Change of scope of consolidation			12,185						12,185
Net changes of items other than shareholder's equity					41,014	2,801	(37,079)	3,741	10,477
Balance as at March 31, 2014	\$228,465	\$201,908	\$714,472	\$(2,789)	\$197,794	\$(702)	\$(37,079)	\$11,596	\$1,313,665

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 4,862	¥2,828	\$27,479
Adjustment for:			
Depreciation and amortization	1,757	1,755	17,056
Loss on impairment of long-lived assets.....	—	1,925	18,702
Increase (Decrease) in allowance for doubtful accounts	(123)	(34)	(330)
Increase (Decrease) in provision for loss on construction contracts.....	(1,096)	1,412	13,719
Increase (Decrease) in provision for loss on compensation for damage ..	(390)	—	—
Increase (Decrease) in provision for retirement benefits	1,204	—	—
Increase (Decrease) in net defined benefit liability.....	—	589	5,727
Loss (Gain) on sales of property and equipment.....	(125)	899	8,739
Interest and dividend income.....	(858)	(908)	(8,823)
Interest expenses	718	677	6,580
Loss (Gain) on sales of investment securities.....	(643)	—	—
Decrease (Increase) in notes and accounts receivable	2,543	(23,079)	(224,246)
Decrease (Increase) in inventory	674	5,025	48,824
Increase(Decrease) in notes and accounts payable	(9,461)	12,481	121,270
Increase(Decrease) in advances received on uncompleted contracts...	6,207	1,230	11,947
Others.....	5,025	(1,158)	(11,255)
Sub-total	10,294	3,642	35,389
Interest and dividend received	865	908	8,826
Interest paid	(758)	(703)	(6,832)
Income taxes paid.....	(624)	(718)	(6,981)
Net cash provided by (used in) operating activities	9,777	3,129	30,402
Cash flows from investing activities:			
Payment for purchases of marketable and investment securities	(1,398)	(68)	(662)
Proceeds from sale of marketable and investment securities	1,709	788	7,655
Acquisition of property and equipment.....	(12,203)	(5,736)	(55,735)
Proceeds from sale of property and equipment	909	1,848	17,953
Disbursements for loans.....	(1,057)	(203)	(1,972)
Proceeds from collection of loans.....	1,321	181	1,759
Payments (Income) of long-term time deposits	(100)	(50)	(486)
Others.....	49	(7)	(59)
Net cash provided by (used in) investing activities	(10,770)	(3,247)	(31,547)
Cash flows from financing activities:			
Net increase(decrease) in short-term loans.....	1,942	(517)	(5,028)
Borrowing of long-term debt	20,000	950	9,230
Repayment of long-term debt	(14,237)	(5,824)	(56,587)
Proceeds from issuance of bonds	—	10,000	97,163
Redemption of bonds.....	(75)	(150)	(1,457)
Cash dividends paid	(1,109)	(1,111)	(10,793)
Others.....	16	403	3,917
Net cash provided by (used in) financing activities.....	6,537	3,751	36,445
Effect of exchange rate changes on cash and cash equivalents	1,517	1,553	15,100
Net increase (decrease) of cash and cash equivalents	7,061	5,186	50,400
Cash and cash equivalents at beginning of year (Note 2)	40,885	47,866	465,077
Increase(Decrease) in cash and cash equivalents resulting from change of scope of consolidation	(80)	0	(5)
Cash and cash equivalents at end of year (Note 2).....	¥47,866	¥53,052	\$515,472

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

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

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

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

(b) Scope of consolidation

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

Kenko Kagaku Iryou Center Co., Ltd. has been excluded from the scope of consolidation of the Company, owing to its decrease in materiality. In addition, it has liquidated in November 2013.

Names of major non-consolidated subsidiaries are SPC Earth Research Service and Shin Urayasu Ekimae PFI. The non-consolidated subsidiaries have been excluded from the scope of consolidations as they

are small in scale and the total amounts of the non-consolidated subsidiaries' assets, net sales, equity in net income/loss, and equity in retained earnings do not have 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 companies.

Names of major non-consolidated subsidiaries are SPC Earth Research Service and Shin Urayasu Ekimae PFI, and, non-consolidated affiliates, Hamamatsu Chuo Nishi Building K.K. and Masunagagumi.

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. and Nishimatsu Investment., 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 ¥53,051 million (\$515,472 thousand) is not equal to the cash and time deposits balance of ¥53,202 million (\$516,930 thousand) in the balance sheet as of March 31, 2014, which includes time deposits with maturities of more than three months.

(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

devaluated.

(c) Depreciation and amortization

Property and equipment(excluding lease assets):

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

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

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

Depreciation is computed generally by the declining balance method at rates based on the useful lives which is determined under the standards that confirm to the methods provided for in the corporation tax act.

The straight-line method is applied to buildings acquired after April 1, 1998.

Intangible assets (excluding lease assets):

Intangible assets are carried at cost.

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

Lease assets:

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

(d) Accrued retirement benefits

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

Past service cost are amortized on straight-line method over 10 years.

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

(e) Recognition of sales and related costs

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

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

Sales from the percentage of completion method are ¥294,751 million (\$2,863,880 thousand).

(f) Income taxes

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

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

(g) Foreign currency transactions

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

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

(h) Hedge accounting

The interest rate swaps are utilized to avoid interest volatility risk on debt. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value but the net amount to be paid or received under the interest rate swap contracts are recognized and included in interest expense and income as incurred.

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

contract are translated by the contracted rate of exchange.

(i) Provision for warranties for completed construction

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

(j) Allowance for doubtful accounts

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

(k) Provision for loss on construction contracts

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

(l) Provision for bonuses

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

(m) Provision for loss on real estate business

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

(n) Provision for environmental measures

It is calculated based on a rational estimate and the Group recognized ¥227 million (\$2,205 thousand) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

(o) Other account policies on preparing consolidated financial statements

(1) Process of deferred assets

Bond issuance costs are charged to income as incurred.

(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 standards issued but yet effective

On May 17, 2012, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No.25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

In accordance with the revision of these accounting standards, how to

account for actuarial gains and losses and past service costs, how to calculate retirement benefit obligations and enhancement of disclosures were mainly revised from the viewpoint of improvements to financial reporting and international convergence.

The amendment of the calculation method for the present value of defined obligations and current service costs will be applied from the beginning of the fiscal year ending March 31, 2015.

The Company is currently evaluating the effect these modifications will have on its consolidated results of operations and financial position.

4. Change in Accounting Policy in the Consolidated Statements of Income

The "Accounting Standard for Retirement Benefits"(ASBJ Statement No.26, May 17, 2012) and the "Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, May 17, 2012) have been applied effective from the end of the year ended March 31, 2014 (excluding the provisions set forth in the main clauses of paragraph 35 of the ASBJ Statement No.26 and paragraph 67 of the ASBJ Guidance No.25). Retirement benefit obligation after deducting fair value of the plan assets was recorded as "Net defined benefit liability," and the unrecognized actuarial gain or loss and unrecognized past service cost were recognized as "Net defined benefit liability".

The ASBJ Statements No.26 and ASBJ Guidance No.25 are applied in accordance with the transitional accounting treatments set forth in paragraph 37 of the ASBJ Statements No.26. At March 31, 2014, the Company included the impact of this change into "Remeasurements of defined benefit plans". As a result of this change, "Net defined benefit liability" was recognized in the amount of ¥8,908 million (\$86,550 thousand) and accumulated other comprehensive income decreased by ¥3,816 million (\$37,077 thousand) as of March 31, 2014.

In addition, for information on the effect of the change on net assets per share, see "Per Share Information".

5. United States dollar amounts

The United States dollar amounts presented in the accompanying consolidated financial statements are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥102.92 = US\$1, which was the exchange rate prevailing as of March 31,

2014.

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

6. Investment in securities

As of March 31, 2013 and 2014, securities with quoted market prices were summarized as follows:

Held-to-maturity securities with quoted market prices

	Millions of yen						Thousands of U.S. dollars		
	2013			2014			2014		
	Book value	Fair value	Unrealized gains(losses)	Book value	Fair value	Unrealized gains(losses)	Book value	Fair value	Unrealized gains(losses)
Held-to-maturity securities whose market values exceed the amounts recorded in the balance sheet:									
Debt securities	¥290	¥299	¥9	¥292	¥300	¥8	\$2,834	\$2,910	\$76
Sub-total	290	299	9	292	300	8	2,834	2,910	76
Held-to-maturity securities whose market values do not exceed the amounts recorded in the balance sheet:									
Debt securities	65	65	(0)	71	71	(0)	694	692	(2)
Sub-total	65	65	(0)	71	71	(0)	694	692	(2)
total	¥355	¥364	¥9	¥363	¥371	¥8	\$3,528	\$3,602	\$74

Other securities with quoted market prices

	Millions of yen						Thousands of U.S. dollars		
	2013			2014			2014		
	Acquisition cost	Fair value	Unrealized gains(losses)	Acquisition cost	Fair value	Unrealized gains(losses)	Acquisition cost	Fair value	Unrealized gains(losses)
Other securities whose market values recorded in the balance sheet exceed their acquisition costs:									
Equity securities	¥21,823	¥47,267	¥25,445	¥23,925	¥55,624	¥31,699	\$232,465	\$540,461	\$307,996
Sub-total	21,823	47,267	25,445	23,925	55,624	31,699	232,465	540,461	307,996
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:									
Equity securities	2,641	2,276	(365)	598	509	(89)	5,806	4,944	(862)
Sub-total	2,641	2,276	(365)	598	509	(89)	5,806	4,944	(862)
total	¥24,464	¥49,543	¥25,080	¥24,523	¥56,133	¥31,610	\$238,271	\$545,405	\$307,134

Available-for-sale securities sold during the fiscal years ended March 31, 2013 and 2014

	Millions of yen						Thousands of U.S. dollars		
	2013			2014			2014		
	Proceeds	Total gain on sales	Total loss on sales	Proceeds	Total gain on sales	Total loss on sales	Proceeds	Total gain on sales	Total loss on sales
Equity securities	¥1,322	¥764	¥119	—	—	—	—	—	—
Others	¥109	—	¥2	—	—	—	—	—	—
total	¥1,431	¥764	¥121	—	—	—	—	—	—

Loss on valuation of investment securities

As of March 31, 2013, An impairment loss is recognized ¥14 million of securities (other securities of unlisted stocks)

As of March 31, 2014, An impairment loss is recognized ¥24 million of securities (stocks of affiliates)

The Group recognizes an impairment 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 net loss for the last two consecutive years and expects to post net loss also in the following fiscal year.

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

7. Short-term and long-term debt

(a) The weighted average interest rates on short-term debt outstanding as of March 31, 2014 was approximately 0.732 per cent.

(b) Long-term debt comprised the following:

	Issuer	Type	Date of issue	Millions of yen		Thousands of U.S. dollars
				2013	2014	2014
Due 2015 to 2018 with weighted-average interest rate of 1.213 per cent				¥34,479	¥31,140	\$302,562
0.740 per cent unsecured Japanese Yen bond due December, 2016	Nishimatsu construction Co., Ltd.	The fifth unsecured Japanese Yen bonds	December 19, 2013	—	10,000	97,163
2.345 per cent unsecured Japanese Yen bond due May, 2015	Nishimatsu Jisho Co., Ltd.	The first unsecured Japanese Yen bonds	May 31, 2010	1,125	975	9,473
				41,153	46,673	453,485
Less: Portion due within 1 year				(5,701)	(4,707)	(45,744)
				¥35,452	¥41,965	\$407,741

The aggregate annual maturities of long-term debt on March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
2015	¥25,021	\$243,111
2016	5,548	53,906
2017	571	5,546
2018 and thereafter	0	0

The aggregate annual maturities of lease on March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
2015	¥19	\$180
2016	13	123
2017	10	97
2018 and thereafter	4	36

0.740 per cent unsecured Japanese Yen bond issued by the Company on December 19, 2013 was as follows:

	Millions of yen	Thousands of U.S. dollars
Within 1 year	¥0	\$0
Less than 2 years more than 1 year	0	0
Less than 3 years more than 2 years	10,000	97,163
Less than 4 years more than 3 years	0	0

2.345 per cent unsecured Japanese Yen bond was issued by Nishimatsu Jisho Co., Ltd. on May 31, 2010 was as follows:

	Millions of yen	Thousands of U.S. dollars
Within 1 year	¥150	\$1,457
Less than 2 years more than 1 year	825	8,016
Less than 3 years more than 2 years	0	0
Less than 4 years more than 3 years	0	0

8. Retirement benefits and pension plan

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

FY 2012 (April 1, 2012 to March 31, 2013)

(a) Retirement benefit obligation

	Millions of yen
	2013
Retirement benefit obligation as of March 31, 2013	¥(22,421)
Fair value of plan assets	12,228
Funded status	(10,193)
Unrecognized actuarial gain or loss	6,689
Unrecognized past service cost	(639)
Accrued retirement benefits	¥(4,143)

(b) Components of net periodic pension cost for the year ended March 31, 2013:

	Millions of yen
	2013
Service cost	¥895
Interest cost	395
Expected return on plan assets	(108)
Amortization of actual gain or loss	1,618
Unrecognized past service cost	(91)
Contribution to welfare pension plan	497
Others	9
Net periodic pension cost	¥3,215

(c) Assumptions used in the actuarial calculations ended March 31, 2013:

	2013
Discount rate	1.8%
Expected return on plan assets except pension trust	1.5%
Expected return on pension trust	0.0%
Recognition period of past service cost	10 years
Recognition period of actuarial gain or loss	10 years

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

(d) The Group participates in multi-employer defined benefit pension plans and recognizes as net pension cost the related required contributions for the period.

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

(1) Funded status

Multi-employer pension funds

	Millions of yen
	2013
Pension assets	¥202,443
Pension liabilities	217,139
Net amount	¥(14,696)

(2) Number of participants of the multi-employer pension plans who are employees of the Company's consolidated subsidiaries as a percentage of total participants of such plans

	2013
Proportion of the Group total salary of multi-employer pension funds	6.4%

Net amount is mainly due to the assets evaluation adjustment of ¥(12,433) million, unamortized past service cost of ¥(13,396) million and the special reserve fund ¥13,733 million.

Under this plan, past service cost is amortized evenly over 10 years. The Group has recognized the special premium of ¥94million as costs for the year ended March 31, 2013.

FY 2013 (April 1, 2013 to March 31, 2014)

(a) Retirement benefit obligation

Reconciliation of retirement benefit obligation:

	Millions of yen	Thousands of U.S dollars
	2014	2014
Retirement benefit obligation as of April 1, 2013.....	¥22,421	\$217,850
Service cost.....	974	9,460
Interest cost.....	400	3,888
Actuarial gain or loss.....	(176)	(1,706)
Retirement benefits paid.....	(1,546)	(15,022)
Retirement benefit obligation as of March 31, 2014....	¥22,073	\$214,470

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

(b) Reconciliation of plan assets

	Millions of yen	Thousands of U.S dollars
	2014	2014
Plan assets as of April 1, 2013.....	¥12,228	\$118,812
Expected return on plan assets.....	113	1,100
Actuarial gain or loss.....	708	6,867
Contributions by the Company.....	1,400	13,603
Retirement benefits paid.....	(1,283)	(12,462)
Plan assets as of March 31, 2014.....	¥13,166	\$127,920

(c) Reconciliation of Retirement Benefit Obligation and Plan Assets and Net liability for retirement benefit in the consolidated balance sheets.

	Millions of yen	Thousands of U.S dollars
	2014	2014
Funded retirement benefit obligation.....	¥21,996	\$213,715
Plan assets.....	(13,166)	(127,920)
	8,830	85,795
Unfunded retirement benefit obligation.....	78	755
Net liability for retirement benefit in the consolidated balance sheet ..	8,908	86,550
Net defined benefit liability.....	8,908	86,550
Net liability for retirement benefit in the consolidated balance sheet ..	¥8,908	\$86,550

(d) Components of net periodic pension cost for the year ended March 31, 2014

	Millions of yen	Thousands of U.S dollars
	2014	2014
Service cost.....	¥974	\$9,460
Interest cost.....	400	3,888
Expected return on plan assets.....	(113)	(1,100)
Amortization of actuarial gain or loss.....	1,084	10,529
Unrecognized past service cost.....	(91)	(887)
Others.....	4	50
Total.....	¥2,258	\$21,940

(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
	2014	2014
Unrecognized past service cost.....	¥(548)	\$(5,322)
Unrecognized actuarial gain or loss.....	4,723	45,891
Total.....	¥4,176	\$40,571

(f) Plan assets

Details of plan assets

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

	2014
Bonds.....	43%
Securities.....	30%
General accounts.....	18%
Other.....	9%
Total.....	100%

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 plan assets.

(g) Assumptions for actuarial calculations

	2014
Discount rate.....	1.8%
Expected return on plan assets except pension trust.....	1.5%
Expected return on pension trust.....	0.0%

(h) Defined contribution

Amount payable for defined contribution of consolidated subsidiary was ¥1 million.

(i) The Group participates in multi-employer defined benefit pension plans and recognizes as net pension cost the related required contributions for the period.

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

(1) Funded status

Multi-employer pension funds

	Millions of yen	Thousands of U.S dollars
	2014	2014
Plan assets.....	¥225,553	\$2,191,542
Regal reserve on the pension finance calculation....	218,439	2,122,413
Unamortized past service cost.....	12,188	118,429
Net amount.....	¥(5,074)	\$(49,300)

(2) Number of participants of the multi-employer pension plans who are employees of the Company's consolidated subsidiaries as a percentage of total participants of such plans.

	2014
Proportion of the Group total salary of multi-employer pension funds.....	6.5%

Under this plan, past service cost is amortized evenly over 10 years. The Group has recognized the special premium of ¥96 million (\$932 thousand) as costs for the year ended March 31, 2014.

9. Income taxes

Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Deferred tax assets:			
Provision for allowance for loss on construction projects.....	¥1,211	¥1,650	\$16,036
Provision for warranties for completed construction ..	586	505	4,910
Carry forwards	11,062	8,191	79,586
Accrued retirement obligations	4,616	—	—
Net defined benefit liability.....	—	5,987	58,168
Impairment loss of long-lived assets ..	3,467	4,019	39,054
Loss on valuation of real estate	422	419	4,073
Valuation loss on investment securities	602	602	5,845
Allowance for doubtful accounts	1,082	1,092	10,605
Provision for bonuses	—	501	4,864
Other	2,248	1,776	17,258
Subtotal deferred tax assets.....	25,296	24,742	240,399
Variation allowance	(25,195)	(20,408)	(198,286)
Gross deferred tax assets	101	4,334	42,113
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities....	¥(8,948)	¥(11,253)	\$(109,340)
Resignation payment trust	(1,775)	(1,379)	(13,399)
Reserve for reduction entry of replaced property ..	(617)	(613)	(5,959)
Others.....	(1,272)	(17)	(160)
Gross deferred tax liabilities	¥(12,612)	¥(13,262)	\$(128,858)
Net deferred tax assets (liabilities) ..	¥(12,511)	¥(8,927)	\$(86,745)

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

	2013	2014
Statutory tax rate.....	38.0%	38.0%
(Adjustment)		
Permanent non-deductible items	6.8%	24.8%
Permanent non-taxable items	(2.9)%	(4.5)%
Inhabitant taxes on per capita levy	3.0%	5.2%
Foreign corporation taxes.....	7.0%	13.1%
Past fiscal year taxes	4.2%	(8.3)%
Difference of tax rate of foreign subsidiaries	(3.7)%	(7.0)%
Valuation allowance	(30.8)%	(173.2)%
Reduction of deferred taxes in effect of enacted future tax ...	—	8.2%
Other	0.5%	(3.7)%
Effective tax rate	(22.1)%	(107.4)%

(c) As the "Act for Partial Revision of the Income Tax Act" (Act No.10 of 2014) was promulgated on March 31, 2014, the special corporation tax for reconstruction will not be imposed for the fiscal years beginning on or after April 1, 2014.

The effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 38.0% to 35.6% for temporary differences that are expected to be realized during the period from the fiscal years beginning on or after April 1, 2014.

As a result, net of deferred tax liability increased by ¥200 million (\$1,942 thousand), deferred income taxes for this fiscal year increased by ¥232 million (\$2,260 thousand), and unrealized gain on available-for-sale securities increased by ¥32 million (\$317 thousand).

10. Lease transactions

Information on finance lease transactions that do not transfer ownership of the leased assets to the lessee and are accounted for as operating leases were as follows:

Finance lease transactions that do not transfer ownership

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

11. Notes to Consolidated Balance Sheets

(a) Investments in non-consolidated subsidiaries and affiliates as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Investment securities	¥853	¥829	\$8,051

(b) Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligation as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Pledged assets:			
Building and structures.....	937	988	9,607
Land	95	95	920
Total	¥1,032	¥1,083	\$10,527

Secured liabilities:

Deposits received	82	82	798
Other long-term liabilities	719	636	6,182
Total	¥801	¥718	\$6,980

Pledged assets for loans on subsidiaries and affiliates:

Building and structures.....	¥828	¥336	\$3,271
Land	37	37	357
Investment securities	174	184	1,789
Total	¥1,039	¥557	\$5,417

Pledged assets for construction:

Investment securities.....	¥55	¥55	\$533
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Pledged assets for housing latent defects:

Investment securities.....	¥300	¥308	\$2,995
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(c) Contingent liabilities

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

	Millions of yen		Thousands of
	2013	2014	U.S. dollars
	¥163	¥134	\$1,303

The Company provides guarantee for loans of consolidated subsidiaries and affiliates from banks, etc.

	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Sendai-shi Arai-nishi Renewal Union	280	670	6,510
Total.....	¥280	¥670	\$6,510

The Company provides guarantee for repayment obligation for deposits on condominium sales contracts by the following companies.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Toa Jisho, Ltd.	¥—	¥29	\$279
Total.....	¥0	¥29	\$279

(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
	2013	2014	2014
Total amount of loan commitment.....	¥16,614	¥16,612	\$161,403
Loans outstanding	¥—	¥0	\$0

(e) A matured notes are settled on the bank clearance date. Since March 31, 2013 was a holiday for financial institutions, the following matured notes due on that date are included in the consolidated balance sheet as of March 31, 2013 and 2014.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Notes-receivable	¥122	¥—	\$—
Notes-payable.....	¥45	¥—	\$—

(f) The reduction entry amounts deducted from the acquisition cost of property and equipment due to state subsidies were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Buildings	¥—	¥50	\$486

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Building and structures.....	¥1	¥742	\$7,212
Land.....	244	1,909	18,543
Total.....	¥246	¥2,651	\$25,755

12. Notes to Consolidated Statements of Income

(a) Inventories at the end of fiscal year represent the amount derived by writing down the book value according to the decrease in profitability where applicable, and the following loss on valuation of inventories is included in cost of sales on real estate business and other.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
	¥1	¥29	\$283

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
	¥1,018	¥3,068	\$29,811

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Employees' salary and allowances.....	¥6,577	¥6,700	\$65,095
Retirement benefit expenses.....	1,081	924	8,974
Provision for bonuses.....	128	145	1,409

(d) Research and development expenses for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
	¥1,015	¥1,282	\$12,452

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Buildings and structures	¥119	¥(887)	\$(8,614)
Machinery	5	0	(4)
Land.....	—	(18)	(181)
Other.....	0	6	59
Total.....	¥124	¥(899)	\$(8,739)

(f) Loss on impairment of long-lived assets

The Group recognized impairment loss on the following asset groups for the year ended March 31, 2014.

The asset grouping is made by business location for assets used by the Group and by property for individual assets for rent.

The book value of the following real estate for rent was reduced to the recoverable amount due to the worsening of conditions in the leasing environment. The difference between the book value and the recoverable amount was posted as loss on impairment (¥1,925 million).

Location	Pourpose	Type of asset	Millions of yen	Thousands of U.S. dollars
			2014	2014
Yamanashi	For rent	Land, Building	¥500	\$4,860
Shizuoka	For rent	Building	¥471	\$4,579
Kanagawa	For rent	Land, Building	¥422	\$4,104
Miyagi	For rent	Land, Building	¥266	\$2,586
Hyogo	For rent	Building	¥189	\$1,839
Kanagawa	For rent	Land, Building	¥76	\$735

In addition, the recoverable value of the rental property was estimated based on the estimated future cash flow discounted by the rate of 2.6%.

13. Notes to Consolidated Statements of Comprehensive Income

Other Comprehensive income for the year ended March 31, 2013 and 2014 were as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Unrealized gain on available for sale securities			
Amount arising during the year	¥13,740	¥6,517	\$63,318
Reclassification adjustments	(76)	10	95
Equity adjustment from foreign currency translation			
Amount arising during the year	212	396	3,856
Amount before income tax effect	13,876	6,923	67,269
Income tax effect	(4,883)	(2,305)	(22,399)
Total	¥8,993	¥4,618	\$44,870

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Unrealized gain on available for sale securities			
Amount before income tax effect	¥13,664	¥6,526	\$63,413
Income tax effect	¥(4,883)	(2,305)	(22,399)
Amount after adjustment of income tax effect	¥8,782	4,221	41,014
Foreign currency translation adjustment			
Amount before income tax effect	¥212	396	3,856
Income tax effect	—	0	0
Amount after adjustment of income tax effect	¥212	396	3,856
Other comprehensive income			
Amount total of other comprehensive income	¥13,876	6,923	67,269
Income tax effect	¥(4,883)	(2,305)	(22,399)
Amount after adjustment of income tax effect	¥8,993	¥4,618	\$44,870

14. Notes to Consolidated Statements of Changes in Net Assets

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

	Thousand shares	
	2013	2014
Common stock		
Number of shares at the beginning of year	277,958	277,958
Number of shares increased	0	0
Number of shares decreased	0	0
Number of shares at the end of year	277,958	277,958

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

	Thousand shares	
	2013	2014
Common stock		
Number of shares at the beginning of year	710	836
Number of shares increased	128	146
Number of shares decreased	2	3
Number of shares at the end of year	836	979

- (c) Dividends

FY 2012 (April 1, 2012 to March 31, 2013)

1. Dividends paid

Resolution	Class of shares	Millions of yen	Yen	Record date	Effective date
		Total dividend	Dividend per shares		
Ordinary general meeting of shareholders on June 28, 2012	Common stock	¥1,109	¥4.00	March 31, 2012	June 29, 2012

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

Resolution	Class of shares	Source of dividend	Millions of yen	Yen	Record date	Effective date
			Total dividend	Dividend per shares		
Ordinary general meeting of shareholders on June 27, 2013	Common stock	Retained earnings	¥1,109	¥4.00	March 31, 2013	June 28, 2013

FY 2013 (April 1, 2013 to March 31, 2014)

1. Dividends paid

Resolution	Class of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
		Total dividend	Dividend per shares				
Ordinary general meeting of shareholders on June 27, 2013	Common stock	¥1,108	\$10,770	¥4.00	\$0.039	March 31, 2013	June 28, 2013

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

Resolution	Class of shares	Source of dividend	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
			Total dividend	Dividend per shares				
Ordinary general meeting of shareholders on June 27, 2014	Common stock	Retained earnings	¥1,662	\$16,147	¥6.00	\$0.058	March 31, 2014	June 30, 2014

15. 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 and bond issuance.

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

(2) Types of financial instruments, related risks, and financial risk management

Notes receivable, accounts receivable from completed construction contracts and other are subject to client credit risk.

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

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

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

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

The Group evaluates each client's credit in advance.

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

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

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

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

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

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

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

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

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

(3) Supplemental explanation for fair value of financial instruments

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

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

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

(b) Fair value of financial installments

The book value, fair value, and difference of the financial instruments on the consolidated balance sheet as of March 31, 2013 and 2014 were as follows.

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

	Millions of yen		
	2013		
	Book Value	Fair value	Difference
Cash and deposits.....	¥47,966	¥47,966	¥—
Notes receivable, accounts receivable from completed construction contracts and other.....	110,725	110,592	(133)
Investment in securities.....	49,898	49,907	9
Long-term loans.....	646	—	—
Allowance for doubtful accounts.....	(404)	—	—
	242	234	(8)
Assets.....	¥208,831	¥208,699	¥(131)
Notes payable, accounts payable for construction contracts and other.....	¥88,760	¥88,760	—
Short-term debt.....	17,306	17,306	—
Current portion of bond.....	150	150	—
Bond.....	975	996	21
Long-term debt.....	34,477	34,480	3
Liabilities.....	¥141,668	¥141,692	¥24
Derivative.....	—	—	—

	Millions of yen		
	2014		
	Book Value	Fair value	Difference
Cash and deposits.....	¥53,202	¥53,202	¥—
Notes receivable, accounts receivable from completed construction contracts and other.....	133,833	133,434	(399)
Investment in securities.....	56,496	56,504	8
Long-term loans.....	518	—	—
Allowance for doubtful accounts.....	(400)	—	—
	118	115	(2)
Assets.....	¥243,649	¥243,255	¥(394)
Notes payable, accounts payable for construction contracts and other.....	¥101,513	¥101,513	¥—
Short-term debt.....	16,021	16,021	—
Current portion of bond.....	150	150	—
Bond.....	10,825	10,852	27
Long-term debt.....	31,140	31,140	0
Liabilities.....	¥159,649	¥159,676	¥27
Derivative.....	—	—	—

	Thousands of U.S. dollars		
	2014		
	Book value	Fair value	Difference
Cash and deposits.....	\$516,930	\$516,930	\$—
Notes receivable, accounts receivable from completed construction contracts and other.....	1,300,356	1,296,485	(3,871)
Investment in securities.....	548,934	549,007	73
Long-term loans.....	5,027	—	—
Allowance for doubtful accounts*.....	(3,885)	—	—
	1,142	1,113	(29)
Assets.....	\$2,367,362	\$2,363,535	\$(3,827)
Notes payable, accounts payable for construction contracts and other.....	\$986,328	\$986,328	\$—
Short-term debt.....	155,666	155,666	—
Current portion of Bond.....	1,457	1,457	—
Bond.....	105,179	105,185	6
Long-term debt.....	302,562	302,562	—
Liabilities.....	\$1,551,192	\$1,551,198	\$6
Derivative.....	—	—	—

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

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

Assets

1) Cash and deposits

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

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

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

3) Investment in securities

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

4) Long-term loan

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

Liabilities

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

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

2) Bond

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

3) Long-term debt

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

2. Financial instruments for which it is extremely difficult to determine the fair value were as follows:

Classification	Millions of yen		Thousands of U.S. dollars
	2013 Book value	2014 Book value	2014 Book value
Unlisted receivables.....	¥55	¥55	\$534
Unlisted securities.....	8,956	8,693	84,466
Investment in anonymous association.....	388	389	3,777
Stock for nonconsolidated subsidiaries and affiliates.....	853	829	8,051

3. Redemption schedule for receivable and securities to maturity as of March 31, 2013 and 2014.

	Millions of yen			
	2013			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	¥47,966	¥—	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other.....	99,498	11,226	—	—
Investment in securities	—	—	—	—
Debt security held to maturity (government bonds).....	—	241	114	—
Debt security held to maturity (other).....	—	55	—	—
Long-term loan.....	—	242	333	71
Total.....	¥147,464	¥11,764	¥447	¥71

	Millions of yen			
	2014			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	¥53,203	¥—	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other.....	113,477	20,356	—	—
Investment in securities	—	—	—	—
Debt security held to maturity (government bonds).....	—	247	116	—
Debt security held to maturity (other).....	25	30	—	—
Long-term loan.....	—	135	316	66
Total.....	¥166,705	¥20,768	¥432	¥66

	Thousands of U.S. dollars			
	2014			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	\$516,930	\$—	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other.....	1,102,577	197,780	—	—
Investment in securities Debt security held to maturity (government bonds)	—	—	—	—
Debt security held to maturity (other)	243	291	—	—
Long-term loan	—	1,316	3,072	639
Total	\$1,619,750	\$201,789	\$4,199	\$639

4. Redemption schedule for bond, long-term debt, and lease liability as of March 31, 2013 and 2014.

	Millions of yen					
	2013					
	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	¥150	¥150	¥825	¥0	¥0	¥—
Long-term debt...	5,701	4,601	24,914	4,491	469	—
Lease liability	41	40	10	5	2	—
Total	¥5,892	¥4,791	¥25,749	¥4,496	¥471	¥—

	Millions of yen					
	2014					
	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	¥150	¥825	¥10,000	¥—	¥—	¥—
Long-term debt...	4,708	25,021	5,548	571	0	—
Lease liability	47	19	13	10	4	—
Total	¥4,905	¥25,865	¥15,561	¥581	¥4	¥—

	Thousands of U.S. dollars					
	2014					
	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	\$1,457	\$8,016	\$97,163	\$—	\$—	\$—
Long-term debt...	45,744	243,111	53,906	5,546	0	—
Lease liability	455	180	122	97	36	—
Total	\$47,656	\$251,307	\$151,191	\$5,643	\$36	\$—

16. Investment and rental properties

The Company and some subsidiaries have office buildings (including land) for rent in Tokyo district and other area.

Profit for investment and rental properties was ¥1,957 million (\$19,010 thousand).

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

Millions of yen			
Carrying amount			Fair value
April 1, 2012	Increased (Decreased)	March 31, 2013	March 31, 2013
¥39,932	¥9,729	¥49,661	¥51,181

Millions of yen			
Carrying amount			Fair value
April 1, 2013	Increased (Decreased)	March 31, 2014	March 31, 2014
¥49,661	¥(220)	¥49,441	¥51,041

Thousands of U.S. dollars			
Carrying amount			Fair value
April 1, 2013	Increased (Decreased)	March 31, 2014	March 31, 2014
\$482,523	\$(2,135)	\$480,388	\$495,927

1. Carrying amount is net of accumulated depreciation and accumulated impairment losses from acquisition cost.
2. The main reason of increase in 2014 was the purchase, ¥4,910 million (\$47,709 thousand), and those of decrease were Depreciation 885 million (\$8,598 thousand), the selling ¥2,769 million (\$26,901 thousand), and loss on impairment of long-lived assets ¥1,925 million (\$18,702 thousand).
3. Fair value at the end of this fiscal year is assessed by the Company mainly based on "real-estate appraisal criterion".

17. Asset retirement obligations

The asset retirement obligations included in financial statement for the years ended March 31, 2013 and 2014 were as follows:

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

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

The estimated period of service of the building is mainly 18 to 50 years from acquisition and the discount rate has calculated the adjustment amount of an asset retirement obligations by having mainly used 1.592 to 2.308%.

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

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

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

The estimated period of service of rental stores owned by the Group is 20 years based on periodical lease contract and the discount rate has calculated the adjustment amount of an asset retirement obligations by having mainly used 2.155%.

The estimated period of service of the offices which the Group rents is 5 years based on periodical lease contract and the discount rate has calculated the adjustment amount of an asset retirement obligations by having mainly used 0.263%.

(b) Increase(Decrease) of asset retirement obligations as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Balance at beginning of year.....	¥200	¥108	\$1,054
Increase because of reasonable estimate can be made	6	0	0
Increase because of estimation change.....	2	0	0
Adjustment for time's passage	3	2	17
Decrease because of executed obligation...	(103)	(2)	(23)
Balance at end of year	¥108	¥108	\$1,048

(c) The asset retirement obligations excluded in financial statement

We have the obligations for restoration to some of the offices used by the real estate rental contracts, etc. Period of use of these rental offices are not clear and at present, the relocation of these offices are not planned. Since we cannot reasonably estimate the asset retirement obligations, we do not record the asset retirement obligations worth of the assets.

18. Segment information

(a) Decision of reportable segments

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

The Company has management divisions for each operating segment such as civil engineering, building construction, and real estate development, and develop their domestic and overseas business.

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

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

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

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

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

(c) Net sales, profit or loss, assets and liabilities by reportable business segments for the year ended March 31, 2013 and 2014.

	Millions of yen				
	2013			Elimination	Consolidated
	Civil engineering	Building construction	Real estate and others		
Net sales:					
Customers	¥94,495	¥146,001	¥12,755	¥—	¥253,251
Intersegment or transfer	—	9	724	(733)	—
Total.....	¥94,495	¥146,010	¥13,479	¥(733)	¥253,251
Operating income (loss)....	2,734	(2,458)	2,395	(5)	2,666
Depreciation and amortization..	361	469	927	0	1,757

	Millions of yen				
	2014				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Net sales:					
Customers	¥131,387	¥173,088	¥10,163	¥—	¥314,638
Intersegment or transfer	—	134	851	(986)	—
Total.....	¥131,387	¥173,222	¥11,014	¥(986)	¥314,638
Operating income (loss)....	1,975	810	1,953	—	4,738
Depreciation and amortization..	337	467	952	—	1,756

	Thousands of U.S. dollars				
	2014				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Net sales:					
Customers	\$1,276,596	\$1,681,774	\$98,747	\$—	\$3,057,116
Intersegment or transfer	—	1,304	8,272	(9,576)	—
Total.....	\$1,276,596	\$1,683,078	\$107,019	\$(9,576)	\$3,057,117
Operating income (loss)....	19,195	7,870	18,973	—	46,038
Depreciation and amortization..	3,273	4,535	9,248	—	17,056

Related information

(1) Products and services

Information about products and services is included in "(c) Net sales, profit or loss, assets and liabilities by reportable business segments for the year ended March 31, 2013 and 2014.

(2) Geographical areas

Information by geographical segment for the year ended March 31, 2013 and 2014 were summarized as follows:

	Millions of yen			
	2013			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers	¥207,260	¥45,009	¥982	¥253,251

	Millions of yen			
	2014			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers	¥256,998	¥53,456	¥4,185	¥314,638

	Thousand of U.S. dollars			
	2014			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	\$2,497,067	\$519,389	\$40,661	\$3,059,116

Information about tangible assets

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

(3) Major customers

This item for the year end March 31, 2013 is omitted because net sales to no single customer represented 10% or more of total net sales of the consolidated statement of income.

(4) Loss on impairment of long-lived assets

There is no loss on impairment of long-lived assets on fixed assets by reportable business segment for the year end March 31, 2013.

The detail for the year ended March 31, 2014 is as follows:

	Millions of yen				
	2014				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Loss on impairment of long-lived assets	¥—	¥—	¥1,925	¥—	¥2,421

19. Per share information

Basic net income per share shown below is computed based on the weighted average number of shares of common stock outstanding during each year.

Diluted net income per share is not disclosed as the Group had no dilutive potential of common shares as of March 31, 2013 and 2014.

(a) Per share information

	Yen		U.S. dollars
	2013	2014	2014
Net income:			
Basic.....	¥12.31	¥20.16	\$0.196
Net assets:.....	460.55	483.26	4.695

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Net income	¥3,411	¥5,587	\$54,280
Amount that does not belong to general shareholders	—	0	0
Net income related to common stock....	3,411	5,587	54,280
Average number of shares of common stock during the year (Unit:1,000).....	277,136	277,958	

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Total amount under net assets	¥128,437	¥135,202	\$1,313,665
Amount deducted from the total amount under net assets	808	1,193	11,596
(Of which minority interests)	(808)	(1,193)	(11,596)
Net assets at the end of the year related to common stock	127,629	134,009	1,302,069
Number of shares of common stock at the end of the year used in the calculation of net assets per share (Unit:1,000)	277,122	276,979	

20. Quarterly information for FY 2013 (April 1, 2013 to March 31, 2014)

(a) Accumulated period

	Millions of yen			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2013 Jun 30, 2013	Jul 1, 2013 Sep 30, 2013	Oct 1, 2013 Dec 31, 2013	Jan 1, 2014 Mar 31, 2014
Net sales	¥59,969	¥132,255	¥219,978	¥314,638
Net income before income taxes	1,486	1,626	4,264	2,828
Net income	1,149	1,344	3,246	5,587
Per share of net income (Yen)	4.14	4.85	11.72	20.16

	Thousands of U.S. dollars			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2013 Jun 30, 2013	Jul 1, 2013 Sep 30, 2013	Oct 1, 2013 Dec 31, 2013	Jan 1, 2014 Mar 31, 2014
Net sales	\$582,674	\$1,285,022	\$2,137,372	\$3,057,116
Net income before income taxes	14,440	15,797	41,434	27,479
Net income	11,160	13,062	31,544	54,280
Per share of net income (U.S. dollars)	0.040	0.047	0.114	0.196

(b) Each period

	Yen			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2013 Jun 30, 2013	Jul 1, 2013 Sep 30, 2013	Oct 1, 2013 Dec 31, 2013	Jan 1, 2014 Mar 31, 2014
Per share of net income	4.14	0.71	6.86	8.45

	U.S. dollars			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2013 Jun 30, 2013	Jul 1, 2013 Sep 30, 2013	Oct 1, 2013 Dec 31, 2013	Jan 1, 2014 Mar 31, 2014
Per share of net income	0.040	0.007	0.067	0.082

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, 2014, 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.

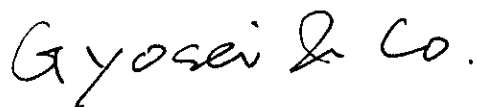
Opinion

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, 2014, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts shown in the consolidated financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note5.

Tokyo, Japan
June 27, 2014



GYOSEI & Co.
Certified Public Accountants

Non-Consolidated Five-Year Summary

Millions of yen

	2010	2011	2012	2013	2014
Orders received	¥258,889	¥229,778	¥249,925	¥244,674	¥299,056
Orders received from overseas.....	41,091	15,387	46,176	24,724	34,624
Percentage of orders received from overseas.....	15.9%	6.7%	18.5%	10.1%	11.6%
Net sales.....	390,296	255,452	253,516	239,980	299,610
Cost of sales.....	375,858	237,564	239,525	226,280	283,860
Selling, general and administrative expenses	19,250	14,488	11,859	12,449	12,725
Income (Loss) before income taxes.....	(18,657)	2,248	1,559	3,330	2,165
Net income (loss)	(36,971)	2,882	2,001	2,848	5,453
Percentage of income (loss) against net sales	(9.5%)	1.1%	0.8%	1.2%	1.8%
Total assets	397,883	317,794	310,537	328,229	359,090
Net assets.....	114,083	112,764	114,480	124,978	133,499
Percentage of net assets against total assets.....	28.7%	35.5%	36.9%	38.1%	37.2%
Common stock	23,514	23,514	23,514	23,514	23,514
Per share of common stock (in yen):					
Net income (loss)*	¥ (133.32)	¥ 10.39	¥ 7.22	¥ 10.28	¥ 19.68
Cash dividends applicable to the year	4.00	4.00	4.00	4.00	6.00
Net assets.....	411.42	406.71	412.91	450.99	481.98
Number of shareholders.....	28,185	29,275	26,808	26,915	20,049
Number of employees.....	3,327	2,392	2,340	2,309	2,648

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, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Assets			
Current assets:			
Cash and time deposits (Note 12)	¥ 42,743	¥ 47,885	\$ 465,263
Marketable securities (Note 9)	—	25	243
Notes and accounts receivable, trade:			
Notes (Notes 7 and 12)	3,977	2,985	28,998
Accounts (Note 12)	106,530	130,443	1,267,426
Allowance for doubtful accounts (Notes 2 and 11).....	(553)	(396)	(3,845)
Inventories (Notes 2 and 4).....	34,590	26,729	259,703
Short-term loans to subsidiaries and affiliates (Note 12)	42	43	414
Deferred income taxes (Note 6).....	—	3,064	29,774
Advance paid	13,002	9,027	87,705
Other current assets.....	3,925	6,840	66,459
Total current assets	204,256	226,645	2,202,140
Investments and other assets:			
Investment securities (Notes 2 and 9).....	55,118	60,896	591,679
Investments in subsidiaries and affiliates (Notes 2 and 7).....	2,347	2,373	23,054
Long-term loans to subsidiaries and affiliates (Note 7)	231	110	1,069
Others.....	9,067	5,992	58,226
Allowance for doubtful accounts (Notes 2, 6 and 11).....	(3,719)	(410)	(3,981)
Total investments and other assets.....	63,044	68,961	670,047
Property and equipment (Notes 2 and 10):			
Land	37,682	41,713	405,295
Buildings.....	49,176	47,176	458,372
Machinery and equipment	9,150	9,037	87,806
Accumulated depreciation	(35,079)	(34,442)	(334,642)
Total property and equipment.....	60,929	63,484	616,831
Total assets	¥328,229	¥359,090	\$3,489,018

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Liabilities and net assets			
Current liabilities:			
Short-term debt from banks (Note 12)	¥ 9,803	¥9,139	\$ 88,797
Short-term debt from subsidiaries and affiliates	760	760	7,384
Current portion of long-term debt (Note 12).....	5,100	4,000	38,865
Notes and accounts payable, trade:			
Notes (Note 12)	12,600	14,705	142,882
Accounts (Note 12)	74,079	84,030	816,455
Advance received on uncompleted contracts (Note 12).....	21,663	24,228	235,405
Provision for warranties for completed construction (Notes 2 and 11) ..	1,542	1,389	13,492
Provision for bonuses (Notes 2 and 11).....	913	1,374	13,345
Provision for loss on construction contracts (Notes 2 and 11).....	3,224	4,636	45,045
Accrued income taxes	449	582	5,651
Employees' deposits	4,374	4,870	47,318
Provision for loss on real estate business and other (Notes 2 and 11) ..	15	54	528
Deposits received	13,777	13,470	130,883
Other current liabilities	3,536	2,454	23,844
Total current liabilities	151,835	165,691	1,609,894
Long-term liabilities:			
Long-term debt (Note 12).....	32,000	38,950	378,449
Accrued retirement benefits.....	4,116	4,655	45,225
Deferred income taxes (Notes 2 and 6).....	11,353	12,599	122,418
Provision for environmental measures (Notes 2 and 11)	227	227	2,205
Asset retirement obligations.....	108	108	1,048
Other long-term liabilities	3,612	3,361	32,663
Total long-term liabilities	51,416	59,900	582,008
Total liabilities	203,251	225,591	2,191,902
Net assets:			
Common stock - 800,000,000 shares			
Issued and outstanding - 277,957,513 shares.....	23,514	23,514	228,465
Capital surplus	20,780	20,780	201,908
Legal reserve.....	5,878	5,878	57,115
Retained earnings.....	58,921	63,266	614,709
Treasury stock, at cost.....	(242)	(287)	(2,789)
Unrealized gain on available-for-sale securities	16,127	20,348	197,708
Total net assets	124,978	133,499	1,297,116
Total liabilities and net assets	¥328,229	¥359,090	\$3,489,018

Non-Consolidated Statements of Income

For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Net sales (Note 2):			
Completed construction contract.....	¥228,594	¥289,895	\$2,816,701
Real estate business and other.....	11,386	9,715	94,396
	239,980	299,610	2,911,097
Cost of sales (Note 2):			
Cost of completed construction contract.....	217,852	276,616	2,687,675
Cost of real estate business and other.....	8,428	7,244	70,394
	226,280	283,860	2,758,069
Gross profit.....	13,700	15,750	153,028
Selling, general and administrative expenses	12,449	12,725	123,638
Income (Loss) from operations.....	1,251	3,025	29,390
Other income (expenses):			
Interest and dividend income.....	815	1,393	13,535
Interest expenses.....	(669)	(642)	(6,235)
Financing expenses.....	(190)	(95)	(924)
Gain on sales of investment securities.....	643	—	—
Reversal of provision for warranties for completed construction.....	—	100	975
Gain (Loss) on sales of fixed assets (Note 8).....	5	(899)	(8,739)
Loss on impairment of long-lived assets.....	—	(1,394)	(13,543)
Foreign currency exchange gain.....	1,280	1,209	11,745
Provision for environmental measures.....	(1)	(0)	(2)
Compensation for damage.....	(132)	(80)	(777)
Loss on support subsidiaries.....	(96)	(16)	(156)
Other - net.....	424	(436)	(4,233)
	2,079	(860)	(8,354)
Income (Loss) before income taxes	3,330	2,165	21,036
Income taxes (Notes 2 and 6):			
Current.....	973	836	8,119
Deferred.....	(491)	(4,124)	(40,067)
	482	(3,288)	(31,948)
Net income	¥2,848	¥5,453	¥52,984
Per share of common stock (Note 10):			
Net income.....	¥10.28	¥19.68	\$0.101
Cash dividends applicable to the year.....	4.00	6.00	0.058

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2013 and 2014

	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 at 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
Net changes of items other than shareholder's equity.....						8,775	8,775
Balance as at March 31, 2013.....	¥23,514	¥20,780	¥5,878	¥58,921	¥(242)	¥16,127	¥124,978
Dividends declared.....				(1,108)			(1,108)
Net income.....				5,453			5,453
Purchase of treasury stock.....					(46)		(46)
Disposal of treasury stock.....					1		1
Net changes of items other than shareholder's equity.....		0				4,221	4,221
Balance as at March 31, 2014.....	¥23,514	¥20,780	¥5,878	¥63,266	¥(287)	¥20,348	¥133,499

	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 at April 1, 2013.....	\$228,465	\$201,908	\$57,115	\$572,495	\$(2,352)	\$156,690	\$1,214,321
Dividends declared.....				(10,770)			(10,770)
Net income.....				52,984			52,984
Purchase of treasury stock.....					(444)		(444)
Disposal of treasury stock.....					7		7
Net changes of items other than shareholder's equity.....						41,018	41,018
Balance as at March 31, 2014.....	\$228,465	\$201,908	\$57,115	\$614,709	\$(2,789)	\$197,708	\$1,297,116

The accompanying notes are an integral part of these statements.

Notes to Non-Consolidated Financial Statements

1. Basis of presenting non-consolidated financial statements

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

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

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

2. Summary of significant accounting policies

(a) Foreign currency transactions

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

(b) Investments in securities

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

Other securities with quoted market prices are carried at market value. The difference between the acquisition costs and the carrying value of other securities, including unrealized gains and losses, is recognized as a component of net assets and is reflected as "Unrealized gain on available-for-sale securities".

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

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

(c) Inventories

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

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

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

(d) Depreciation and amortization

Property and equipment (excluding lease assets):

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

The cost of property and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gain or loss is reflected in income. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Depreciation is computed generally by the declining balance method at rates based on the useful lives which is determined under the standards that confirm to the methods provided for in the corporation tax act.

The straight-line method is applied to buildings acquired after April 1, 1998.

Intangible assets:

Intangible assets are carried at cost.

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

Lease assets:

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

Long-term prepaid expenses

The straight-line method is applied.

(e) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost.

(f) Accrued retirement benefits

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

Past service costs are amortized on the straight-line method over 10 years.

Actuarial gain or loss 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 are ¥281,434 million (\$2,734 thousand).

(h) Income taxes

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

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

(i) Hedge accounting

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

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

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

(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 is based on the estimated value of the bonus to be paid to employees.

(p) Provision for loss on real estate business

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

(q) Provision for environmental measures

It is calculated based on a rational estimate and the Company recognized ¥227 million (\$2,205 thousand) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

(r) Bond issuance costs

Bond issuance costs are charged to income as incurred.

(s) Other account policies in preparing non-consolidated financial statements

- (1) Accounting for unrecognized actuarial gain or loss and unrecognized past service cost on non-consolidated balance sheets are different from the accounting on consolidated balance sheets.
- (2) Process of the equivalent of consumption tax and local consumption tax
Consumption tax and local consumption tax are accounted for using the tax exclusion method.

3. 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 ¥102.92 = US\$1, which was the exchange rate prevailing as of March 31, 2014.

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.

4. Inventories

Inventories comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Costs on uncompleted construction contracts....	¥26,353	¥23,014	\$223,613
Real estate for sale.....	8,037	3,572	34,700
Raw materials and supplies	200	143	1,390
Total.....	¥34,590	¥26,729	\$259,703

5. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Stocks of subsidiaries.....	¥2,156	¥2,206	\$21,436
Stocks of affiliates.....	191	167	1,618
Total.....	¥2,347	¥2,373	\$23,054

6. Income taxes

Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets:			
Provision for allowance for loss on construction projects.....	¥1,211	¥1,650	\$16,036
Provision for warranties for completed construction	586	494	4,803
Carry forwards	9,369	7,607	73,909
Accrued retirement obligations	4,605	4,480	43,526
Impairment loss of long-lived assets ..	2,965	3,318	32,237
Loss on valuation of real estate	422	419	4,073
Valuation Loss on investment securities ...	602	602	5,845
Allowance for doubtful accounts	1,078	1,092	10,605
Provision for bonus.....	346	489	4,751
Other	1,726	1,562	15,184
Subtotal deferred tax assets.....	22,911	21,713	210,969
Variation allowance.....	(22,911)	(17,991)	(174,804)
Gross deferred tax assets.....	—	3,722	36,165
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities.....	(8,943)	(11,248)	(109,292)
Resignation payment trust	(1,776)	(1,379)	(13,399)
Reserve for reduction entry of replaced property ..	(617)	(613)	(5,959)
Others.....	(19)	(17)	(160)
Gross deferred tax liabilities	(11,355)	(13,257)	(128,810)
Net deferred tax assets (liabilities) ..	¥(11,355)	¥(9,534)	\$(92,645)

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

	2013	2014
Statutory tax rate.....	38.0%	38.0%
(Adjustment)		
Permanent non-deductible items	11.0%	32.7%
Permanent non-taxable items	(4.3)%	(16.2)%
Inhabitant taxes on per capita levy	4.4%	6.7%
Valuation allowance	(44.1)%	(228.4)%
Foreign corporate tax	10.3%	17.0%
Past fiscal year tax	—	(10.9)%
Reduction of deferred taxes in effect of enacted future tax ..	—	10.5%
Other	(0.8)%	(1.3)%
Effective tax rate	(14.5)%	(151.9)%

(c) As the "Act for Partial Revision of the Income Tax Act" (Act No.10 of 2014) was promulgated on March 31, 2014, the special corporation tax for reconstruction will not be imposed for the fiscal years beginning on or after April 1, 2014.

The effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 38.0% to 35.6% for temporary differences that are expected to be realized during the period from the fiscal years beginning on or after April 1, 2014.

As a result, net of deferred tax liability increased by 195 million (\$1,892 thousand), deferred income taxes for this fiscal year increased by 227 million (\$2,269 thousand), and unrealized gain on available-for-sale securities increased by 33 million (\$317 thousand).

7. Notes to Non-Consolidated Balance sheets

(a) Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligation as of March 31, 2013 and March 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Pledged assets:			
Buildings.....	¥928	¥980	\$9,527
Structures	9	8	80
Land	95	95	920
Total	¥1,032	¥1,083	\$10,527
Secured liabilities:			
Deposit received.....	¥82	¥82	\$798
Other long-term liabilities	719	636	6,182
Total	¥801	¥718	\$6,980
Pledged assets for loans on subsidiaries and affiliates:			
Buildings.....	¥828	¥336	\$3,270
Land	37	37	357
Investment securities.....	167	177	1,717
Total	¥1,032	¥550	\$5,344
Pledged assets for construction:			
Investment securities.....	¥45	¥45	\$436
Pledged assets for housing latent defects:			
Investment securities.....	¥300	¥308	\$2,995

(b) Contingent liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
	¥163	¥134	\$1,303

The Company provides guarantee for banks loans of the following companies.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Nishimatsu investments., Ltd.....	¥2,376	¥2,017	\$19,598
Nishimatsu-jisho Co.,Ltd.	1,768	1,508	14,652
Total.....	¥4,144	¥3,525	\$34,250

The Company provides guarantee for loans of the companies other than the consolidated subsidiaries and affiliates from banks, etc.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Sendai-shi Arai-nishi Renewal Union.....	¥280	¥670	\$6,510

The Company provides guarantee for repayment obligation for deposits on condominium sales contracts by the following companies.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Toa Jisho, Ltd.	¥—	¥29	\$279

(c) Claims provable in bankruptcy, claims provable in rehabilitation and other for consolidated subsidiaries.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
	¥3,300	¥0	\$0

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Total amount of loan commitment.....	¥16,000	¥16,000	\$155,461
Loans outstanding	—	—	—

(e) A matured notes are settled on the bank clearance date. Since March 31, 2013 was a holiday for financial institutions, the following matured notes due on that date are included in the non-consolidated balance sheet as of March 31, 2013 and 2014.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Notes-receivable	¥118	¥—	\$—

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Secured liabilities:			
Buildings	¥1	¥742	\$7,212
Land.....	81	1,909	18,543
Total.....	¥82	¥2,651	\$25,755

8. Notes to Non-Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Buildings and structures	¥2	¥(887)	\$(8,614)
Machinery	3	(1)	(4)
Land.....	—	(19)	(181)
Other.....	0	7	60
Total.....	¥5	¥(900)	\$(8,739)

9. Details of securities

(a) Stock

Investment Securities—Available-for-sale securities

Issuer	Number of shares	Millions of	Thousands of
		yen	U.S. dollars
Balance as of March 31, 2014 on balance sheets			
Sumitomo Realty & Development Co., Ltd.	3,500,000	¥14,147	\$137,456
Mizuho Financial Group, Inc.	18,425,121	3,759	36,521
Tokyo Tatemono Co., Ltd.	4,075,399	3,607	35,044
Mitsui Fudosan Co., Ltd.	1,098,354	3,459	33,606
Shochiku Co., Ltd.	3,288,000	2,900	28,177
Hulic Co., Ltd.	1,405,500	1,987	19,310
Kobe Steel, Ltd.	12,241,251	1,677	16,295
Central Japan Railway Company	137,500	1,658	16,112
Keikyu Corporation	1,538,752	1,339	13,007
NKSJ Holdings, Inc.	442,245	1,173	11,396
Mitsuboshi Belting Ltd.	2,000,000	1,168	11,349
East Japan Railway Company	150,000	1,141	11,085
Tsuruya Department Store Inc.	12,000	1,104	10,727
Asahi Kasei Corporation	1,557,759	1,094	10,625
The Higo Bank, Ltd.	1,983,999	1,091	10,602
Tokio Marine Holdings, Inc.	345,000	1,069	10,385
TEIKOKU SEN-I Co., Ltd.	600,000	946	9,188
Hankyu Hanshin Holdings, Inc.	1,674,970	941	9,146
Sapporo Holdings Limited	1,868,870	759	7,372
JFE Holdings, Inc.	375,786	730	7,094
Keihan Electric Railway Co., Ltd.	1,710,849	705	6,849
Electric Power Development Co., Ltd.	236,000	688	6,684
Japan Nuclear Fuel Limited	66,664	667	6,477
Fukuyama Transporting Co., Ltd.	1,000,000	620	6,024
Kyushu Electric Power Company, Incorporated	437,788	552	5,368
Taiheiyo Cement Corporation	1,335,625	497	4,828
JSR Corporation	251,416	481	4,673
West Japan Railway Company	100,000	421	4,094
Kansai International Airport Land Company, Ltd.	6,300	315	3,061
The Chugoku Electric Power Company, Incorporated	217,898	314	3,047
Metropolitan Intercity Railway Company	6,000	300	2,915
Chubu Electric Power Company, Incorporated	243,154	295	2,871
Oki Electric Industry Company, Limited	1,335,000	295	2,867
Kubota Corporation	200,000	273	2,656
Kawasaki Heavy Industry, Ltd.	700,000	266	2,585
FUJI KYUKO CO., LTD.	250,000	265	2,577
Other (140 issues)	16,149,949	7,421	72,106
Total	80,967,149	¥60,124	\$584,179

(b) Bonds

Marketable securities - Held to maturity securities

Issuer	Millions of	Thousands of	Millions of	Thousands of
	yen	U.S. dollars	yen	U.S. dollars
Total face value		Figure on balance sheet		
School bond (one issue)	¥25	\$243	¥25	\$243
Total	¥25	\$243	¥25	\$243

Investment securities - Held to maturity securities

Issuer	Millions of	Thousands of	Millions of	Thousands of
	yen	U.S. dollars	yen	U.S. dollars
Total face value		Figure on balance sheet		
Government bond (eight issues)...	¥363	\$3,529	¥353	\$3,431
Corporate bond (one issue) ..	30	291	30	291
Total	¥393	\$3,820	¥383	\$3,723

(c) Other

Investment securities - Available for sale securities

Type and issue	Number of investment units, etc	Millions of	Thousands of
		yen	U.S. dollars
Figure on balance sheet			
Mitsui Fudosan Private REIT Inc.	300	¥300	\$2,915
Investment in anonymous association (one issue)	—	89	862
Total	—	¥389	\$3,777

10. Details of property and equipment

Millions of yen

Type of assets	Balance at April 1, 2013	Increase during the year	Decrease during the year	Balance at March 31, 2014	Accumulated depreciation or amortization at March 31, 2014	Depreciation for the year	Net balance at March 31, 2014
Tangible assets							
Buildings.....	¥47,174	¥2,153	¥4,593 (975)	¥44,734	¥24,529	¥1,103	¥20,205
Structures	1,945	19	55 (3)	1,909	1,607	36	302
Machinery and equipment	6,334	45	44	6,334	5,916	98	418
Vehicles	429	8	31	406	385	12	21
Tools, furniture, and supplies	2,148	100	200	2,048	1,845	70	203
Land	37,682	5,445	1,414 (416)	41,713	—	—	41,713
Lease assets	239	38	28	249	159	43	90
Construction in progress.....	57	1,768	1,292	532	—	—	532
Total tangible assets	96,008	9,576	7,658 (1,394)	97,926	34,441	1,363	63,484
Intangible assets							
Software.....	—	—	—	1,948	1,283	273	665
Other.....	—	—	—	600	432	0	169
Total intangible assets.....	—	—	—	2,548	1,715	273	834
Long-term prepaid expenses.....	32	2	4	30	17	8	12
Deferred assets	—	—	—	—	—	—	—
Total deferred assets.....	—	—	—	—	—	—	—

Thousands of U.S. dollars

Type of assets	Balance at April 1, 2013	Increase during the year	Decrease during the year	Balance at March 31, 2014	Accumulated depreciation or amortization at March 31, 2014	Depreciation for the year	Net balance at March 31, 2014
Tangible assets							
Buildings.....	\$458,359	\$20,919	\$44,628 (9,476)	\$434,650	\$238,332	\$10,718	\$196,318
Structures	18,899	184	534 (25)	18,549	15,615	353	2,933
Machinery and equipment	61,540	436	432	61,544	57,483	954	4,061
Vehicles.....	4,169	75	302	3,943	3,743	119	200
Tools, furniture, and supplies	20,872	976	1,948	19,900	17,928	679	1,972
Land	366,133	52,902	13,740 (4,042)	405,295	—	—	405,295
Lease assets	2,320	369	270	2,419	1,540	423	878
Construction in progress.....	552	17,178	12,556	5,173	—	—	5,173
Total intangible assets.....	932,844	93,039	74,411 (13,543)	951,473	334,641	12,441	616,830
Intangible assets							
Software.....	—	—	—	18,926	12,465	2,648	6,461
Other.....	—	—	—	5,833	4,193	0	1,640
Total intangible assets.....	—	—	—	24,759	16,658	2,648	8,101
Long-term prepaid expenses.....	311	16	41	287	166	76	121
Deferred assets	—	—	—	—	—	—	—
Total deferred assets.....	—	—	—	—	—	—	—

(a) Figures in parentheses represent loss on impairment in this fiscal year and included in the figures above

(b) Major increase during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Building	Obana, Kawanishi-shi, Hyogo	For rent	¥539	\$5,235
Land	Nishishinjuku, Shinjuku-ku, Tokyo	For rent	1,220	11,853
Land	Kandasudacho, Chiyoda-ku, Tokyo	For rent	739	7,176
Land	Minamikajimachi, Wakabayashi-ku, Sendai-shi, Miyagi	For rent	717	6,967

(c) Major decrease during the year

Type of asset	Locations	Purpose	Millions of yen	Thousands of U.S. dollars
Building	Sumiyoshi, Matsuyama-shi, Ehime	For rent	¥1,033	\$10,032
Building	Shibahinotsume, Kawaguchi-shi, Saitama	For rent (residence/dormitory)	759	7,372

(d) 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.

(e) "Depreciation for the year" for property and equipment includes special depreciation of 7 million yen under the Act on Special Measures Concerning Taxation.

11. Details of provision

	Millions of yen				
	Balance at April 1, 2013	Increase during the year	Decrease during the year(used for purpose)	Decrease during the year(other)	Balance at March 31, 2014
Allowance for doubtful accounts	¥4,272	¥26	¥3,429	¥64	¥805
Provision for warranties for completed construction.....	1,542	913	966	100	1,389
Provision for bonus	913	1,374	913	—	1,374
Provision for loss on construction contracts	3,224	3,068	916	741	4,636
Provision for loss on real estate business and other	15	52	13	—	54
Provision for environmental measures.....	227	0	—	—	227

	Thousands of U.S. dollars				
	Balance at April 1, 2013	Increase during the year	Decrease during the year(used for purpose)	Decrease during the year(other)	Balance at March 31, 2014
Allowance for doubtful accounts	\$41,510	\$252	\$33,315	\$622	\$7,825
Provision for warranties for completed construction.....	14,980	8,870	9,383	975	13,492
Provision for bonus	8,869	13,345	8,869	—	13,345
Provision for loss on construction contracts	31,325	29,811	8,896	7,195	45,045
Provision for loss on real estate business and other	146	509	126	—	528
Provision for environmental measures.....	2,203	2	—	—	2,205

(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 and collect of loans receivable.

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

12. Major assets and liabilities

(Assets)

1. Cash and deposit

Cash and deposits	Millions of yen	Thousands of U.S. dollars
Cash	¥50	\$487
Deposits		
Current deposits	25,501	247,777
Saving deposits	12,026	116,844
Time deposits	10,308	100,155
Total.....	¥47,885	\$465,263

2. Notes receivable

(a) Break down by payer

Payer	Millions of yen	Thousands of U.S. dollars
AEON KYUSHU Co., Ltd.	¥840	\$8,162
Chiyoda Corporation	423	4,110
JNC Co., Ltd.	418	4,064
Tsuruya Department store Co., Ltd.	349	3,390
Daido Steel Co., Ltd.	217	2,104
Other	738	7,169
Total.....	¥2,985	\$28,999

(b) Break down by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2014, April	¥444	\$4,312
May.....	221	2,148
June.....	1,240	12,048
July	395	3,841
August	153	1,491
September and beyond	532	5,158
Total.....	¥2,985	\$28,998

The figure for June includes items unsettled as of May 31 (worth ¥528 million) as May 31, 2014 was a bank holiday.

The figure for September and beyond includes items unsettled as of August 31 (worth ¥21 million) as August 31, 2014 was a bank holiday.

3. Accounts receivable from completed construction contracts

(a) Breakdown by payer

Payer	Millions of yen	Thousands of U.S. dollars
Peoples Democratic Republic of Algeria, Ministry of Public Works	¥15,838	\$153,891
The Organization of the Ministry of Land, Infrastructure, Transport and Tourism	12,604	122,461
AEON Mall Co., Ltd.	11,225	109,067
Sumitomo Realty & Development Co., Ltd.	6,614	64,260
Tokyo Metropolitan Government.....	4,764	46,289
Other	79,398	771,458
Total.....	¥130,443	\$1,267,426

(b) Stagnation

	Millions of yen	Thousands of U.S. dollars
Posted in fiscal year 2014	¥128,564	\$1,249,166
Posted in fiscal year 2013 or before.....	1,879	18,260
Total.....	¥130,443	\$1,267,426

4. Real estate for sale

Item	Millions of yen	Thousands of U.S. dollars
Land for sale.....	¥2,141	\$20,807
Building for sale.....	346	3,360
Total.....	¥2,487	\$24,167

Breakdown of land is as follows:

Region	Square meter	Millions of yen	Thousands of U.S. dollars
Tohoku region.....	46,208.77	¥1,614	\$15,677
Kanto region.....	4,226.24	448	4,349
Other region.....	5,263.66	80	781
Total.....	55,698.67	¥2,141	\$20,807

5. Cost on work in progress

	Millions of yen			
	Balance at April 1, 2013	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2014
Work in progress.....	¥26,353	¥273,276	¥276,616	¥23,014

	Thousands of U.S. dollars			
	Balance at April 1, 2013	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2014
Work in progress.....	\$256,057	\$2,655,231	\$2,687,675	\$223,613

Breakdown of the balance at March 31, 2014 is as follows:

Item	Millions of yen	Thousands of U.S. dollars
Materials cost.....	¥5,597	\$54,383
Labor cost.....	393	3,820
Subcontracts cost.....	14,159	137,570
Other region.....	2,865	27,840
Total.....	¥23,014	\$223,613

6. Payment on estate trade

Item	Millions of yen	Thousands of U.S. dollars
Operation cost payment.....	¥137	\$1,330
Construction cost payment.....	119	1,158
Others.....	828	8,045
Total.....	¥1,084	\$10,533

7. Raw materials & supplies

Item	Millions of yen	Thousands of U.S. dollars
Raw materials & supplies.....	¥53	\$511
Materials for sale.....	17	161
Others.....	74	718
Total.....	¥143	\$1,390

(Liabilities)

1. Notes payable

(a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
Marubeni-Itochu Techno Steel Inc.	¥672	\$6,531
Marubeni Construction Material Lease Co., Ltd.	569	5,529
TESS ENGINEERING CO., LTD.	459	4,455
OBAYASHI ROAD CORPORATION.....	355	3,450
Japan Facilio.....	323	3,135
Other.....	12,328	119,782
Total.....	¥14,706	\$142,882

(b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2014, April.....	¥3,465	\$33,670
May.....	3,631	35,276
June.....	3,808	36,997
July.....	3,801	36,939
Total.....	¥14,705	\$142,882

2. Accounts for payable for construction

Recipient	Millions of yen	Thousands of U.S. dollars
SANKEN SETSUBI KOGYO CO.,LTD.	¥736	\$7,153
Kinden Corporation.....	692	6,727
Japan Kenzai Co.,Ltd.	537	5,221
DAI-DAN CO., Ltd.	431	4,184
Shin Nippon Air Technologies Co.,Ltd.	403	3,914
Other.....	81,231	789,256
Total.....	¥84,030	\$816,455

3. Short-term debt

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Bank, Ltd.	¥2,000	\$19,433
Higo Bank, Ltd.	870	8,453
Mizuho Trust & Banking Co., Ltd.	867	8,424
Resona Bank, Ltd.	858	8,337
The Ogaki Kyoritsu Bank Ltd.	500	4,858
The Hyaku Jushi Bank, Ltd.	500	4,858
North Pacific Bank, Ltd.	500	4,858
The Norinchukin Bank, Ltd.	500	4,858
Other.....	2,544	24,718
Long-term debt due within one year.....	4,000	38,865
Total.....	¥13,139	\$127,662

The above amount includes part of the outstanding balance of a syndicated loan offered by 28 financial institutions.

4. Advances received on uncompleted construction

	Millions of yen			Balance at March 31, 2014
	Balance at April 1, 2013	Amount received the year	Amount transferred to cost of completed construction contract	
Advances received on uncompleted construction	¥21,663	¥176,392	¥173,827	¥24,228

	Thousands of U.S. dollars			Balance at March 31, 2014
	Balance at April 1, 2013	Amount received the year	Amount transferred to cost of completed construction contract	
Advances received on uncompleted construction	\$210,480	\$1,713,874	\$1,688,949	\$235,405

The difference of ¥125,783 million between total sales of ¥299,610 million on the non-consolidated statements of income and the amount transferred to net sales of ¥173,826 million indicated above is equal to the sum accounts receivable from completed construction contracts of ¥126,486 million for fiscal 2013 and the decrease of ¥702 million as a result of making adjustment to the contract value of prior-period settled construction contracts.

5. Long-term debt

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Bank, Ltd.	¥7,160	\$69,569
Mizuho Trust & Banking Co., Ltd.	3,536	34,357
Resona Bank, Ltd.	2,700	26,234
Sumitomo Mitsui Banking Corporation	2,270	22,056
Yokohama Bank, Ltd.	1,630	15,838
Daishi Bank, Ltd.	1,630	15,838
The Norinchukin Bank	1,630	15,838
Other.....	12,394	120,421
Long-term debt due within one year	(4,000)	(38,865)
Total.....	¥28,950	\$281,286

The above amount includes part of the outstanding balance of a syndicated loan offered by 31 financial institutions.

13. Cost of completed construction

1. Cost of completed construction

Item	Millions of yen		Millions of yen		Thousands of U.S. dollars
	2013	% to Total	2014	% to Total	2014
Raw materials	¥35,658	16.4%	¥51,421	18.6%	\$499,625
Labor	14,675	6.7%	19,070	6.9%	185,290
(Of which, outsourced cost)	(14,675)	(6.7)%	(19,070)	(6.9)%	(185,290)
Outsourcing cost	139,665	64.1%	160,439	58.0%	1,558,871
Expenses	27,854	12.8%	45,686	16.5%	443,889
(Of which personnel expenses)	(14)	(6.5)%	(16,823)	(6.1)%	(163,462)
Total.....	¥217,852	100.0%	¥276,616	100.0%	\$2,687,675

Cost is calculated under the job-order cost system.

2. Cost of sales on estate business and other

Item	Millions of yen		Millions of yen		Thousands of U.S. dollars
	2013	% to Total	2014	% to Total	2014
Land.....	¥2,993	35.5%	¥1,661	22.9%	\$16,139
Buildings	1,398	16.6%	1,311	18.1%	12,732
Expenses	2,826	33.6%	3,047	42.1%	29,607
Sub-Total.....	7,218	85.7%	6,019	83.1%	58,478
Other.....	1,209	14.3%	1,226	16.9%	11,916
Total.....	¥8,427	100.0%	¥7,245	100.0%	\$70,394

Cost is calculated under the job-order cost system.

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, 2014, 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.

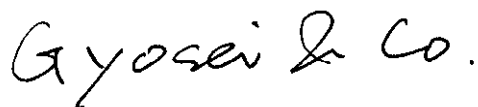
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nishimatsu Construction Co., Ltd. as of March 31, 2014, 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 Note3.

Tokyo, Japan
June 27, 2014



GYOSEI & Co.
Certified Public Accountants

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OVERSEAS OFFICES

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MTR Kwun Tong Line Extension

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◆ Thailand

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LTA Downtown Line Stage 3

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

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

c/o COJAAL, Direction des Travaux Constantine
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Phone: 213-31-972-500 Fax: 213-31-972-272

INVESTOR INFORMATION

Board of Directors and Statutory Auditors

Representative Director and President	Harusada Kondo
Representative Directors	Uichi Mizuguchi Akira Maeda
Directors	Takao Komori Yoshiyuki Sawai Nobutoshi Takase Akira Matsumoto Katsuaki Saito Nobuaki Sato
Statutory Auditors	Toshiyuki Fujii Wataru Hamura Toshiyuki Matsuda Sumio Uesugi

Executive Officers

Chief Executive Officer and President	Harusada Kondo
Executive Vice Presidents	Uichi Mizuguchi Akira Maeda
Senior Managing Officer	Takao Komori Yoshiaki Kudo
Managing Officer	Yoshiyuki Sawai Nobutoshi Takase Akira Matsumoto Shuichi Abe Akimitsu Takashima Haruto Ban
Executive Officer	Shigeru Tokura Hideo Kaneko Hiroo Morimoto Junichiro Saito Yuichi Kono Shozo Sakai Kazunari Umeda Jun Morita Jiro Goto Kensuke Hayashi Katsuya Iwanaga Fumihide Miyazaki Makoto Isshiki

(As of June 27, 2014)

Established

September 1937

Authorized Number of Shares

800,000,000 shares

Issued and Outstanding Number of Shares

277,957,513 shares

Paid-in Capital

¥23,513 million

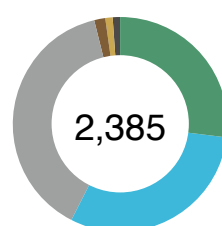
Number of Shareholders

23,318

Major Shareholders

	Thousands of Shares
Japan Trustee Services Bank, Ltd. (trust account)	30,629
The Master Trust Bank of Japan, Ltd. (trust account)	28,373
Japan Trustee Services Bank, Ltd. (trust account No. 4)	9,697
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	8,217
MSIP CLIENT SECURITIES	7,150
Mizuho Bank, Ltd.	5,070
Meiji Yasuda Life Insurance Company	4,577
CBLDN RE FUND 116	4,113
Mizuho Trust & Banking Co., Ltd.	4,000
Nishimatsu Construction Employee Shareholders' Association	3,642

Employees



Administrative Staff	631	26.5%
Civil Engineers	750	31.4%
Building Engineers	916	38.4%
Mechanical Engineers	42	1.8%
Electrical Engineers	24	1.0%
Others	22	0.8%
Total	2,385	100%

Stock Listing

Tokyo Stock Exchange (First Section) (August 1963)

Independent Certified Accountants

GYOSEI & Co.

Administrator of Shareholders' Register

Mizuho Trust & Banking Co., Ltd.

(As of March 31, 2014)



Nishimatsu Construction Co., Ltd.

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<http://www.nishimatsu.co.jp/eng>



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