

# Annual Report 2015

For The Fiscal Year Ended March 31, 2015





# PROFILE

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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, harbor, airport, 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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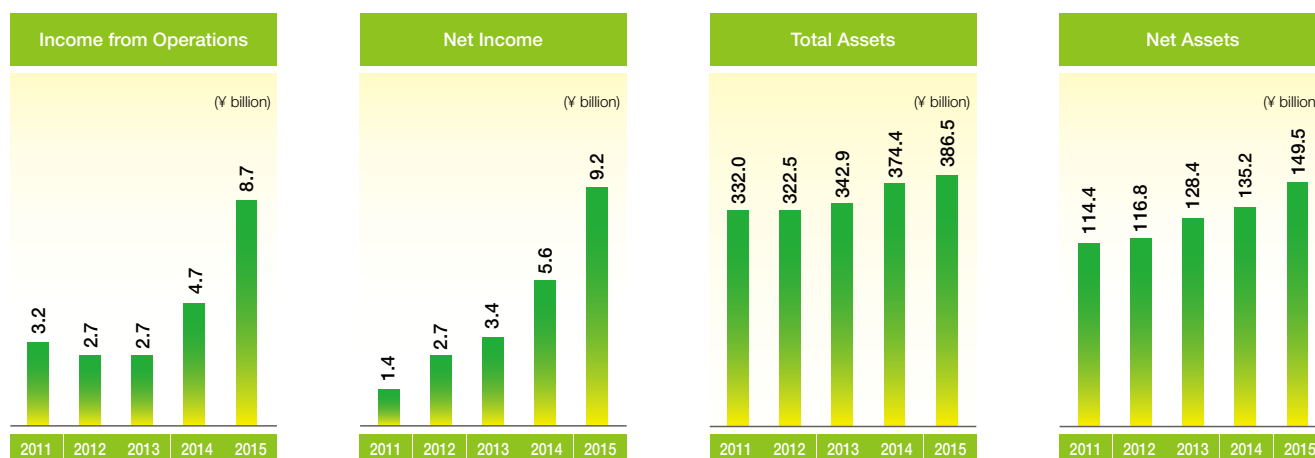
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# FINANCIAL HIGHLIGHTS

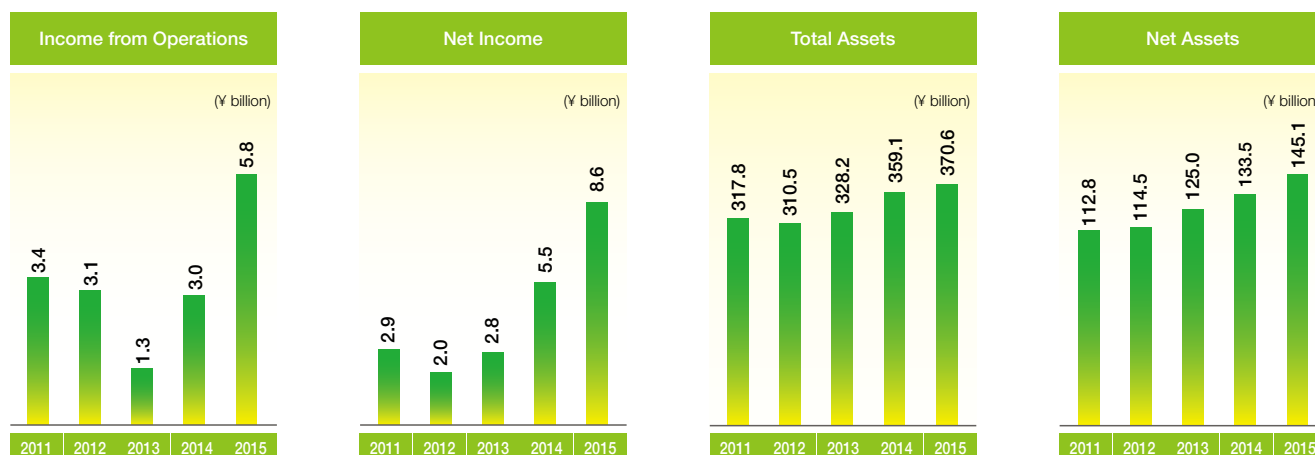
	Consolidated			Non-Consolidated		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015	2014	2015	2015
For the year:						
Orders received	¥ —	¥ —	\$ —	¥299,056	¥339,095	\$2,821,792
Net sales	314,638	342,990	2,854,203	299,610	325,464	2,708,360
Income before income taxes	2,828	10,760	89,538	2,165	9,201	76,563
Net income	5,587	9,221	76,730	5,453	8,624	71,767
At year-end:						
Total assets	¥374,399	¥386,470	\$3,216,026	¥359,090	¥370,622	\$3,084,152
Net assets	135,202	149,554	1,244,519	133,499	145,127	1,207,685
Common stock	23,514	23,514	195,670	23,514	23,514	195,670
Per share of common stock: (in yen and dollars)						
Net income	¥20.16	¥33.29	\$0.277	¥19.68	¥31.14	\$0.259
Cash dividends applicable to the year	6.00	10.00	0.083	6.00	10.00	0.083

Note 1: Figures in US\$ in this annual report are converted from yen at the rate of ¥120.17 = US\$1.00, the rate prevailing on March 31, 2015, 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



## Non-Consolidated



# TO OUR SHAREHOLDERS



Harusada Kondo

Representative Director and President

## Business Result/Operation of this term

### Business performance for the 78th term

In this term, the Japanese economy saw weak personal consumption, because of the negative rebound of demand in the wake of the consumption tax hike, but corporate earnings increased, as the export environment improved due to the yen depreciation and costs decreased due to the drop in oil price, and so the Japanese economy gently recovered.

The construction industry was healthy, thanks to public works, including post-earthquake reconstruction, work for preventing and mitigating disaster and large road construction in the Tokyo Metropolitan area as well as private investment in the construction of office buildings, distribution facilities, etc.

In this situation, our corporate group achieved consolidated sales of 342.9 billion yen (up 9.0% from the previous term). As for operating profit and loss, the shortage of skilled workers due to the increase of construction projects affected the progress of construc-

tion in some overseas regions and profitability worsened. However the profitability of domestic work improved, and overseas construction subsidiaries showed favorable results, and so operating profit was 8.7 billion yen (up 83.8% from the previous term). As for ordinary profit and loss, ordinary profit was 9.9 billion yen (up 62.7% from the previous term), as dividends earned and exchange gain were posted. Current net profit was 9.2 billion yen (up 65.1% from the previous term), as gain on sale of investment securities of 1.6 billion yen was included in extraordinary profit.

# TO OUR SHAREHOLDERS

## Construction industry

It is expected in the construction field that the public construction investment for preventing or mitigating disaster, coping with the deterioration of infrastructure and improving aseismic performance as well as the private construction investment due to the recovery of corporate performance will increase, but the construction investment trend is still uncertain, because the population of Japan is estimated to decline. Our corporate group newly produced “The medium-term Management Plan 2017” to keep growing in a sustainable manner for the future. Please check the following page.

Since construction investment continually declined

and competitions became fierce, the treatment of skilled construction workers worsened and the number of newly employed young workers decreased, and the shortage of skilled construction workers was serious.

In order to cope with this problem, the public and private sectors in the construction industry joined hands and have made efforts to improve the employment environment, including the setting of appropriate wages and the coverage of social insurance. As a result, the shortage of manpower is getting better. We will continue measures for improving the treatment of workers, and make the construction industry more attractive.

## Dividend policy

We would like to share profits by paying a term-end dividend.

As a basic policy, we will set payout ratio at over 30% of consolidated current net profit and return profits to shareholders stably and continuously, while enriching retained earnings for fortifying the management

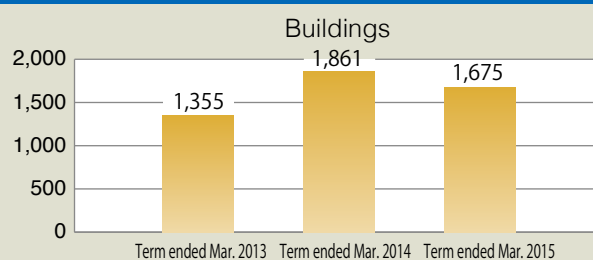
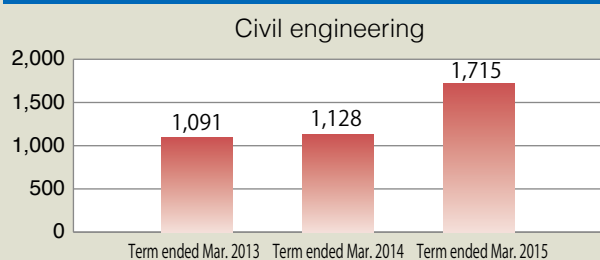
foundation for sustainable growth, and considering the business environment and performance comprehensively.

As for the term-end dividend for the next term (ending March 2016), we plan to pay 11 yen/share.

### Variation in amount of orders received (non-consolidated)

[Unit: 100 million yen]

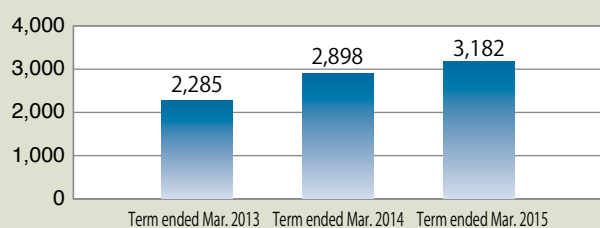
#### Construction business



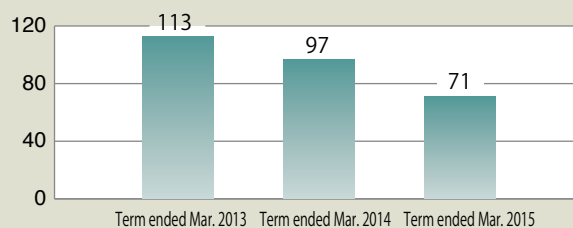
### Variation in sales (non-consolidated)

[Unit: 100 million yen]

#### Construction business



#### Real estate business, etc.



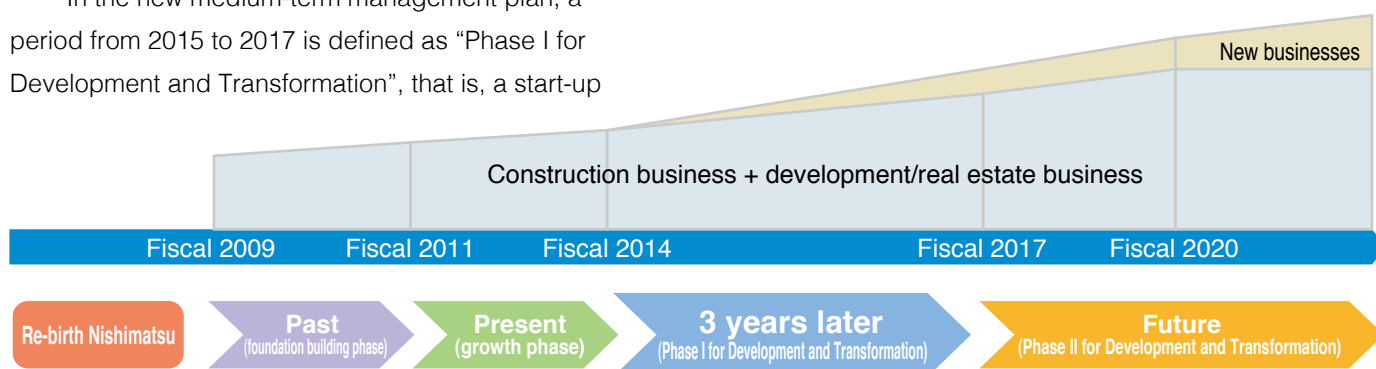
# The medium-term Management Plan 2017

For sustainable growth and transformation

Our corporate group newly produced the “The medium-term Management Plan 2017”, with the aim of becoming “an attractive firm that can win unwavering trust” and also “a firm that creates new values and solve social issues together”.

In the new medium-term management plan, a period from 2015 to 2017 is defined as “Phase I for Development and Transformation”, that is, a start-up

phase for launching and implementing new measures for sustainable growth of our corporate group in the future, as the construction investment trend after the Tokyo Olympics in 2020 is uncertain.



## Basic policy for “The medium-term Management Plan 2017”

- ▶ Development and utilization of personnel resources for sustainable growth
- ▶ Establishment of the highly profitable business foundation for our core businesses: the construction, development and real estate businesses
- ▶ Efforts for new business operation aimed at sustainable growth

## Intensive strategies

### Strategy for strengthening the foundation for our core businesses

For developing the “Nishimatsu brand”, we will win the unwavering trust of customers.

#### Action 4

- Establishment of the highly profitable business foundation for the construction, development and real estate businesses
- Strengthening of the win-win relationship with stakeholders
- Promotion of our environmentally friendly business administration at the highest level in this field
- Reinforcement of the in-company foundation, including personnel development

### Strategy for business growth

To transform into a business organization that can flexibly respond to the changes in external environments

#### Challenge 3

- Efforts for new business operation, such as the infrastructure business
- Enhancement of the research and development of technologies from the long-term viewpoint
- Promotion of the innovation for commercialization

## Goals for consolidated results

	Results for fiscal 2014		Target figures for fiscal 2017	
	Value	Ratio	Value	Ratio
Orders received	345.8 billion yen		330 billion yen	
Net sales (real estate business included.)	342.9 billion yen (9.1 billion yen)		345 billion yen (12 billion yen)	
Gross profit	22.7 billion yen	6.6%	28.5 billion yen	8.3%
Operating profit	8.7 billion yen	2.5%	12.5 billion yen	3.6%
Ordinary profit	9.9 billion yen	2.9%	12.5 billion yen	3.6%

### Gross profit

1.7 points increase

### ROE

Over 7%

### Consolidated payout ratio

Over 30%

近 藤 晴 貞

Harusada Kondo  
Representative Director and President

## Civil Engineering

We, engineers, strive to develop a strong eco-friendly urban infrastructure against disasters. We endeavor to make contributions to social infrastructures and the equipment investments of firms, and build win-win relationships with customers, collaborators and all stakeholders.

For 140 years since the establishment of the Company, we have always been polishing our engineering techniques to ensure that we are able to meet our customers' demands.

As a result, we have completed innumerable difficult construction tasks and major projects, earning an esteemed reputation as "Nishimatsu of Technologies" from our clients. We will continue to make introduction and advancements of new technology in order to meet stakeholders' expectations. We will assist in solving many issues such as global warming, the declining birth rate, national resilience, etc. and hope this will lead to building a safer and anxiety-free country.

Net sales of civil engineering operations (non-consolidated) for the year amounted to ¥143.5 billion (US\$1.73 billion), an increase of 10.0% 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	7.7%
Railways	30.0%
Water & Sewage Works	7.9%
Site Formation	6.8%
Harbors, Wharfs & Airports	0.1%
Road Construction	32.2%
Cable Tunnels	2.9%
Others	12.4%



### Major Civil Engineering Projects

(Completed)

Name of Project

- 1 Centralize Sewerge for Kuching City Center (Package 1)
- 2 Pahang—Selangor Raw Water Transfer Project Lot 1-3
- 3 Disaster Waste Treatment Work, Watari Natori Block (Ishinomaki Treatment Area)
- 4 Tsuruta Dam Improvement Construction
- 5 Construction Work of the Sagami-Jukan Sumita Mitsukurisan Area Improvement

### Sales Breakdown by Client

Public Sector	62.4%
Private Sector	37.6%





## Construction Achievements



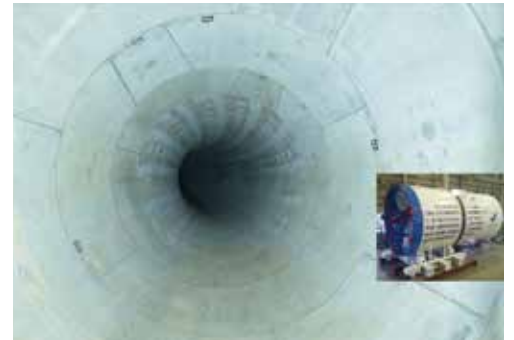
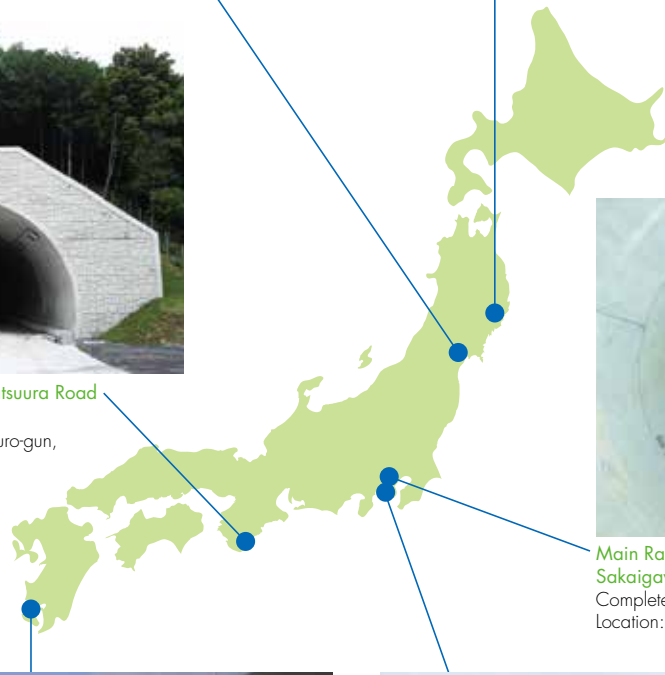
Development of land where housing complexes are to be relocated in the relocation promotion project of Shimomasuda District for disaster prevention  
 Completed: February 2015  
 Location: Natori-city, Miyagi Prefecture



Yoshihama-Kamaishi Section Disaster Relief Project, Sanriku Railway South Rias Line  
 Completed: July 2014  
 Location: Ofunato-city and Kamaishi-city, Iwate Prefecture



Kongoji Tunnel Construction, Nachikatsuura Road  
 Completed: January 2015  
 Location: Nachikatsuura-cho, Higashimuro-gun, Wakayama Prefecture



Main Rainwater Pipeline Construction (Section 1), Sakaigawa (No. 25-i)  
 Completed: March 2015  
 Location: Sagami-hara-city, Kanagawa Prefecture



Jinnohira BI New Construction, Taniyama Viaduct, and others  
 Completed: March 2015  
 Location: Kagoshima-city, Kagoshima Prefecture



Improvement Work (No. 3 Section), Sumita Mitsukurisan Area, Sagami Longitudinal Expressway  
 Completed: October 2014  
 Location: Aikawa-machi, Aiko-gun, Kanagawa Prefecture

## Buildings

We are constantly seeking to develop our technology from both software and hardware standpoints. In addition, we strive to ensure that this technology can be passed onto the next generation, and work towards making contributions to safe and anxiety-free urban development.

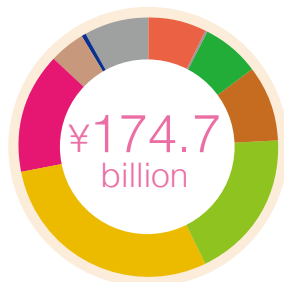
At our architectural headquarters, we always encourage the idea of “manufacturing from the customer’s point of view” to maximize the satisfaction level of all our clients. By utilizing various cutting-edge technology as well as our architectural technologies nurtured in all areas from intelligent buildings to apartment complexes, we aim to develop safe, anxiety-free eco-friendly urban community for the perfect harmony among people, nature and buildings from the aspects of both software and hardware.

Net sales of building operations (non-consolidated) for the year amounted to ¥174.7 billion (US\$2.10 billion), an increase of 9.5% 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	7.4%
Hotel & Accommodation Facilities	0.3%
Shopping Centers	7.1%
Factories & Power Stations	9.5%
Warehouse & Logistics Facilities	18.7%
Residential Buildings	29.0%
Educational, Research & Cultural Facilities	15.2%
Hospital & Welfare Facilities	4.3%
Recreation Facilities	0.6%
Others	7.9%



### Sales Breakdown by Client

Public Sector	12.1%
Private Sector	87.9%



### Major Building Projects

(Completed)

	Name of Project
1	Improve Family Housing Phase 8 and 9, Kadena Air Base
2	Asahikawa Ekimae Project
3	MMRC & Restaurant Building for University, Tamagawa Academy & University
4	Goodman Ichikawa Construction
5	Sapporo Ebisu Building Construction

# Construction Achievements



**Sapporo Ebisu Building**  
 Completed: September 2014  
 Location: Shibuya-ku, Tokyo  
 Purpose of use: Office



**MMRC & Restaurant Building, Tamagawa Academy & University**  
 Completed: February 2015  
 Location: Machida-city, Tokyo  
 Purpose of use: School



**Goodman Sakai**  
 Completed: March 2014  
 Location: Sakai-city, Osaka Prefecture  
 Purpose of use: Distribution Facility



**Public Condominium for Recovery from Disaster, Rokuchonome Station Area, Sendai-city**  
 Completed: March 2015  
 Location: Sendai-city, Miyagi Prefecture  
 Purpose of use: Restration Housing



**Kumamoto Rosai Hospital**  
 Completed: May 2014  
 Location: Yatsushiro-city, Kumamoto Prefecture  
 Purpose of use: Hospital



**Complex Condominium, Tsurigane-cho 2-chome, Chuo-ku, Osaka-city**  
 Completed: October 2014  
 Location: Osaka-city, Osaka Prefecture  
 Purpose of use: Residential Complex

## REVIEW OF OPERATIONS

# Overseas Operations

Using our achievements and the experience which we have accumulated for half a century, with the help of our local businesses and staff, we are making contributions to infrastructure development in various countries such as transportation and environment, and the entry of Japanese enterprises into overseas countries.

Our base of international operations in Hong Kong began with the construction of a large dam in 1962, and since then, we have worked on a variety of projects such as power plants, new airports, high-rise residential buildings, etc. Recently, our main focus of work has been on subway construction.

In 1963, we set up a local subsidiary in Thailand, and since then, its main operations consist of designing and constructing Japanese factories. In Singapore, since 1984, we have been accepting orders for major tunnels, skyscrapers, etc. and we are currently working on projects involving power supply system development and subway construction. Our main business in Malaysia and Vietnam is ODA construction. In recent years, we have also been putting efforts into infrastructure development and the construction of Japanese factories.

We are looking to continue expanding our business by capitalizing on our experience and technology.

### Construction Achievements



**Pahang-Selangor Raw Water Transfer Project Lot 1-3**  
Completed: March 2015  
Location: Selangor, Pahang, Malaysia



**Centralized Sewerage for Kuching City Center (Package 1)**  
Completed: January 2015  
Location: Sarawak, Malaysia



**Paramount Bed Vietnam Factory Project**  
Completed: July 2014  
Location: Đông Nai, Vietnam



**Thai DEC Factory Project, GEST**  
Completed: March 2014  
Location: Rayong, Thailand

# Development and Real Estate

We provide a high value-added solution to match your every need, by utilizing our accumulated building technology and development know-how.

Our development department (redevelopment, land readjustment, PPP/PFI) offers a variety of comprehensive development solutions from the planning stage to the administration stage. We are currently promoting attractive urban development plans according to the needs of local community and society. Efforts are also being made in our real estate department to expand into leasing, real estate development and property sale.

## Construction Achievements



District 1 in Kitashinagawa 5-chome, Urban Redevelopment Project  
Completed: 2015  
Location: Shinagawa-ku, Tokyo  
Purpose of use: Residential Housing,  
Commercial Buildings, Daycare Facilities, Regional Community Facilities



Arai-nishi, Sendai-city, Land Readjustment Project  
Scheduled Completion: Fiscal 2018  
Location: Sendai-city, Miyagi Prefecture



Granda Setagaya Kamimachi, CRE Project  
Completed: 2014  
Location: Setagaya-ku, Tokyo  
Purpose of use: Houses for the elderly

# OVERSEAS ACTIVITIES

## Hong Kong

The construction boom in Hong Kong continues under the intensive progress of several major infrastructure projects and five new railway lines. However, the government's restrictive policy in labor importation has resulted in an acute labor shortage with resultant delays and over-expenditure to most projects. This is also reflected in a sharp increase in tender prices trend. In this reporting year, Nishimatsu continues to focus on the delivery of the 3 MTR railway projects in hand with remarkable progress achieved on all fronts.

After 5 years of hard work on West Island Line Contract 704, we have finally achieved substantial completion of this challenging underground stations & tunnels project, which greatly improves commuters' convenience to the western part of Hong Kong Island. Hong Kong University Station, Entrances and Adits were opened to the public on December 28, 2014, whilst Sai Ying Pin Station was subsequently opened on March 29, 2015. The last remaining Adit B3 excavation has just recommenced after months of difficult drilling and ground freezing, with completion targeted at December 2015. Reprovisioning and reinstatement works at various works areas are continuing.

The 3,232m long Nam Fung tunnel of South Island Line Contract 902 achieved breakthrough in October last year. To date, over 3 km of concrete lining have been cast. Other internal structures like overhead ventilation ducts, internal walls and invert slabs are progressing well, in conjunction with track-laying works by designated contractors. At the tunnel's southern end, the Nam Fung Ventilation Building structure is completed from L5 level to roof level, in close coordination with finishing works and E&M works. The transition box structure, which connects with the viaduct structure of the railway line, was also substantially completed. At the tunnel's northern end, the Hong Kong Park ventilation shaft excavation is completed, and the shaft lining and internal structure have been cast from L12 to L2 Level. Further structure work is proceeding safety under close monitoring of multi-layer strut removal sequence. The Telegraph Bay barging point was reinstated by removing the existing temporary seawall and reconstructing an armor rock seawall and will be ready for handover in April this year.

For Kwun Tong Line Extension Contract 1001, since the completion of major site formation last April, some 120,000 m<sup>3</sup> of concrete were poured for the Ho Man Tin Station RC structure, which will be substantially completed by May this year and ABWF works are maintaining good progress. Hand over access to E&M designated contractors commenced in March this year and progress is within control of program. Piling for Entrance A and Entrance B has commenced. Hard rock excavation for Fat Kwong Street Entrance and Chung Hau Street Entrance are now completed and are being followed by the construction of subway structure across the road to Entrance A and Entrance B of Ho Man Tin Station. External civil works on both sides of the station are also well advanced. The running tunnels from Yau Ma Tei to Whampoa Station are completely excavated and lined, and handed over for

track-laying. East Cavern excavation & lining works are completed. West Cavern lining works will be completed in May 2015. Wyllie Road Ancillary Building works have commenced from shaft bottom and are currently up to level L7. Essential public infrastructure works including the extensive network of covered walkway, Oi man Estate Footbridge, Fat Kwong Street Footbridge, Chatham Road North Footbridge and public transport interchange have achieved structural completion while architectural finishing works are ongoing. This railway extension project is targeted for operation in mid-2016.



Construction of the Kwun Tong Line Extension Contract 1001

Our safety, quality and environmental performance continue to be excellent with industry recognition through numerous awards:

Award:	Project:	Organization:
Environmental Merit Award 2014	Branch Office	HK Construction Association
Environmental Gold Award 2014	MTR Contract 902	MTRC
Quality Bronze Award 2014	MTR Contract 1001	MTRC
Considerate Contractors Site Award (Merit Award) - 2014	MTR Contract 1001	HK Government Development Bureau
Model Subcontractor Award (Gold Award) - 2014	MTR Contract 1001	HK Government Development Bureau
Model Frontline Supervisor Award - 2014	MTR Contract 1001	HK Government Development Bureau
Best Model Worker Award - 2014	MTR Contract 1001	HK Government Development Bureau
OSHC Lifting Safety Competition (Truck Mounted Crane) – Second Runner Up - 2014	MTR Contract 704	Occupational Safety & Health Council
MTR Project Division Safety Week 2014 – Best Contractor Award	MTR Contract 704	MTRC

We maintain active participation in socially responsible activities, which include an annual coastal cleanup campaign, on-site blood donation campaigns, site visits for students/me-

dia/stakeholders, visits and voluntary works to elderly centers, tree planting day, employment of interns during summer holidays, dragon boat racing and Flag Day. Stakeholder engagement, nourishment of new generations, and care for workers are continuing in order to build a better society together with the community.

### Looking Ahead

The infrastructure spending of the Hong Kong Government is planned to be maintained at the level of HK\$ 70 billion yearly until 2020. This ambitious program will include projects like: the Lam Tin Tunnel, Central Kowloon Route, Trunk Road T2, the Third Runway System of Hong Kong International Airport and several new railway lines of the MTR, plus many other governmental and private building projects. Although project funding is somewhat delayed by filibustering in the Legislative Council, we are closely monitoring the roll-out schedule of such tenders and will actively participate in chosen ones, including medium size government projects, which suit our expertise and experience. Concurrently, we will also explore the potential market of repair/maintenance works and re-establish old clients like the 2 local power companies, and will start to participate in their tendering.

## Thailand



500 million hours, No disaster without an accident in HATC New Factory Project in March 18, 2015

Political instability has affected the economic situation of Thailand and surrounding countries since mid-2013 and remains unchanged for 2014. Amidst such conditions, Thai Nishimatsu Construction Co., Ltd. has successfully completed the following projects; Thai DEC Factory, UACJ Project Phase 1, ARS Chemical Factory. Additionally, we have also been awarded construction of SMT Mold Factory, Rohm Integrated System Thailand Project, Kao Industrial Water Pool Project and Asahi-Kasei Span Bond Renovation Project.

As a result of enlarged anti-government activities in Thailand, the rate of growth has declined significantly from 3.0% to 0.7% compared to year 2013. Regarding private

investment represented by automobile industry, annual vehicle production decreased from 2.4 million to 1.9 million due to expiration of the tax rebate scheme for the first-time car buyers. 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.

At the same time, to respond to social change such as increasing wages for laborers and decline in the number of laborers due to a falling birth rate, some companies have been looking into relegating labor-intensive production processes to surrounding countries such as Laos and Cambodia (so-called, "Thailand-Plus-One").

For 2015, 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 Greater Mekong Sub region office and utilized resources to gather and analyze onsite information as we prepare for upcoming investment in the Greater Mekong Area (Myanmar, Laos, Cambodia, Vietnam, and Thailand) to accommodate customer demands for "Thailand-Plus-One". Additionally, we have invested in a joint venture with a local company and established Lao Nishimatsu Construction Co., Ltd. in Laos PDR, and are ready to take care of all customer requirements, including construction on sites.

## Singapore

The Building and Construction Authority (BCA) of Singapore stated in January 2015 that construction demand in 2015 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\$18-21 billion. This is being sustained by an anticipated higher volume of contracts to be awarded for institutional and civil engineering construction works but a decline in works in the building sector.

Works on the Land Transport Authority of Singapore (LTA)'s Contract 929A, the Construction and Completion of tunnels between Ubi and Kaki Bukit stations and reception tunnels that was awarded by the LTA in February 2011 are now in an advanced stage. The tunnel boring works for the four bored tunnels are almost completed. The contract completion date is in December 2016.

The first of the two Tunnel Boring Machines (TBM) which was launched in 22 February 2014 broke through its first tunnel in February 2015 and the TBM is now being prepared for its second drive which is scheduled to break through in February 2016. The second TBM that was launched in June 2014 is scheduled to break through in August 2015 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.

Works on the LTA's T228, the Construction of Gardens by the Bay Station and tunnels for Thomson Line were awarded on July 25, 2014 to Nishimatsu in a joint venture with Messrs Bachy Soletanche Singapore Pte., Ltd. The contract completion date is in December 2020.

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



Ground Breaking Ceremony for Contract T228 Project

## Vietnam

According to the Vietnamese government, the real GDP growth rate for 2014 was 6%, exceeding the goal for that year of 5.8%. The government has set the goal for 2015 at an even higher 6.2%, but the economic situation in Vietnam is expected to remain relatively robust for the time being, and this goal is feasible. The trend towards economic recovery in Vietnam has been continuing steadily for the past few years.

On the other hand, with the trend of "China plus one", Japanese manufacturers have been expanding production in Vietnam, and with the expansion of supporting industries, in addition to major companies, SMEs are also entering Vietnam. With the yen depreciation making it easier to profit from exports, there has been a certain extent of slowdown in moving manufacturing centers overseas and instead produc-

ing domestically, but this trend is supported by government policies with the intent of improving the investment business environment and also benefits from the existing strong desire for capital investment, and is expected to continue.

In this situation, in northern Vietnam in April 2014 the Company completed the LEO Electronics (Vietnam) Ltd. Factory Expansion Project that was commissioned in FY 2013. In southern Vietnam, the Paramount Bed Vietnam Factory Project commissioned from Paramount Bed Vietnam Co., Ltd in FY 2013 was successfully completed in July 2014.

Currently in the north, the Construction Project of Rental Factory No.7 commissioned by Thang Long Industrial Park II Corporation in November 2014 is under construction, with completion targeted for July 2015.

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 I and II, and are approaching new clients with this achievement.

Our company will seize this business opportunity, take full advantage of our resources, including the know-how and personnel, etc. developed through the above construction, give proposals according to the needs of clients, and aim to offer satisfactory services, in order to receive more orders for the construction of new factories from Japanese firms. In addition, we will pursue possibilities in new fields, including building maintenance, renewal, and construction of commercial facilities, in addition to the development of the land and infrastructure for industrial complexes, and aim to cultivate new clients.

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.

The Company intends to work carefully and enthusiastically on target projects in which our skills and know-how can be utilized, having sufficiently analyzed contract conditions, Vietnam's country risks such as the lack of clarity for authorization, procedures and legal interpretation, and the capabilities of clients including acquiring land for construction without delays and paying fees for construction without delays.



Work of LEO Electronics Vietnam Factory Expansion



## Malaysia

For fiscal 2014, Malaysia's GDP growth rate was 6%. This is slightly higher than the previous year: 4.7%. This improved growth was driven primarily by private domestic demand and positive growth in net export. For fiscal 2015, the Malaysian economy is forecast to register growth of 4.5% - 5.5%, mainly supported by private domestic demand and a resilient export sector.

The construction sector stayed robust in 2014 with double-digit growth of 11.6%. High levels of state and private sector investments will continue to support the double-digit growth into 2015. Some of the mega infrastructure projects announced in 2015's budget will be rolling off the drawing board and the implementation will be expected in the later part of 2015.

For the Pahang-Selangor Raw Water Transfer Project, Lot 1-1, Water Transfer Tunnel and Related Works in the vicinity of Kuala Lumpur, the job was completed and handed over on March 3, 2015.

The Design and Build Contract for Kuching City Central Wastewater Management System: Centralized Sewerage for Kuching City Centre (Package 1) in Kuching, Sarawak, was completed and handed over on January 31, 2015.

Similar sewerage projects are expected to be implemented in Kuala Lumpur and other areas in 2015. With our previous experience and proven track record, we hope to be given the opportunity to participate in their implementation.

Other highlights for 2015 are:

(1) We have formed a consortium with other experienced contractors to be prequalified for some construction projects which are expected to call tender in mid-2015. Construction of these projects is scheduled for early 2016.

(2) We have also shown keen interest to participate in the implementation of some shopping malls in Kuching and joint discussions are in progress. If successful, the implementation is expected to commence at the end of 2015.

While there is significant competition in Malaysia, we will always aggressively attempt to participate in these projects by studying customer needs carefully.



Breakthrough of TBM-3 Ceremony for Pahang—Selangor Raw Water Transfer Project Lot 1-3

## Myanmar

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 about to be lifted, and economic activities are gaining steam. The real economic growth rate of Myanmar keeps 8% since 2013. However, our 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 more 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 has been appointed as the presidency holder of ASEAN, and so international conferences have been completed with success, and energized its domestic economy. 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 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

Cutting-edge construction technology of Nishimatsu Construction

Nishimatsu Construction is developing technologies for improving safety, construction performance and quality in the construction and repair of structures.

Here, we will introduce the cutting-edge technologies that are highly practical.

### 1 CRT Mixer System

#### Continuous Rotary Tube (CRT) Mixer System

CSG production system

The "CRT mixer system" is for producing CSG\* with a "CRT mixer", which can mix large amounts of materials at high quality, by attaching stirring blades to the inner side of a steel drum to achieve specified rotational rate and angle. This system was developed by combining a CRT mixer, material supplying equipment and material conveying equipment in an efficient way, and automatically controls processes from measurement to mixing and possesses a high mixing capacity of 200 m<sup>3</sup>/hr.

In general, simple methods of using a skeleton bucket, a soil improvement machine, etc. have been used for mixing CSG, but these methods are not efficient, and it is difficult to produce a large amount of high-quality CSG with these methods. In this circumstance, we made it possible to produce a large amount of high-quality CSG, by adding the performance comparable to a batch-type mixer to the kneading and mixing equipment.

CSG is adopted as a material for a trapezoidal CSG dam, a stabilizing berm and a sea embankment, because it can be procured and used at each construction site.

\*CSG (Cemented Sand and Gravel): This is produced by adding cement to rocky materials procured around each construction site, such as riverbed gravels and excavation muck and mixing them. This is used also for a trapezoidal CSG dam, and many dams have been constructed with this material.



Full view of a CRT mixer system

## 2 System for surveying the earth ahead of a tunnel face with a drilling jumbo

### Drilling Survey System “DRISS”

To swiftly grasp the geological condition ahead of a tunnel face, based on non-core boring data

This technology is for surveying the earth ahead of a tunnel face by utilizing the hydraulic rock drill mounted on a tunneling machine, such as a drilling jumbo, and can swiftly, directly and quantitatively grasp the ground characteristics ahead of the tunnel face based on the changes of boring energy, boring speed, damping pressure, etc. obtained during non-core boring to the earth ahead of a tunnel face (see Figure 1).

For the exploration inside a pit, it is possible to probe a span of about 30 m ahead of a tunnel face in about 2 hours, and the effect of probing on the construction cycle is minimized (see Photo 1).

In addition, by analyzing data with specialized software in a short period of time (about 1.5 hours), it is possible to apply the results of probing to construction promptly.

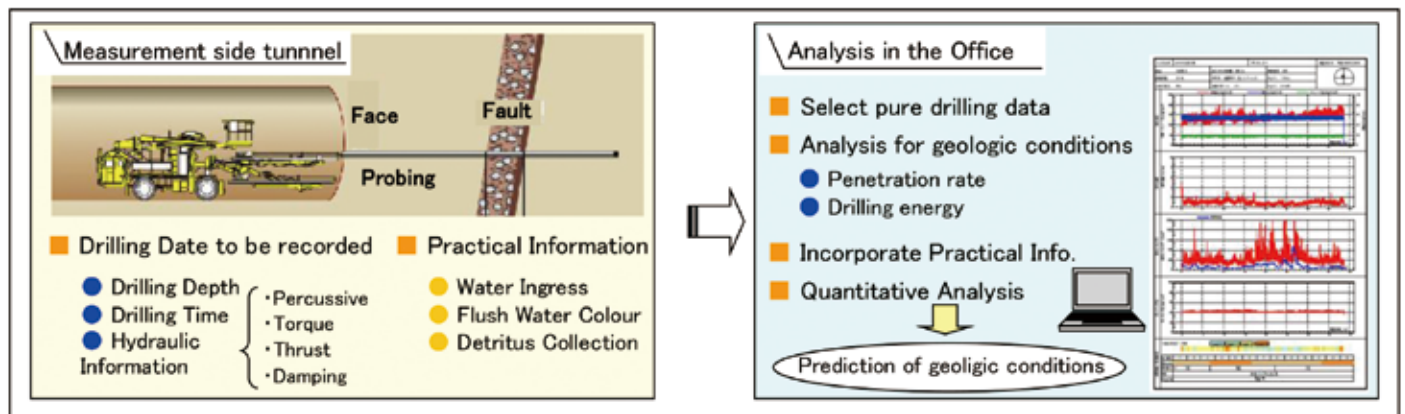


Figure 1 Outline of the system



Photo 1 Measurement system and situation of probing

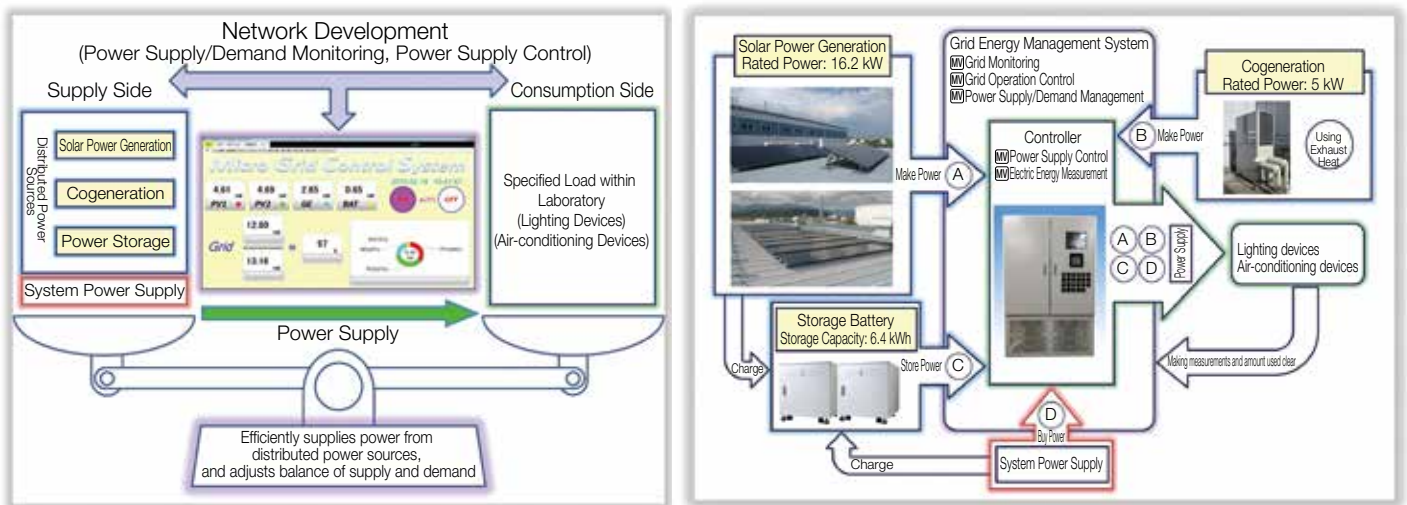
## 3 Small-sized distributed energy supply system "Micro Grid System"

### Micro Grid System

System technology for effectively using renewable energy

The micro grid system is a small-scale energy supply system for stabilizing power supply and minimizing power supplied from power companies, by combining multiple distributed power sources (power generation and storage systems, such as solar power generators, wind power generators, cogeneration equipment, and fuel cells, placed at or in the vicinity of consumption sites). This system is expected to exert various effects, including the streamlining of energy supply to facilities, buildings, etc., energy cost reduction, the securing of emergency power sources and the reduction of environmental burdens, while actively using renewable energy.

As part of efforts for effectively using renewable energy, our company developed a micro grid system equipped with an original control unit, and is operating it inside the building of our laboratory for demonstration. This system forms a network connecting the electricity supply side and the consumption side, such as lighting and air-conditioning devices, always monitors changing demand and supply, chooses the destinations of distributed power sources and supplies power on a real-time basis to stabilize power supply.



Micro Grid Demonstration System

# OUR RESPONSE TO ENVIRONMENTAL ISSUES

Our environmental management has now entered its fifth year and we have been gradually enhancing our efforts toward this.

We have newly established a Safe & Environment Quality Headquarter in order to further strengthen and accelerate our environmental activities from this fiscal year. Our entire company will make efforts as one in line with the three pillars of The medium-term Management Plan 2017 that has been formulated by this headquarter, toward the realization of a “company with advanced environmental management” in 2020.

## Three Pillars of The medium-term Management Plan 2017 (Environment)

01

**We will promote the formation of a low-carbon society.  
We will strive to reduce our CO<sub>2</sub> emissions and aim to become a carbon-free company.**

- ▶ We will reduce our specific annual CO<sub>2</sub> emissions in construction by 50% by FY 2020 in comparison with FY 1990.

02

**We will provide support for biodiversity consideration and coexistence with nature.  
We will put into practice biodiversity conservation activities.**

- ▶ We will make all of our sites biodiversity-friendly by FY 2020.

03

**We will promote the formation of a recycling-oriented society.  
We will promote the 3Rs of construction by-products and aim for zero waste emissions.**

- ▶ We will achieve final landfill disposal rate of less than 3% by FY 2020. (Excluding construction sludge and industrial waste subject to special control)

Furthermore, we will tackle the following “company-wide environmental activities” toward the achievement of our targets, upon starting our environmental activities based on The medium-term Management Plan 2017.

(1) CO<sub>2</sub> reduction activities

We will proceed with the introduction of temporary LED lighting at all new sites, the introduction of solar panels at sites, the encouragement of fuel-saving driving and the introduction of LED lighting in our fixed offices.

(2) Biodiversity

We will proceed with the implementation of consideration that utilizes our own “biodiversity consideration sheets” at all sites.

(3) Zero waste emissions

We will proceed with suitable sorted disposal at sites while promoting agreements with processing operators who boast high recycling rate.

(4) Promotion of environmental awareness in employees

We will continue to promote the acquisition of Eco Test.

Nishimatsu operates an ISO14001-compliant 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.

# 2015

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# Consolidated Balance Sheets

March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2015	2015
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 2 and 14) .....	¥ 53,202	¥ 37,573	\$ 312,664
Marketable securities .....	25	177	1,475
Notes and accounts receivable, trade:			
Notes (Notes 10 and 14) .....	2,996	4,555	37,908
Accounts (Note 14) .....	130,836	147,674	1,228,877
Allowance for doubtful accounts (Note 2) .....	(396)	(243)	(2,023)
Inventories (Note 2) .....	27,601	19,508	162,336
Deferred income taxes (Notes 2 and 8) .....	3,251	4,317	35,925
Advance paid .....	9,001	13,336	110,978
Other current assets .....	7,225	8,974	74,674
Total current assets .....	233,741	235,871	1,962,814
<b>Investments and other assets:</b>			
Investment securities (Notes 2, 5, 10 and 14) .....	65,608	74,873	623,062
Investments in subsidiaries and affiliates (Note 10) .....	829	828	6,890
Others .....	5,152	4,871	40,534
Allowance for doubtful accounts (Note 2) .....	(410)	(114)	(953)
Total investments and other assets .....	71,179	80,458	669,533
<b>Property and equipment (Notes 2 and 10):</b>			
Land .....	45,870	45,769	380,868
Buildings .....	52,823	53,855	448,161
Machinery and equipment .....	9,210	9,019	75,050
Accumulated depreciation .....	(38,424)	(38,502)	(320,400)
Total property and equipment .....	69,479	70,141	583,679
<b>Total assets</b> .....	¥374,399	¥386,470	\$3,216,026

The accompanying notes are an integral part of these statements.



	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2015	2015
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Short-term debt (Notes 6 and 14) .....	¥ 11,313	¥ 11,701	\$ 97,368
Current portion of long-term debt (Notes 6 and 14).....	4,858	25,932	215,792
Notes and accounts payable, trade:			
Notes (Note 14) .....	14,829	49,088	408,485
Accounts (Note 14) .....	86,684	53,417	444,516
Advances received on uncompleted contracts .....	25,041	15,177	126,296
Provision for warranties for completed construction (Note 2) .....	1,455	1,323	11,009
Provision for bonuses (Note 2) .....	1,406	1,534	12,762
Provision for loss on construction contracts (Note 2).....	4,636	6,032	50,192
Accrued income taxes .....	632	1,660	13,810
Employees' deposits .....	4,924	5,716	47,567
Provision for loss on real estate business and other (Note 2).....	54	37	306
Deposits received .....	13,497	16,979	141,292
Other current liabilities .....	2,675	2,839	23,636
Total current liabilities.....	172,004	191,435	1,593,031
<b>Long-term liabilities:</b>			
Long-term debt (Notes 6 and 14).....	41,965	16,286	135,528
Net defined benefit liability.....	8,908	11,058	92,021
Deferred income taxes (Notes 2 and 8).....	12,179	13,994	116,453
Provision for environmental measures (Note 2) .....	227	227	1,888
Asset retirement obligations (Note 16).....	108	207	1,721
Other long-term liabilities .....	3,806	3,709	30,865
Total long-term liabilities.....	67,193	45,481	378,476
<b>Total liabilities</b> .....	239,197	236,916	1,971,507
<b>Net assets:</b>			
Common stock:			
Authorized – 800,000,000 shares			
Issued and outstanding – 277,957,513 shares .....	23,514	23,514	195,670
Capital surplus .....	20,780	20,780	172,925
Retained earnings .....	73,533	78,373	652,182
Treasury stock, at cost .....	(287)	(299)	(2,489)
Unrealized gain on available-for-sale securities .....	20,357	27,759	231,001
Equity adjustment from foreign currency translation.....	(72)	225	1,875
Remesurements of defined benefit plans .....	(3,816)	(2,504)	(20,842)
Minority interests .....	1,193	1,706	14,197
<b>Total net assets</b> .....	135,202	149,554	1,244,519
<b>Total liabilities and net assets</b> .....	¥374,399	¥386,470	\$3,216,026

# Consolidated Statements of Income

For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2015	2015
<b>Net sales</b> (Note 2):			
Completed construction contract.....	¥303,077	¥333,835	\$2,778,022
Real estate business and other.....	11,561	9,155	76,181
	314,638	342,990	2,854,203
<b>Cost of sales</b> (Notes 2 and 11):			
Cost of completed construction contract.....	288,093	314,103	2,613,824
Cost of real estate business and other.....	8,582	6,117	50,900
	296,675	320,220	2,664,724
Gross profit.....	17,963	22,770	189,479
<b>Selling, general and administrative expenses</b> (Note 11):.....	13,225	14,059	116,991
Income from operations .....	4,738	8,711	72,488
<b>Other income (expenses):</b>			
Interest and dividend income.....	908	1,094	9,102
Interest expenses .....	(677)	(644)	(5,359)
Financing expenses .....	(95)	(192)	(1,594)
Gain on sales of investment securities.....	—	1,603	13,338
Reversal of provision for warranties for completed construction .....	100	0	0
Reversal of allowance for doubtful accounts .....	29	13	109
Loss on sales of fixed assets (Note 11) .....	(899)	(29)	(244)
Loss on impairment of long-lived assets.....	(1,925)	(390)	(3,248)
Foreign currency exchange gain .....	1,209	748	6,221
Head office relocation expenses.....	—	(133)	(1,103)
Compensation for damage.....	(80)	(—)	(—)
Loss of rebuilding.....	(—)	(112)	(935)
Other – net .....	(480)	91	763
	(1,910)	2,049	17,050
<b>Income before income taxes and minority interests</b> .....	2,828	10,760	89,538
<b>Income taxes</b> (Notes 2 and 8):			
Current.....	1,237	2,777	23,113
Deferred .....	(4,275)	(1,612)	(13,422)
	(3,038)	1,165	9,691
<b>Income before minority interests</b> .....	5,866	9,595	79,847
<b>Minority interests</b> .....	(279)	(374)	(3,117)
<b>Net income</b> .....	¥5,587	¥9,221	\$76,730
	Yen		U.S. dollars
<b>Per share of common stock</b> (Note 18):			
Net income (loss) .....	¥20.16	¥33.29	\$0.277
Cash dividends applicable to the year .....	6.00	10.00	0.083

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2015	2015
<b>Income before minority interests</b> .....	¥ 5,866	¥ 9,595	\$ 79,847
<b>Other comprehensive income:</b>			
Unrealized gain on available-for-sale securities .....	4,221	7,402	61,600
Equity adjustment from foreign currency translation.....	397	439	3,656
Remeasurements of defined benefit plans .....	—	1,312	10,914
	4,618	9,153	76,170
<b>Comprehensive income</b> .....	10,484	18,748	156,017
<b>Comprehensive income attributable to:</b>			
Comprehensive income attributable to owners of the parent .....	10,096	18,232	151,719
Comprehensive income attributable to minority interest.....	388	516	4,298

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2014 and 2015

	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 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 at April 1, 2014 .....	¥23,514	¥20,780	¥73,533	¥(287)	¥ 20,357	¥(72)	¥(3,816)	¥1,193	¥135,202
Cumulative effects of changes in accounting policies ..			(2,719)						(2,719)
Restated balance .....	23,514	20,780	70,814	(287)	20,357	(72)	(3,816)	1,193	132,483
Dividends declared .....			(1,662)						(1,662)
Net income .....			9,221						9,221
Purchase of treasury stock .....				(12)					(12)
Net changes of items other than shareholder's equity .....					7,402	297	1,312	513	9,524
Balance at March 31, 2015 .....	¥23,514	¥20,780	¥78,373	¥(299)	¥27,759	¥225	¥(2,504)	¥1,706	¥149,554

	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 at April 1, 2014 .....	\$195,670	\$172,925	\$611,910	\$(2,389)	\$169,402	\$(601)	\$(31,756)	\$9,932	\$1,125,093
Cumulative effects of changes in accounting policies ..			(22,629)						(22,629)
Restated balance .....	195,670	172,925	589,281	(2,389)	169,402	(601)	(31,756)	9,932	1,102,464
Dividends declared .....			(13,829)						(13,829)
Net income .....			76,730						76,730
Purchase of treasury stock .....				(100)					(100)
Net changes of items other than shareholder's equity .....					61,599	2,476	10,914	4,265	79,254
Balance at March 31, 2015 .....	\$195,670	\$172,925	\$652,182	\$(2,489)	\$231,001	\$1,875	\$(20,842)	\$14,197	\$1,244,519

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2014	2015	2015
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests .....	¥ 2,828	¥10,760	\$89,538
Adjustment for:			
Depreciation and amortization .....	1,755	1,779	14,803
Loss on impairment of long-lived assets.....	1,925	390	3,248
Increase (Decrease) in allowance for doubtful accounts .....	(34)	(68)	(568)
Increase (Decrease) in provision for loss on construction contracts.....	1,412	1,396	11,613
Increase (Decrease) in net defined benefit liability.....	589	1,095	9,114
Loss (Gain) on sales of investment securities.....	—	(1,603)	(13,338)
Loss (Gain) on sales of property and equipment.....	899	29	244
Interest and dividend income.....	(908)	(1,094)	(9,102)
Interest expenses.....	677	644	5,359
Decrease (Increase) in notes and accounts receivable .....	(23,079)	(18,221)	(151,630)
Decrease (Increase) in inventories .....	5,025	8,152	67,841
Increase(Decrease) in notes and accounts payable.....	12,481	580	4,827
Increase(Decrease) in advances received on uncompleted contracts...	1,230	(9,984)	(83,079)
Others.....	(1,158)	(2,931)	(24,394)
Sub-total .....	3,642	(9,076)	(75,524)
Interest and dividend received .....	908	1,103	9,175
Interest paid .....	(703)	(690)	(5,740)
Income taxes paid.....	(718)	(1,786)	(14,859)
Net cash provided by (used in) operating activities .....	3,129	(10,449)	(86,948)
<b>Cash flows from investing activities:</b>			
Payment for purchases of marketable and investment securities .....	(68)	(1,327)	(11,047)
Proceeds from sale of marketable and investment securities .....	788	2,960	24,628
Acquisition of property and equipment.....	(5,736)	(3,446)	(28,678)
Proceeds from sale of property and equipment .....	1,848	447	3,719
Disbursements for loans.....	(203)	0	0
Proceeds from collection of loans.....	181	271	2,255
Payments (Income) of long-term time deposits .....	(50)	0	0
Others.....	(7)	(142)	(1,170)
Net cash provided by (used in) investing activities .....	(3,247)	(1,237)	(10,293)
<b>Cash flows from financing activities:</b>			
Net increase(decrease) in short-term loans.....	(517)	185	1,536
Borrowing of long-term debt .....	950	0	0
Repayment of long-term debt .....	(5,824)	(4,794)	(39,891)
Proceeds from issuance of bonds .....	10,000	0	0
Redemption of bonds.....	(150)	(150)	(1,248)
Cash dividends paid .....	(1,111)	(1,664)	(13,844)
Others.....	403	722	6,003
Net cash provided by (used in) financing activities.....	3,751	(5,701)	(47,444)
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>1,553</b>	<b>1,757</b>	<b>14,623</b>
<b>Net increase (decrease) of cash and cash equivalents .....</b>	<b>5,186</b>	<b>(15,630)</b>	<b>(130,062)</b>
<b>Cash and cash equivalents at beginning of year (Note 2) .....</b>	<b>47,866</b>	<b>53,053</b>	<b>441,478</b>
<b>Cash and cash equivalents at end of year (Note 2) .....</b>	<b>¥53,052</b>	<b>¥37,423</b>	<b>\$311,416</b>

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 nine affiliates constitute the Nishimatsu Construction Group (the "Group").

Names of major consolidated subsidiaries are Nishimatsu Jisho Co., Ltd and Tai Nishimatsu Construction Co., Ltd.

Names of major non-consolidated subsidiaries are Shimashizu Corporation Co., Ltd, SPC Research Institute for Humanity and Nature Service and Shin Urayasu Ekimae PFI. The non-consolidated subsidiaries have been excluded from the scope of consolidations as they are small in

scale and the total amounts of the non-consolidated subsidiaries' assets, net sales, equity in net income/loss, and equity in retained earnings do not have material impact on the consolidated financial statements.

### **(c) Application of the equity method**

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

Names of major non-consolidated subsidiaries and affiliates are Shimashizu Corporation, SPC Research Institute for Humanity and Nature Service and Shin Urayasu Ekimae PFI, and, non-consolidated affiliates, Hamamatsu Chuo Nishi Building K.K. and Masunagagumi.

These non-consolidated subsidiaries and affiliates are excluded from the application of the equity method, as each companies 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 ¥37,422 millions (\$311,416 thousands) is not equal to the cash and time deposits balance of ¥37,572 millions (\$312,664 thousands) in the balance sheet as of March 31, 2015, which includes time deposits with maturities of more than three month.

### **(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-mark 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 ¥321,757 million (\$2,677,519 thousand).

**(f) Income taxes**

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

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

**(g) Foreign currency transactions**

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

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

**(h) Hedge accounting**

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

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

contract are translated by the contracted rate of exchange.

**(i) Provision for warranties for completed construction**

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

**(j) Allowance for doubtful accounts**

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

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

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

**(l) Provision for bonuses**

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

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

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

**(n) Provision for environmental measures**

It is calculated based on a rational estimate and the Group recognized ¥227 millions (\$1,888 thousands) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

**(o) Other account policies in preparing consolidated financial statements**

Process of the equivalent of consumption tax and local consumption tax Consumption tax and local consumption tax are accounted for using the tax exclusion method.

### 3. Change in Accounting Policy in the Consolidated Statements of Income

On May 17, 2012, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statements No.26, "Accounting Standard for Retirement Benefits" and on March 26, 2015 ASBJ issued the 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 and the other related guidance.

Under the revised accounting standard, the Group has applied the new method of calculating retirement benefit obligations and service costs. The method of determination of the discount rate has revised from a discount rate based on a period approximate to the expected average remaining working lives of employees to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and the method of attributing benefits to accounting periods changed from the straight-line method to the standard pension benefit formula basis. In

accordance with transitional accounting as stipulated in article 37 of the Accounting Standard for Retirement Benefits, for the amendments relating to determination of retirement benefit obligations and service costs, the effect of changes in accounting policies arising from initial application is recognized as an adjustment to retained earnings at the beginning of the fiscal year.

As the effect of this revised accounting standard, the liability for retirement benefits on the consolidated balance sheet have increased by ¥2,719 million (\$22,629 thousand) as of the beginning of the fiscal year under review, and retained earnings have decreased by ¥2,719 million (\$22,629 thousand), respectively. The impact to operating income, ordinary income and net income before taxes for the fiscal year is immaterial.

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

### 4. 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 ¥120.17 = US\$1, which was the exchange rate prevailing as of March 31,

2015.

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

## 5. Investment in securities

As March 31, 2014 and 2015 securities with quoted market prices are summarized as follows:

### Held-to-maturity securities with quoted market prices

	Millions of yen						Thousands of U.S. dollars		
	2014			2015			2015		
	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 .....	¥292	¥300	¥8	¥349	¥356	¥7	\$2,902	\$2,961	\$59
Sub-total .....	292	300	8	349	356	7	2,902	2,961	59
Held-to-maturity securities whose market values do not exceed the amounts recorded in the balance sheet:									
Debt securities .....	71	71	(0)	27	26	0	221	220	0
Sub-total .....	71	71	(0)	27	26	0	221	220	0
total .....	¥363	¥371	¥8	¥376	¥382	¥7	\$3,123	\$3,181	\$59

### Other securities with quoted market prices

	Millions of yen						Thousands of U.S. dollars		
	2014			2015			2015		
	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 .....	¥23,925	¥55,624	¥31,699	¥23,568	¥64,575	¥41,007	\$196,125	\$537,366	\$341,241
Sub-total .....	23,925	55,624	31,699	23,568	64,575	41,007	196,125	537,366	341,241
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:									
Equity securities .....	598	509	(89)	104	101	(3)	866	837	(29)
Sub-total .....	598	509	(89)	104	101	(3)	866	837	(29)
total .....	¥24,523	¥56,133	¥31,610	¥23,672	¥64,676	¥41,004	\$196,991	\$538,203	\$341,212

### Available-for-sale securities sold during the fiscal year ended March 31, 2014 and 2015

	Millions of yen						Thousands of U.S. dollars		
	2014			2015			2015		
	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 .....	—	—	—	¥2,928	¥1,603	—	\$24,365	\$13,338	—
Others .....	—	—	—	—	—	—	—	—	—
total .....	—	—	—	¥2,928	¥1,603	—	\$24,365	\$13,338	—

### Loss on valuation of investment securities

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

The Group recognizes an important loss on securities with market prices in cases where the market price at the end of the fiscal year fall 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.



## 6. Short-term and long-term debt

(a) The weighted average interest rates on short-term debt outstanding as of March 31, 2015 was approximately 0.526 per cent.

(b) Long-term debt comprised the following:

	Issuer	Type	Date of issue	Millions of yen		Thousands of U.S. dollars
				2014	2015	2015
Dept, principally from banks and insurance companies						
Due 2016 to 2019 with weighted-average interest rate of 1.333 per cent .....						
				¥35,848	¥31,393	\$261,240
0.740 per cent unsecured Japanese Yen bond due December 19, 2016 .....	Nishimatsu construction Co., Ltd.	The fifth unsecured Japanese Yen bonds	December 19, 2013	10,000	10,000	83,215
2.345 per cent unsecured Japanese Yen bond due May 31, 2015 .....	Nishimatsu Jisho Co., Ltd.	The first unsecured Japanese Yen bonds	May 31, 2010	975	825	6,865
				46,823	42,218	351,320
Less: Portion due within 1 year .....				(4,858)	(25,932)	(215,792)
				¥41,965	¥16,286	\$135,528

The aggregate annual maturities of long-term debt on March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
2016 .....	¥5,634	\$46,882
2017 .....	653	5,431
2018 .....	0	0
2019 and thereafter .....	0	0

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 .....	10,000	83,215
Less than 3 years more than 2 years .....	0	0
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 .....	¥825	\$6,865
Less than 2 years more than 1 year .....	0	0
Less than 3 years more than 2 years .....	0	0
Less than 4 years more than 3 years .....	0	0

The aggregate annual maturities of lease on March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
2016 .....	¥26	\$214
2017 .....	23	192
2018 .....	16	135
2019 and thereafter .....	5	37

## 7. Retirement benefits and pension plan

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

FY2013(April 1, 2013 to March 31, 2014)

(a) Retirement benefit obligation

	Millions of yen
	2014
Recognition of retirement benefit obligation:	
Retirement benefit obligation as of April 1, 2013 .....	¥22,421
Cumulative effect of changes in accounting policies .....	—
Retirement benefit obligation that changes in accounting policies as of April 1, 2013 .....	¥22,421
Service cost .....	974
Interest cost .....	400
Actuarial gain or loss .....	(176)
Retirement benefits paid .....	(1,546)
Other .....	—
Retirement benefit obligation as of March 31, 2014 .....	¥22,073

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

(b) Reconciliation of plan assets

	Millions of yen
	2014
Plan assets as of April 1, 2013 .....	¥12,228
Expected return on plan assets .....	113
Actuarial gain or loss .....	708
Contribution by the Company .....	1,400
Retirement benefits paid .....	(1,283)
Plan assets as of March 31, 2014 .....	¥13,166

(c) Reconciliation of Retirement Benefit Obligation and Plan Assets and Net liability for retirement benefit in the Consolidated Balance Sheets

	2014
Funded retirement benefit obligation .....	¥21,996
Plan assets .....	(13,166)
	8,830
Unfunded retirement benefit obligation .....	78
Net liability for retirement benefit in the Consolidated Balance Sheets .....	8,908
Net defined benefit liability .....	8,908
Net liability for retirement benefit in the Consolidated Balance Sheets .....	8,908

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

	Millions of yen
	2014
Service cost .....	¥974
Interest cost .....	400
Expected return on plan assets .....	(113)
Amortization of actuarial gain or loss .....	1,084
Unrecognized past service cost .....	(91)
Others .....	4
Total .....	¥2,258

(e) Remeasurements of defined benefit plans

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

	Millions of yen
	2014
Unrecognized past service cost .....	—
Unrecognized actuarial gain or loss .....	—
Total .....	—

**(f) Cumulative remeasurements of defined benefit plans**

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

	2014
Unrecognized past service cost .....	¥(548)
Unrecognized actuarial gain or loss .....	4,723
Total .....	<u>¥4,175</u>

**(g) Pension 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 .....	<u>100%</u>

**Method for long-term expected return on plan assets**

Long-term expected return on plan assets is determined by current and future distribution of plan assets and long-term expected return consists of pension assets.

**(h) Assumptions for actuarial calculations**

	2014
Discount rate .....	1.8%
Expected return on plan assets	
Except pension trust .....	1.5%
Expected return on pension trust .....	<u>0.0%</u>

**(i) Defined contribution**

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

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

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

**(1) Funded status**

Multi-employer pension funds

	Millions of yen
	2014
Plan assets .....	¥225,553
Legal reserve on the pension finance calculation .....	218,439
Unamortized pension past service cost .....	12,189
Net amount .....	<u>¥(5,075)</u>

(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 .....	<u>6.5%</u>

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.

**FY 2014 (April 1, 2014 to March 31, 2015)****(a) Retirement benefits obligation**

Recognition of retirement benefit obligation:

	Millions of yen	Thousands of U.S dollars
	2015	2015
Retirement benefit obligation as of April 1, 2014 .....	¥22,073	\$183,684
Cumulative effect of changes in accounting policies .....	2,719	22,629
Retirement benefit obligation that changes in accounting policies as of April 1, 2014 .....	¥24,793	\$206,313
Service cost .....	1,079	8,979
Interest cost .....	172	1,430
Actuarial gain or loss .....	(20)	(170)
Retirement benefits paid .....	(1,547)	(12,877)
Other .....	6	57
Retirement benefit obligation as of March 31, 2015 .....	<u>¥24,482</u>	<u>\$203,732</u>

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
	2015	2015
Plan assets as of April 1, 2014 .....	¥13,166	\$109,558
Expected return on plan assets .....	125	1,041
Actuarial gain or loss .....	641	5,334
Contributions by the Company .....	697	5,798
Retirement benefits paid .....	(1,205)	(10,020)
Plan assets as of March 31, 2015 .....	<u>¥13,424</u>	<u>\$111,711</u>

**(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
	2015	2015
Funded retirement benefit obligation .....	¥24,388	\$202,949
Plan assets .....	(13,424)	(111,711)
	10,964	91,238
Unfunded retirement benefit obligation .....	94	783
Net liability for retirement benefit in the Consolidated Balance Sheets .....	<u>11,058</u>	<u>92,021</u>
Net defined benefit liability .....	11,058	92,021
Net liability for retirement benefit in the Consolidated Balance Sheets .....	<u>11,058</u>	<u>92,021</u>

**(d) Components of net periodic pension cost for the year ended March 31, 2015**

	Millions of yen	Thousands of U.S dollars
	2015	2015
Service cost .....	¥1,079	\$8,979
Interest cost .....	172	1,430
Expected return on plan assets .....	(125)	(1,041)
Amortization of actuarial gain or loss .....	1,101	9,161
Unrecognized past service cost .....	(91)	(760)
Others .....	0	3
Total .....	<u>¥2,136</u>	<u>\$17,772</u>

**(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
	2015	2015
Past service cost .....	¥(91)	\$(760)
Actuarial gain or loss .....	1,762	14,664
Total .....	<u>¥1,671</u>	<u>\$13,904</u>

**(f) Cumulative remeasurements of defined benefit plans**

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

	Millions of yen	Thousands of U.S dollars
	2015	2015
Unrecognized past service cost .....	¥(456)	\$(3,798)
Unrecognized actuarial gain or loss .....	2,961	24,640
Total .....	¥2,505	\$20,842

**(g) Pension assets****Details of plan assets**

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

	2015
Bonds .....	45%
Securities .....	32%
General accounts .....	17%
Other .....	6%
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 pension assets.

**(h) Assumptions for actuarial calculations**

	2015
Discount rate .....	0.7%
Expected return on plan assets	
Except pension trust .....	1.5%
Expected return on pension trust .....	0.0%

**(i) Defined contribution**

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

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

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
	2015	2015
Plan assets .....	¥245,223	\$2,040,631
Total amount of legal reserve and actuarial obligation of the pension finance calculation .....	242,526	2,018,195
Net amount .....	¥2,697	\$22,436

\* Total amount of legal reserve and actuarial obligation of the pension finance calculation was indicated Legal reserve on the pension finance calculation and Unamortized pension past service cost at March 31, 2014.

(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.

	2015
Proportion of the Group total salary of multi-employer pension funds .....	6.7%

Under this plan, past service cost is amortized evenly over 10 years.

The Group has recognized the special premium of ¥98 million (\$812 thousand) as costs for the year ended March 31, 2015.

**8. Income taxes****Composition of deferred tax assets and liabilities**

(a) Deferred tax assets and liabilities at March 31, 2014 and 2015 consisted are as follows:

	Millions of yen		Thousands of U.S dollars
	2014	2015	2015
Deferred tax assets:			
Net defined benefit liability .....	¥5,987	¥5,045	\$41,982
Carry forwards .....	8,191	4,549	37,855
Impairment loss of long-lived assets ..	4,019	3,614	30,077
Provision for allowance for loss on construction projects ..	1,650	1,987	16,531
Allowance for doubtful accounts .....	1,092	1,173	9,765
Provision for bonuses .....	501	491	4,087
Provision for warranties for completed construction ..	505	436	3,630
Valuation Loss on investment securities ...	602	402	3,348
Loss on valuation of real estate .....	419	364	3,032
Other .....	1,776	2,005	16,673
Subtotal deferred tax assets .....	24,742	20,066	166,980
Valuation allowance .....	(20,408)	(14,959)	(124,478)
Gross deferred tax assets .....	4,334	5,107	42,502
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities .....	¥(11,253)	¥(13,244)	\$(110,212)
Resignation payment trust .....	(1,379)	(943)	(7,847)
Reserve for reduction entry of replaced property ..	(613)	(545)	(4,538)
Others .....	(16)	(40)	(334)
Gross deferred tax liabilities .....	¥(13,261)	¥(14,772)	\$(122,931)
Net deferred tax assets (liabilities) ..	¥(8,927)	¥(9,665)	\$(80,429)

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

	2014	2015
Statutory tax rate .....	38.0%	35.6%
(Adjustment)		
Permanent non-deductible items .....	24.8%	5.7%
Permanent non-taxable items .....	(4.5%)	(1.3%)
Inhabitant taxes on per capita levy .....	5.2%	1.4%
Foreign corporation taxes .....	13.1%	2.7%
Past fiscal year taxes .....	(8.3%)	(0.1%)
Difference of tax rate of foreign subsidiaries .....	(7.0%)	(4.0%)
Valuation allowance .....	(173.2%)	(35.9%)
Reduction of deferred taxes in effect of enacted future tax ...	8.2%	2.1%
Tax credit .....	3.0%	6.1%
Difference of the tax base of enterprise tax on corporation ...	(2.9%)	(1.3%)
Other .....	(3.8%)	(0.2%)
Effective tax rate .....	(107.4%)	10.8%

(c) As the "Act for Partial Revision of the Income Tax Act, etc." and the "Act for the Partial Revision of the Local Tax Act, etc." was promulgated on March 31, 2015, the statutory effective tax rate used in the calculation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2015 (However, limited to temporary difference that are expected to be reversed on and after April 1, 2015) has been changed from the 35.6% of the previous fiscal year to 33.1% for those expected to be collected or paid during the period from April 1, 2015 to March 31, 2016, and to 32.3% for those expected to be collected or paid on and after April 1, 2016.

As a result, net of deferred tax liability decreased by ¥1,125 million (\$9,362 thousand), deferred income taxes for this fiscal year increased by ¥228 million (\$1,898 thousand), and unrealized gain on available-for-sale securities increased by ¥1,353 million (\$11,260 thousand).

## 9. Lease transactions

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

### Finance lease transactions that do not transfer ownership

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

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
	2014	2015	2015
Toa Jisho, Ltd. ....	¥29	¥—	\$—
Total.....	¥29	¥—	\$—

- (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
	2014	2015	2015
Total amount of loan commitment.....	¥16,612	¥25,544	\$212,565
Loans outstanding .....	¥—	¥—	\$—

- (e) 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
	2014	2015	2015
Building and structures .....	¥742	¥—	\$—
Land.....	1,909	—	—
Total.....	¥2,651	¥—	\$—

## 10. Notes to Consolidated Balance Sheets

- (a) Investments in non-consolidated subsidiaries and affiliates as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Investment securities.....	¥829	¥828	\$6,890

- (b) Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligation as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
<b>Pledged assets:</b>			
Building and structures.....	¥988	¥975	\$8,112
Land .....	95	95	788
Total .....	¥1,083	¥1,070	\$8,900

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
<b>Secured liabilities:</b>			
Deposits received .....	¥82	¥82	\$683
Other long-term liabilities .....	636	554	4,612
Total .....	¥718	¥636	\$5,295

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
<b>Pledged assets for loans on subsidiaries and affiliates:</b>			
Building and structures.....	¥336	¥326	\$2,714
Land .....	37	37	306
Investment securities.....	184	184	1,533
Total .....	¥557	¥547	\$4,553

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
<b>Pledged assets for construction:</b>			
Investment securities.....	¥55	¥60	\$499

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
<b>Pledged assets for housing latent defects:</b>			
Investment securities.....	¥308	¥315	\$2,624

### (c) Contingent liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
	¥134	¥111	\$922

The Company provides guarantee for loans of company which were not consolidated from banks, etc.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Sendai-shi Arai-nishi Renewal Union .....	670	—	—
Total.....	¥670	¥—	\$—

## 11. 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
	2014	2015	2015
	¥29	¥7	\$56

- (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
	2014	2015	2015
	¥3,068	¥5,485	\$45,642

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Employees' salary and allowances.....	¥6,700	¥7,164	\$59,617
Retirement benefit expenses.....	¥924	¥856	\$7,123

- (d) Research and development expenses for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
	¥1,282	¥1,227	\$10,209

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

	Millions of yen		Thousands of
	2014	2015	U.S. dollars
Buildings and structures .....	¥(887)	¥(7)	\$(58)
Machinery .....	0	7	59
Land.....	(18)	(25)	(205)
Other.....	6	(5)	(40)
Total.....	¥(899)	¥(29)	\$(244)

(f) Loss on Impairment of long-lived assets

**FY2013(April 1, 2013 to March 31, 2014)**

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	Purpose	Type of asset	Millions of yen
			2014
Yamanashi	For rent	Land, Building	¥500
Shizuoka	For rent	Building	¥471
Kanagawa	For rent	Land, Building	¥422
Miyagi	For rent	Land, Building	¥266
Hyogo	For rent	Building	¥189
Kanagawa	For rent	Land, Building	¥76

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

**FY2014(April 1, 2014 to March 31, 2015)**

The Group recognized impairment loss on the following asset groups for the year ended March 31, 2015.

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

The book value of the following real estate for rent was reduced to the recoverable amount due to the decision of reconstruction and disposal by sales difference between the book value and the recoverable amount was posted as loss on impairment(¥4,599 million).

Location	Purpose	Type of asset	Millions of yen	Thousands of
			2015	U.S. dollars
Tokyo	For rent	Building	¥227	\$1,890
Tokyo	For rent	Land	¥73	\$607
Tokyo	For rent	Land, Building	¥49	\$411
Tokyo	For rent	Land, Building	¥29	\$239
Tokyo	For rent	Land	¥12	\$101

In addition, the recoverable value of the rental property was estimated based on the future cash flow discounted by the rate of 2.8% estimated selling amounts.

## 12. Notes to Consolidated Comprehensive Income

Other Comprehensive income for the year ended March 31, 2014 and 2015 were as follows:

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

	Millions of yen		Thousands of
	2014	2015	U.S. dollars
Unrealized gain on available for sale securities			
Amount arising during the year .....	¥6,517	¥10,996	\$91,504
Reclassification adjustments .....	10	(1,603)	(13,337)
Equity adjustment from foreign currency translation			
Amount arising during the year .....	396	439	3,656
Remesurements of defined benefit plans			
Amount arising during the year .....	—	661	5,504
Reclassification adjustments .....	—	1,010	8,401
Amount before income tax effect .....	6,923	11,503	95,728
Income tax effect .....	(2,305)	(2,350)	(19,558)
Total .....	¥4,618	¥9,153	\$76,170

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

	Millions of yen		Thousands of
	2014	2015	U.S. dollars
Unrealized gain on available for sale securities			
Amount before income tax effect .....	¥6,526	¥9,393	\$78,167
Income tax effect .....	(2,305)	(1,991)	(16,567)
Amount after adjustment of income tax effect .....	4,221	7,402	61,600
Foreign currency translation adjustment			
Amount before income tax effect .....	396	439	3,656
Income tax effect .....	0	0	0
Amount after adjustment of income tax effect .....	396	439	3,656
Remesurements of defined benefit plans			
Amount before income tax effect .....	396	1,671	13,905
Income tax effect .....	0	(359)	(2,991)
Amount after adjustment of income tax effect .....	396	1,312	10,914
Other comprehensive income			
Amount total of othe comprehensive income ..	6,923	11,503	95,728
Income tax effect .....	(2,305)	(2,350)	(19,558)
Amount after adjustment of income tax effect .....	¥4,618	¥9,153	\$76,170

### 13. Notes to Consolidated Statements of Changes in Net Assets

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

	Thousand shares	
	2014	2015
Common stock		
Number of shares at the beginning of year .....	277,957	277,958
Number of shares increased .....	0	0
Number of shares decreased.....	0	0
Number of shares at the end of year.....	277,957	277,958

a) FY2013 (April 1, 2013 to March 31, 2014)

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

b) FY2014 (April 1, 2014 to March 31, 2015)

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

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

	Thousand shares	
	2014	2015
Common stock		
Number of shares at the beginning of year .....	836	979
Number of shares increased .....	146	27
Number of shares decreased.....	3	—
Number of shares at the end of year.....	979	1,006

(c) Dividends

FY2013 (April 1, 2013 to March 31, 2014)

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 27, 2013	Common stock	¥1,108	¥4.00	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	Yen	Record date	Effective date
			Total dividend	Dividend per shares		
Ordinary general meeting of shareholders on June 27, 2014	Common stock	Retained earnings	¥1,662	¥6.00	March 31, 2014	June 30, 2014

FY2014 (April 1, 2014 to March 31, 2015)

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, 2014	Common stock	¥1,662	\$13,829	¥6.00	\$0.050	March 31, 2014	June 30, 2014

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 26, 2015	Common stock	Retained earnings	¥2,770	\$23,047	¥10.00	\$0.083	March 31, 2015	June 29, 2015

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

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

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

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

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

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

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

#### (3) Supplemental explanation for fair value of financial instruments

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

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

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

### (b) Fair value of financial instruments

The book value, fair value, and difference of the financial instruments on the consolidated balance sheet as of March 31, 2014 and 2015 were as follows.

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

	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	(3)
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	—
Liabilities .....	¥159,649	¥159,676	¥27
Derivative .....	—	—	—

	Millions of yen		
	2015		
	Book Value	Fair value	Difference
Cash and deposits.....	¥37,573	¥37,573	¥—
Notes receivable, accounts receivable from completed construction contracts and other.....	152,230	151,678	(552)
Investment in securities.....	65,051	65,058	7
Long-term loans.....	177	—	—
Allowance for doubtful accounts*.....	(106)	—	—
	71	70	(1)
Assets .....	¥254,925	¥254,379	¥(546)
Notes payable, accounts payable for construction contracts and other .....	¥102,505	¥102,505	¥—
Short-term debt.....	36,807	36,807	—
Current portion of bond.....	825	825	—
Bond .....	10,000	10,048	48
Long-term debt.....	6,286	6,286	0
Liabilities .....	¥156,423	¥156,471	¥48
Derivative .....	—	—	—

	Thousands of U.S. dollars		
	2015		
	Book value	Fair value	Difference
Cash and deposits.....	\$312,664	\$312,664	\$—
Notes receivable, accounts receivable from completed construction contracts and other .....	1,266,785	1,262,196	(4,589)
Investment in securities.....	541,326	541,385	59
Long-term loans.....	1,471	—	—
Allowance for doubtful accounts* .....	(877)	—	—
	594	584	(10)
<b>Assets .....</b>	<b>\$2,121,369</b>	<b>\$2,116,829</b>	<b>\$(4,540)</b>
Notes payable, accounts payable for construction contracts and other .....	\$853,000	\$853,000	\$—
Short-term debt.....	306,295	306,295	—
Current portion of Bond.....	6,865	6,865	—
Bond .....	83,215	83,611	396
Long-term debt.....	52,313	52,313	0
Liabilities .....	\$1,301,688	\$1,302,084	\$396
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 at March 31, 2014 and 2015 were as follows:

Classification	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
	Book value	Book value	Book value
Unlisted receivables .....	¥55	¥30	\$250
Unlisted securities.....	8,693	8,756	72,862
Investment in anonymous association .....	389	1,214	10,100
Stock for nonconsolidated subsidiaries and affiliates .....	829	828	6,890

3. Redemption schedule for receivable and securities to maturity at March 31, 2014 and 2015.

	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
<b>Total .....</b>	<b>¥166,705</b>	<b>¥20,768</b>	<b>¥432</b>	<b>¥66</b>

	Millions of yen			
	2015			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	¥37,573	¥—	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other .....	128,359	6,369	17,501	—
Investment in securities Debt security held to maturity (government bonds) .....	177	198	—	—
Debt security held to maturity (other) .....	—	30	—	—
Long-term loan .....	—	91	26	61
<b>Total .....</b>	<b>¥166,109</b>	<b>¥6,688</b>	<b>¥17,527</b>	<b>¥61</b>



	Thousands of U.S. dollars			
	2015			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits.....	\$312,664	\$—	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other.....	1,068,148	52,999	145,638	—
Investment in securities Debt security held to maturity (government bonds) .....	1,475	1,647	—	—
Debt security held to maturity (other) .....	—	250	—	—
Long-term loan .....	—	754	213	504
Total .....	\$1,382,287	\$55,650	\$145,851	\$504

#### 4. Redemption schedule for bond, long-term debt, and lease liability as of March 31, 2014 and 2015.

	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	¥—

	Millions of yen					
	2015					
	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 .....	¥825	¥10,000	¥—	¥—	¥—	¥—
Long-term debt...	25,107	5,634	653	—	—	—
Lease liability .....	31	26	23	16	5	0
Total .....	¥25,963	¥15,660	¥676	¥16	¥5	¥—

	Thousands of U.S. dollars					
	2015					
	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 .....	\$6,865	\$83,215	\$—	\$—	\$—	\$—
Long-term debt...	208,927	46,882	5,431	—	—	—
Lease liability .....	259	214	192	135	37	—
Total .....	\$216,051	\$130,311	\$5,623	\$135	\$37	\$—

## 15. Investment and rental properties

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

Profit for investment and rental properties in 2014 was ¥1,957 million, in 2015 was ¥2,183 million (\$18,162 Thousands).

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

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

Millions of yen			
Carrying amount			Fair value
April 1, 2014	Increased (Decreased)	March 31, 2015	March 31, 2015
¥49,442	¥(146)	¥49,295	¥51,722

Thousands of U.S. dollars			
Carrying amount			Fair value
April 1, 2014	Increased (Decreased)	March 31, 2015	March 31, 2015
\$411,430	\$(1,218)	\$410,212	\$430,406

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, and those of decrease were Depreciation ¥885 million, the selling ¥2,769 million, and loss on impairment of long-lived assets ¥1,925 million.

The main reason of increase in 2015 was the purchase, ¥1,815 million (\$15,105 Thousands), and those of decrease were Depreciation ¥858 million (\$7,136 Thousands), the selling ¥438 million (\$3,645 Thousands), transfer to sales of real estate ¥445 million (\$3,706 Thousands) and loss on impairment of long-lived assets ¥390 million (\$3,248 Thousands).

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

## 16. Asset retirement obligations

The asset retirement obligations included in financial statement for the years ended March 31, 2014 and 2015 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 obligation by having mainly used 1.035 to 1.989%.
3. Rationally estimated cost of obligation to restore to original state based on real estate rental contract  
The estimated period of service of rental stores owned by the Group is 20 years based on periodical lease contract and the discount rate has calculated the adjustment amount of an asset retirement obligations by having used 2.155%.  
The estimated period of service of the offices which the Group rents is mainly 4 to 5 years based on periodical lease contract and the discount rate has calculated the adjustment amount of an asset retirement obligations by having used 0.102 to 0.263%.

(b) Increase(decrease) of asset retirement obligations as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at beginning of year.....	¥108	¥108	\$898
New obligations by acquisition of fixed assets .....	0	97	808
Adjustment for time's passage .....	2	2	16
Decrease because of executed obligation...	(2)	—	—
Balance at end of year .....	¥108	¥207	\$1,722

(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.

## 17. 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, 2014 and 2015.

	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	(985)	—
Total.....	¥131,387	¥173,222	¥11,014	¥(985)	¥314,638
Operating income (loss)....	1,975	810	1,953	—	4,738
Depreciation and amortization..	337	467	952	—	1,756

	Millions of yen				
	2015				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Net sales:					
Customers .....	¥144,100	¥191,378	¥7,512	¥—	¥342,990
Intersegment or transfer .....	5	—	934	(938)	—
Total.....	¥144,105	¥191,378	¥8,445	¥(938)	¥342,990
Operating income (loss)....	1,048	5,538	2,125	—	8,711
Depreciation and amortization..	403	520	856	—	1,779

	Thousands of U.S. dollars				
	2015				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Net sales:					
Customers .....	\$1,199,133	\$1,592,560	\$62,510	\$—	\$2,854,203
Intersegment or transfer .....	42	—	7,769	(7,811)	—
Total.....	\$1,199,175	\$1,592,560	\$70,279	\$(7,811)	\$2,854,203
Operating income (loss)....	8,722	46,086	17,680	—	72,488
Depreciation and amortization..	3,350	4,329	7,125	—	14,803

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, 2014 and 2015.

(2) Geographical areas

Information by geographical segment for the year ended March 31, 2014 and 2015 were summarized as follows:

	Millions of yen			
	2014			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers .....	¥256,998	¥53,456	¥4,184	¥314,638

	Millions of yen			
	2015			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers .....	¥278,359	¥62,843	¥1,788	¥342,990

	Thousand of U.S. dollars			
	2015			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers .....	\$2,316,379	\$522,948	\$14,876	\$2,854,203

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, 2014 and 2015 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, 2014 and 2015. The detail for the year ended March 31, 2014 and 2015 was 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	¥—	¥1,925

	Millions of yen				
	2015				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Loss on impairment of long-lived assets .....	¥—	¥—	¥390	¥—	¥390

	Thousands of U.S. dollars				
	2015				
	Civil engineering	Building construction	Real estate and others	Elimination	Consolidated
Loss on impairment of long-lived assets .....	\$—	\$—	\$3,248	\$—	\$3,248

## 18. 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, 2014 and 2015.

### (a) Per share information

	Yen		U.S. dollars
	2014	2015	2015
Net income:			
Basic .....	¥20.16	¥33.29	\$0.277
Net assets: .....	483.26	533.84	4.442

1. Diluted net income per share for the year March 31, 2014 and 2015 were not presented because the Company had no shares with dilutive effects.

2. As described in "4. 「Change in Accounting Policy in the Consolidated Statement of Income」", the Company has adopted "Accounting standard for Retirement benefits" and applied transitional treatment stipulated in the paragraph 37 of "Accounting standard for Retirement benefits". As a result, net assets worth per share increased by ¥9.82(\$0.082).

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net income	¥5,587	¥9,221	\$76,730
Amount that does not belong to general shareholders .....	0	—	—
Net income related to common stock .....	5,587	9,221	76,730
Average number of shares of common stock during the year (Unit: 1,000) .....	277,958	276,961	

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Total amount under net assets .....	¥135,202	¥149,554	\$1,244,519
Amount deducted from the total amount under net assets .....	1,193	1,706	14,197
(Of which minority interests) .....	(1,193)	(1,706)	(14,197)
Net assets at the end of the year related to common stock .....	134,009	147,848	1,230,322
Number of shares of common stock at the end of the year used in the calculation of net assets per share (Unit: 1,000) .....	276,979	276,952	

## 19. Quarterly information for FY2014 (April 1, 2014 to March 31, 2015)

### (a) Accumulated period

	Millions of yen			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2014 Jun 30, 2014	Apr 1, 2014 Sep 30, 2014	Apr 1, 2014 Dec 31, 2014	Apr 1, 2014 Mar 31, 2015
Net sales .....	¥74,407	¥162,254	¥252,299	¥342,990
Net income before income taxes .....	2,111	6,267	8,126	10,760
Net income .....	1,445	5,005	6,527	9,221
Per share of net income (Yen) .....	5.22	18.07	23.57	33.29

	Thousands of U.S. dollars			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr 1, 2014 Jun 30, 2014	Apr 1, 2014 Sep 30, 2014	Apr 1, 2014 Dec 31, 2014	Apr 1, 2014 Mar 31, 2015
Net sales .....	\$619,184	\$1,350,202	\$2,099,516	\$2,854,203
Net income before income taxes .....	17,567	52,155	67,617	89,538
Net income .....	12,025	41,646	54,313	76,730
Per share of net income (U.S. dollars) .....	0.043	0.150	0.196	0.277

### (b) Each period

	Yen			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2014 Jun 30, 2014	Jul 1, 2014 Sep 30, 2014	Oct 1, 2014 Dec 31, 2014	Jan 1, 2015 Mar 31, 2015
Per share of net income .....	5.22	12.85	5.50	9.72

	U.S. dollars			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr 1, 2014 Jun 30, 2014	Jul 1, 2014 Sep 30, 2014	Oct 1, 2014 Dec 31, 2014	Jan 1, 2015 Mar 31, 2015
Per share of net income .....	0.043	0.107	0.046	0.081

## 20. Subsequent events

### Issuance of Unsecured Bonds

The Board of Director of the Company resolved at its meeting held on June 25, 2015 to issue unsecured bonds with the following terms and conditions:

Issue class	Unsecured Domestic Straight Bonds
Issue amount:	Maximum of ¥30,000 million (\$249,646 thousand)
Maturity :	Within 7 years
Demonstration of Bond:	¥100 million (\$832 thousand)
Interest rate:	Not more than swap rate plus 1.0%
Redemption schedule:	Redemption at maturity
Issue price:	¥100 for face value of ¥100
Redemption price:	¥100 for face value of ¥100
Offering period:	From July 1, 2015 to September 30, 2015
Interest payment:	At the end of every 6 month period
Status of the Bonds:	Unsecured by non-guarantee's
Use of proceeds:	Repayment of dept and working capital

CEO or a person who is appointed by the CEO (the General Manager of Management Division) of the Company is authorized to determine all of the bond issued matters in accordance with the above terms and conditions.

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Nishimatsu Construction Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheet as of March 31, 2015, and the consolidated statement of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

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

## **Auditor's Responsibility**

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

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

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

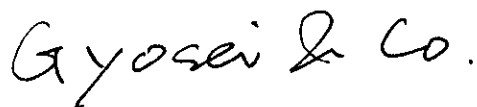
## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nishimatsu Construction Co., Ltd. and its subsidiaries as of March 31, 2015, 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 Note4.

Tokyo, Japan  
June 26, 2015



GYOSEI & Co.  
Certified Public Accountants

# Non-Consolidated Five-Year Summary

	Millions of yen				
	2011	2012	2013	2014	2015
Orders received .....	¥229,778	¥249,925	¥244,674	¥299,056	<b>¥339,095</b>
Orders received from overseas.....	15,387	46,176	24,724	34,624	<b>25,764</b>
Percentage of orders received from overseas.....	6.7%	18.5%	10.1%	11.6%	<b>7.6%</b>
Net sales.....	255,452	253,516	239,980	299,610	<b>325,464</b>
Cost of sales.....	237,564	239,525	226,280	283,860	<b>306,186</b>
Selling, general and administrative expenses .....	14,488	11,859	12,449	12,725	<b>13,506</b>
Income (Loss) before income taxes.....	2,248	1,559	3,330	2,165	<b>9,201</b>
Net income (loss) .....	2,882	2,001	2,848	5,453	<b>8,624</b>
Percentage of income (loss) against net sales .....	1.1%	0.8%	1.2%	1.8%	<b>2.6%</b>
Total assets .....	317,794	310,537	328,229	359,090	<b>370,622</b>
Net assets.....	112,764	114,480	124,978	133,499	<b>145,127</b>
Percentage of net assets against total assets.....	35.5%	36.9%	38.1%	37.2%	<b>39.2%</b>
Common stock .....	23,514	23,514	23,514	23,514	<b>23,514</b>
Per share of common stock (in yen):					
Net income (loss)* .....	¥ 10.39	¥ 7.22	¥ 10.28	¥ 19.68	<b>¥ 31.14</b>
Cash dividends applicable to the year .....	4.00	4.00	4.00	6.00	<b>10.00</b>
Net assets.....	406.71	412.91	450.99	481.98	<b>524.02</b>
Number of shareholders.....	29,275	26,808	26,915	20,049	<b>30,009</b>
Number of employees .....	2,392	2,340	2,309	2,648	<b>2,424</b>

Note:

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

# Non-Consolidated Balance Sheets

March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 13) .....	¥ 47,885	¥ 30,726	\$ 255,692
Marketable securities (Note 10) .....	25	167	1,392
Notes and accounts receivable, trade:			
Notes (Notes 8 and 13) .....	2,985	4,552	37,878
Accounts (Note 13) .....	130,443	147,958	1,231,239
Allowance for doubtful accounts (Notes 2 and 12) .....	(396)	(243)	(2,025)
Inventories (Notes 2 and 5) .....	26,729	18,988	158,009
Short-term loans to subsidiaries and affiliates (Note 13) .....	43	43	360
Deferred income taxes (Note 7) .....	3,064	4,170	34,702
Advance paid .....	9,027	13,360	111,173
Other current assets .....	6,840	8,609	71,644
Total current assets .....	226,645	228,330	1,900,064
<b>Investments and other assets:</b>			
Investment securities (Notes 2 and 10) .....	60,896	70,113	583,445
Investments in subsidiaries and affiliates (Notes 2 and 8) .....	2,373	2,372	19,740
Long-term loans to subsidiaries and affiliates (Note 8) .....	110	105	877
Others .....	5,992	5,687	47,319
Allowance for doubtful accounts (Notes 2, 7 and 12) .....	(410)	(115)	(953)
Total investments and other assets .....	68,961	78,162	650,428
<b>Property and equipment (Notes 2 and 11):</b>			
Land .....	41,713	41,582	346,028
Buildings .....	47,176	48,396	402,732
Machinery and equipment .....	9,037	8,805	73,268
Accumulated depreciation .....	(34,442)	(34,653)	(288,368)
Total property and equipment .....	63,484	64,130	533,660
<b>Total assets</b> .....	¥359,090	¥370,622	\$3,084,152

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Short-term debt from banks (Note 13) .....	¥9,139	¥9,139	\$ 76,051
Short-term debt from subsidiaries and affiliates .....	760	760	6,324
Current portion of long-term debt (Note 13).....	4,000	24,000	199,717
Notes and accounts payable, trade:			
Notes (Note 13) .....	14,705	48,937	407,234
Accounts (Note 13) .....	84,030	51,276	426,698
Advance received on uncompleted contracts (Note 13).....	24,228	14,623	121,690
Provision for warranties for completed construction (Notes 2 and 12) ..	1,389	1,323	11,009
Provision for bonuses (Notes 2 and 12).....	1,374	1,500	12,479
Provision for loss on construction contracts (Notes 2 and 12).....	4,636	6,032	50,192
Accrued income taxes .....	582	1,607	13,371
Employees' deposits .....	4,870	5,655	47,058
Provision for loss on real estate business and other (Notes 2 and 12) ..	54	37	306
Deposits received .....	13,470	16,959	141,124
Other current liabilities .....	2,454	2,459	20,463
<b>Total current liabilities</b> .....	<b>165,691</b>	<b>184,307</b>	<b>1,533,716</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 13).....	38,950	14,950	124,407
Accrued retirement benefits.....	4,655	8,460	70,396
Deferred income taxes (Notes 2 and 7).....	12,599	14,042	116,852
Provision for environmental measures (Notes 2 and 12) .....	227	227	1,888
Asset retirement obligations.....	108	207	1,721
Other long-term liabilities .....	3,361	3,302	27,487
<b>Total long-term liabilities</b> .....	<b>59,900</b>	<b>41,188</b>	<b>342,751</b>
<b>Total liabilities</b> .....	<b>225,591</b>	<b>225,495</b>	<b>1,876,467</b>
<b>Net assets:</b>			
Common stock :			
Authorized - 800,000,000 shares			
Issued and outstanding - 277,957,513 shares.....	23,514	23,514	195,670
Capital surplus .....	20,780	20,780	172,925
Legal reserve.....	5,878	5,878	48,916
Retained earnings.....	63,266	67,509	561,778
Treasury stock, at cost.....	(287)	(299)	(2,489)
Unrealized gain on available-for-sale securities .....	20,348	27,745	230,885
<b>Total net assets</b> .....	<b>133,499</b>	<b>145,127</b>	<b>1,207,685</b>
<b>Total liabilities and net assets</b> .....	<b>¥359,090</b>	<b>¥370,622</b>	<b>\$3,084,152</b>

# Non-Consolidated Statements of Income

For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
<b>Net sales (Note 2):</b>			
Completed construction contract.....	¥289,895	¥318,289	\$2,648,657
Real estate business and other.....	9,715	7,175	59,703
	299,610	325,464	2,708,360
<b>Cost of sales (Note 2):</b>			
Cost of completed construction contract.....	276,616	301,646	2,510,163
Cost of real estate business and other.....	7,244	4,540	37,774
	283,860	306,186	2,547,937
Gross profit.....	15,750	19,278	160,423
<b>Selling, general and administrative expenses</b>			
Income (Loss) from operations .....	3,025	5,772	48,031
<b>Other income (expenses):</b>			
Interest and dividend income.....	1,393	2,464	20,508
Interest expenses.....	(642)	(616)	(5,127)
Financing expenses .....	(95)	(192)	(1,594)
Gain on sales of investment securities.....	—	1,603	13,338
Reversal of allowance for doubtful accounts .....	0	13	107
Reversal of provision for warranties for completed construction .....	100	0	0
Loss on sales of fixed assets (Note 9) .....	(899)	(29)	(244)
Loss on impairment of long-lived assets.....	(1,394)	(473)	(3,935)
Foreign currency exchange loss.....	1,209	745	6,196
Compensation for damage.....	(80)	0	0
Loss on support subsidiaries .....	(16)	0	0
Head office relocation expenses.....	—	(133)	(1,103)
Other - net .....	(436)	47	386
	(860)	3,429	28,532
<b>Income (Loss) before income taxes .....</b>	<b>2,165</b>	<b>9,201</b>	<b>76,563</b>
<b>Income taxes (Notes 2 and 7):</b>			
Current.....	836	2,229	18,545
Deferred .....	(4,124)	(1,652)	(13,749)
	(3,288)	577	4,796
<b>Net income (Loss) .....</b>	<b>¥5,453</b>	<b>¥8,624</b>	<b>\$71,767</b>
<b>Per share of common stock:</b>			
Net income (Loss).....	¥19.68	¥31.14	\$0.259
Cash dividends applicable to the year .....	6.00	10.00	0.083

The accompanying notes are an integral part of these statements.



# Non-Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2014 and 2015

	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, 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 April 1, 2014.....	¥23,514	¥20,780	¥5,878	¥63,266	¥(287)	¥20,348	¥133,499
Cumulative effects of changes in accounting policies.....				(2,720)			(2,720)
Restated balance.....	23,514	20,780	5,878	60,546	(287)	20,348	130,779
Dividends declared.....				(1,661)			(1,661)
Net income.....				8,624			8,624
Purchase of treasury stock.....					(12)		(12)
Disposal of treasury stock.....						7,397	7,397
Balance as at March 31, 2015.....	¥23,514	¥20,780	¥5,878	¥67,509	¥(299)	¥27,745	¥145,127

	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, 2014.....	\$195,670	\$172,925	\$48,916	\$526,469	\$(2,389)	\$169,328	\$1,110,919
Cumulative effects of changes in accounting policies.....				(22,629)			(22,629)
Restated balance.....	195,670	172,925	48,916	503,840	(2,389)	169,328	1,088,290
Dividends declared.....				(13,829)			(13,829)
Net income.....				71,767			71,767
Purchase of treasury stock.....					(100)		(100)
Disposal of treasury stock.....						61,557	61,557
Balance as at March 31, 2015.....	\$195,670	\$172,925	\$48,916	\$561,778	\$(2,489)	\$230,885	\$1,207,685

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

### (g) Recognition of sales and related costs

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

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

Sales from the percentage of completion method are ¥306,211 millions (\$2,548 thousands).

### (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 millions (\$1,888 thousand) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

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

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

### 3. Change in Accounting Policy the Consolidated Statements of Income

On May 17, 2012, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statements No.26, "Accounting Standard for Retirement Benefits" and on March 26, 2015 ASBJ issued the 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 and the other related guidance.

Under the revised accounting standard, the Group has applied the new method of calculating retirement benefit obligations and service costs. The method of determination of the discount rate has revised from a discount rate based on a period approximate to the expected average remaining working lives of employees to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and the method of attributing benefits to accounting periods changed from the straight-line method to the standard pension benefit formula basis. In

accordance with transitional accounting as stipulated in article 37 of the Accounting Standard for Retirement Benefits, for the amendments relating to determination of retirement benefit obligations and service costs, the effect of changes in accounting policies arising from initial application is recognized as an adjustment to retained earnings at the beginning of the fiscal year.

As the effect of this revised accounting standard, the liability for retirement benefits on the consolidated balance sheet have increased by ¥2,719 million (\$22,629 thousand) as of the beginning of the fiscal year under review, and retained earnings have decreased by ¥2,719 million (\$22,629 thousand), respectively. The impact to operating income, ordinary income and net income before taxes for the fiscal year is immaterial.

In addition, the effect on net assets per share is to increase by ¥9.82 (\$0.08).

### 4. United States dollar amounts

The United States dollar amounts presented in the accompanying non-consolidated financial statements are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥120.17 = US\$1, which was the exchange rate prevailing as of March 31, 2015.

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

### 5. Inventories

Inventories comprised the following.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Costs on uncompleted construction contracts....	¥23,014	¥14,498	\$120,650
Real estate for sale.....	3,572	4,374	36,394
Raw materials and supplies .....	143	116	965
Total.....	¥26,729	¥18,988	\$158,009

### 6. 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
	2014	2015	2015
Stocks of subsidiaries.....	¥2,206	¥2,206	\$18,359
Stocks of affiliates.....	167	166	1,380
Total.....	¥2,373	¥2,372	\$19,739

## 7. Income taxes

### Composition of deferred tax assets and liabilities

(a) Deferred tax assets and liabilities as of March 31, 2014 and March 31, 2015 consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred tax assets:			
Accrued retirement obligations .....	¥4,480	¥5,024	\$41,808
Carry forwards .....	7,607	4,073	33,894
Impairment loss of long-lived assets ..	3,318	2,983	24,822
Provision for allowance for loss on construction projects.....	1,650	1,987	16,531
Allowance for doubtful accounts .....	1,092	1,173	9,765
Provision for bonus.....	489	480	3,993
Provision for warranties for completed construction .....	494	438	3,644
Valuation Loss on investment securities ...	602	402	3,348
Loss on valuation of real estate .....	419	364	3,032
Other .....	1,562	1,822	15,160
Subtotal deferred tax assets.....	¥21,713	¥18,746	\$155,997
Variation allowance.....	(17,991)	(13,852)	(115,273)
Gross deferred tax assets .....	¥3,722	¥4,894	40,724
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities.....	(11,248)	(13,237)	(110,156)
Resignation payment trust .....	(1,379)	(943)	(7,847)
Reserve for reduction entry of replaced property ..	(613)	(545)	(4,538)
Others.....	(16)	(41)	(333)
Gross deferred tax liabilities .....	(13,256)	(14,766)	(122,874)
Net deferred tax assets (liabilities) ..	¥(9,534)	¥(9,872)	\$(82,150)

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

	2014	2015
Statutory tax rate.....	38.0%	35.6%
(Adjustment)		
Permanent non-deductible items .....	32.7%	6.7%
Permanent non-taxable items .....	(16.2)%	(7.3)%
Inhabitant taxes on per capita levy .....	6.7%	1.6%
Foreign corporate tax.....	17.0%	3.2%
Past fiscal year tax .....	(10.9)%	(0.1)%
Valuation allowance .....	(228.4)%	(41.1)%
Reduction of deferred taxes in effect of enacted future tax..	10.5%	2.4%
Difference of base of enterprise tax on corporation...	4.0%	7.1%
Tax credit .....	(3.8)%	(1.5)%
Other .....	(1.5)%	(0.3)%
Effective tax rate .....	(151.9)%	6.3%

(c) As the "Act for Partial Revision of the Income Tax Act, etc." and the "Act for the Partial Revision of the Local Tax Act, etc." was promulgated on March 31, 2015, the statutory effective tax rate used in the calculation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2015 (However, limited to temporary difference that are expected to be reversed on and after April 1, 2015) has been changed from the 35.6% of the previous fiscal year to 33.1% for those expected to be collected or paid during the period from April 1, 2015 to March 31, 2016 and to 32.3% for those expected to be collected or paid on and after April 1, 2016.

As a result, net of deferred tax liability decreased by ¥1,130 million(\$9,405 thousand), deferred income taxes for this fiscal year increased by ¥222 million(\$1,850 thousand), and unrealized gain on

available-for-sale securities increased by ¥1,352 million(\$11,254 thousand)

## 8. Notes to Non-Consolidated Balance sheets

(a) Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligation as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Pledged assets:			
Buildings.....	¥980	¥968	\$8,052
Structures .....	8	7	59
Land .....	95	94	788
Total .....	¥1,083	¥1,069	\$8,899
Secured liabilities:			
Deposit received .....	¥82	¥82	\$683
Other long-term liabilities .....	636	554	4,612
Total .....	¥718	¥636	\$5,295
Pledged assets for loans on subsidiaries and affiliates:			
Buildings.....	¥336	¥326	\$2,714
Land .....	37	37	306
Investment securities.....	177	177	1,470
Total .....	¥550	¥540	\$4,490
Pledged assets for construction:			
Investment securities.....	¥45	¥50	\$415
Pledged assets for housing latent defects:			
Investment securities.....	¥308	¥315	\$2,624

**(b) Contingent liabilities**

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
	¥134	¥134	\$1,116

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Nishimatsu investments., Ltd.....	¥2,017	¥1,674	\$13,930
Nishimatsu-jisho Co.,Ltd.....	1,508	1,248	10,386
Total.....	¥3,525	¥2,922	\$24,316

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
	2014	2015	2015
Sendai-shi Arai-nishi Renewal Union.....	¥670	¥—	\$—

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
	2014	2015	2015
Toa Jisho., LTD.....	¥29	¥—	\$—

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Total amount of loan commitment.....	¥16,000	¥25,000	\$208,039
Loans outstanding.....	—	—	—

(d) 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
	2014	2015	2015
Secured liabilities:			
Buildings.....	¥742	¥—	\$—
Land.....	1,909	—	—
Total.....	¥2,651	¥—	\$—

**9. Notes to Non-Consolidated Statements of Income**

(a) Gain (loss) on sales of fixed assets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Buildings and structures.....	¥(887)	¥(7)	\$(58)
Machinery.....	(1)	7	59
Land.....	(19)	(25)	(205)
Other.....	8	(4)	(41)
Total.....	¥(899)	¥(29)	\$(244)

## 10. 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, 2015 on balance sheets			
Sumitomo Realty & Development Co., Ltd.	3,500,000	¥15,136	\$125,953
Mitsui Fudosan Co., Ltd.	1,098,354	3,877	32,260
Shochiku Co., Ltd.	3,288,000	3,709	30,863
Tokyo Tatemono Co., Ltd.	4,075,399	3,586	29,844
Central Japan Railway Company	137,500	2,990	24,881
Kobe Steel, Ltd.	12,241,251	2,718	22,614
Mizuho Financial Group, Inc.	11,355,481	2,397	19,948
Mitsuboshi Belting Ltd.	2,000,000	1,930	16,061
Hulic Co., Ltd.	1,405,500	1,899	15,801
ASAHI KASEI CORPORATION	1,557,759	1,790	14,894
Tokio Marine Holdings, Inc.	345,000	1,566	13,030
Keikyu Corporation	1,552,001	1,491	12,411
The Higo Bank, Ltd.	1,983,999	1,462	12,168
East Japan Railway Company	150,000	1,446	12,033
TEIKOKU SEN-I Co., Ltd.	800,000	1,394	11,597
Keihan Electric Railway Co., Ltd.	1,710,849	1,252	10,421
Hankyu Hanshin Holdings, Inc.	1,674,970	1,245	10,356
Tsuruya Department Store Inc.	12,000	1,104	9,187
JFE Holdings, Inc.	375,786	997	8,299
Electric Power Development Co., Ltd.	236,000	956	7,954
Sapporo Holdings Limited	1,868,870	890	7,403
Sompo Japan Nipponkoa Holdings, Inc.	221,122	826	6,873
Japan Nuclear Fuel Limited	66,664	667	5,547
Fukuyama Transporting Co., Ltd.	1,000,000	640	5,326
West Japan Railway Company	100,000	630	5,245
JSR Corporation	251,416	524	4,358
Kyushu Electric Power Company, Incorporated	437,788	510	4,244
Taiheiy Cement Corporation	1,335,625	490	4,079
Kawasaki Heavy Industry, Ltd	700,000	425	3,536
Kubota Corporation	200,000	381	3,167
Chubu Electric Power Company, Incorporated	243,154	349	2,902
The Chugoku Electric Power Company, Incorporated	217,898	341	2,840
Oki Electric Industry Company, Limited	1,335,000	332	2,766
Kansai International Airport Land Company, Ltd.	6,300	315	2,621
The Ogaki Kyoritsu Bank, Ltd.	795,750	302	2,516
Metropolitan Intercity Railway Company	6,000	300	2,496
FUJII KYUKO CO.,LTD	250,000	283	2,353
DAIWA HOUSE INDUSTRY CO., LTD.	118,595	281	2,340
FURUKAWA CO., LTD	1,190,000	252	2,099
Nankai Electric Railway Co., Ltd.	500,000	248	2,064
MS&AD Insurance Group Holdings, Inc.	73,041	246	2,048
TPR CO., LTD.	73,036	236	1,960
Other(122 issues)	12,569,209	6,258	52,090
<b>Total</b>	<b>73,059,317</b>	<b>¥68,671</b>	<b>\$571,448</b>

### (b) Bonds

Marketable securities - Held to maturity securities

Issuer	Total face value		Figure on balance sheet	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Government bond(Two issues)...	¥167	\$1,392	¥167	\$1,392
<b>Total</b> .....	<b>¥167</b>	<b>\$1,392</b>	<b>¥167</b>	<b>\$1,392</b>

Investment securities - Held to maturity securities

Issuer	Total face value		Figure on balance sheet	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Government bond (eight issues)...	¥206	\$1,711	¥198	\$1,647
Corporate bond (one issue) ..	30	250	30	250
<b>Total</b> .....	<b>¥236</b>	<b>\$1,961</b>	<b>¥228</b>	<b>\$1,897</b>

### (c) Other

Investment securities - Available for sale securities

Type and issue	Number of investment units, etc	Figure on balance sheet	
		Millions of yen	Thousands of U.S. dollars
Investment in anonymous association (Toranomon Ichigo Godokaisha) .....	—	¥750	\$6,241
Mitsui Fudosan Private REIT Inc. ....	300	300	2,496
Investment in anonymous association(one issue) .....	—	94	783
Investment in investment limited partnership(one issue).....	3	70	580
<b>Total</b> .....	<b>—</b>	<b>¥1,214</b>	<b>\$10,100</b>

## 11. Details of property and equipment

Millions of yen

Type of assets	Balance at April 1, 2014	Increase during the year	Decrease during the year	Balance at March 31, 2015	Accumulated depreciation or accumulated amortization at March 31, 2015	Depreciation for the year	Net balance at March 31, 2015
<b>Tangible assets</b>							
Buildings.....	¥44,734	¥2,000	¥1,063 (335)	¥45,671	¥25,230	¥1,109	¥20,441
Structures.....	1,909	58	3	1,964	1,644	39	320
Machinery and equipment.....	6,334	354	269	6,419	5,752	104	667
Vehicles.....	406	53	29	430	373	16	57
Tools, furniture, and supplies.....	2,048	78	477	1,649	1,448	70	200
Land.....	41,713	598	739 (138)	41,572	—	—	41,572
Lease assets.....	249	59	6	302	206	52	97
Construction in progress.....	533	1,379	1,136	776	—	—	776
Total tangible assets.....	¥97,926	¥4,579	¥3,722 (473)	¥98,783	¥34,653	¥1,390	¥64,130
<b>Intangible assets</b>							
Software.....	—	—	—	2,044	1,530	284	514
Other.....	—	—	—	600	432	0	168
Total intangible assets.....	—	—	—	2,644	1,962	284	682
Long-term prepaid expenses.....	30	6	5	31	20	7	11
Deferred assets.....	—	—	—	—	—	—	—
Total deferred assets.....	—	—	—	—	—	—	—

Thousands of U.S. dollars

Type of assets	Balance at April 1, 2014	Increase during the year	Decrease during the year	Balance at March 31, 2015	Accumulated depreciation or accumulated amortization at March 31, 2015	Depreciation for the year	Net balance at March 31, 2015
<b>Tangible assets</b>							
Buildings.....	\$372,257	\$16,647	\$8,843 (2,784)	\$380,061	\$209,954	\$9,227	\$170,107
Structures.....	15,886	484	28	16,342	13,680	323	2,662
Machinery and equipment.....	52,710	2,945	2,242	53,413	47,867	865	5,546
Vehicles.....	3,377	441	244	3,574	3,101	135	473
Tools, furniture, and supplies.....	17,043	645	3,968	13,720	12,053	579	1,667
Land.....	347,116	4,975	6,146 (1,151)	345,945	—	—	345,945
Lease assets.....	2,072	490	45	2,517	1,713	438	804
Construction in progress.....	4,431	11,478	9,453	6,456	0	0	6,456
Total tangible assets.....	814,892	38,105	30,969 (3,935)	822,028	288,368	11,567	533,660
<b>Intangible assets</b>							
Software.....	—	—	—	17,010	12,735	2,367	4,275
Other.....	—	—	—	4,993	3,589	0	1,404
Total intangible assets.....	—	—	—	22,003	16,324	2,367	5,679
Long-term prepaid expenses.....	246	51	42	255	164	58	91
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	Setagaya-ku, Tokyo	For rent	¥797	\$6,634
Land	Aramachi, Wakabayashi-ku, Sendai-shi, Miyagi	For rent	¥597	\$4,972

(c) Descriptions on intangible assets, "Balance at the beginning of the year", "Increase during the year" and "Decrease during the year", are omitted, as the assets account for 1% or less of total assets.

(d) "Depreciation for the year" for property and equipment includes special depreciation of 3 million yen under the Act on Special Measures Concerning Taxation.

## 12. Details of provision

	Millions of yen				
	Balance at April 1, 2014	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2015
Allowance for doubtful accounts .....	¥805	¥93	¥420	¥120	¥358
Provision for warranties for completed construction .....	1,389	618	684	(—)	1,323
Provision for bonus .....	1,374	1,500	1,374	—	1,500
Provision for loss on construction contracts .....	4,636	5,759	4,132	231	6,032
Provision for loss on real estate business and other .....	54	2	19	—	37
Provision for environmental measures .....	227	—	—	—	227

	Thousands of U.S. dollars				
	Balance at April 1, 2014	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2015
Allowance for doubtful accounts .....	\$6,702	\$774	\$3,497	\$1,000	\$2,979
Provision for warranties for completed construction .....	11,555	5,142	5,688	—	11,009
Provision for bonus .....	11,430	12,479	11,430	—	12,479
Provision for loss on construction contracts .....	38,579	47,926	34,388	1,925	50,192
Provision for loss on real estate business and other .....	453	16	163	—	306
Provision for environmental measures .....	1,888	—	—	—	1,888

(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.

## 13. Major assets and liabilities

### (Assets)

#### 1. Cash and deposit

Cash and deposits	Millions of yen	Thousands of U.S. dollars
Cash .....	¥50	\$414
Deposits		
Current deposits .....	14,184	118,031
Saving deposits .....	13,304	110,713
Time deposits .....	3,188	26,534
Total .....	¥30,726	\$255,692

#### 2. Notes receivable

##### (a) Break down by payer

Payer	Millions of yen	Thousands of U.S. dollars
AEON Mall CO., Ltd. ....	¥1,365	\$11,359
Chiyoda Corporation .....	836	6,954
DAIKYO INCORPORATED .....	829	6,898
JFE Engineering Corporation .....	303	2,521
SHIN-EI-PLYWOOD Co., Ltd. ....	245	2,039
Other .....	974	8,107
Total .....	¥4,552	\$37,878

##### (b) Break down by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2015, April .....	¥1,844	\$15,346
May .....	649	5,398
June .....	918	7,643
July .....	675	5,614
August .....	201	1,671
September and beyond .....	265	2,205
Total .....	¥4,552	\$37,877

The figure for June includes items unsettled as of May 31 (worth ¥155 million) as May 31, 2015 was a bank holiday.

#### 3. Accounts receivable from completed construction contracts

##### (a) Breakdown by payer

Payer	Millions of yen	Thousands of U.S. dollars
The Organization of the Ministry of Land, Infrastructure, Transport and Tourism .....	¥23,512	\$195,659
Peoples Democratic Republic of Algeria, Ministry of Public Works .....	17,501	145,638
HOKKAIDO JR URVAN DEVELOPMENT CO., Ltd. ....	7,059	58,746
Tokai Otagawa station western area city redevelopment association .....	6,072	50,532
Sumitomo Realty & Development Co., Ltd. ....	5,765	47,975
Other .....	88,049	732,689
Total .....	¥147,958	\$1,231,239

##### (b) Stagnation

	Millions of yen	Thousands of U.S. dollars
Posted in fiscal year 2015 .....	¥146,658	\$1,220,422
Posted in fiscal year 2014 or before .....	1,300	10,817
Total .....	¥147,958	\$1,231,239



## 4. Real estate for sale

Item	Millions of yen	Thousands of U.S. dollars
Land for sale.....	¥1,834	\$15,266
Building for sale.....	643	5,345
Total.....	¥2,477	\$20,611

Breakdown of land is as follows:

Region	Square meter	Millions of yen	Thousands of U.S. dollars
Tohoku region.....	38,690.34	¥1,325	\$11,025
Kanto region.....	4,142.84	441	3,668
Other region.....	1,905.62	68	573
Total.....	44,738.80	¥1,834	\$15,266

## 5. Cost on work in progress

	Millions of yen			
	Balance at April 1, 2014	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2015
Work in progress.....	¥23,014	¥293,130	¥301,646	¥14,498

	Thousands of U.S. dollars			
	Balance at April 1, 2014	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2015
Work in progress.....	\$191,514	\$2,439,299	\$2,510,163	\$120,650

Breakdown of the balance at March 31, 2015 is as follows:

Item	Millions of yen	Thousands of U.S. dollars
Materials cost.....	¥2,815	\$23,428
Labor cost.....	528	4,391
Subcontracts cost.....	8,791	73,154
Other region.....	2,364	19,677
Total.....	¥14,498	\$120,650

## 6. Payment on estate trade

Item	Millions of yen	Thousands of U.S. dollars
Construction cost payment.....	¥137	\$1,139
Operation cost payment.....	804	6,694
Others.....	956	7,950
Total.....	¥1,897	\$15,783

## 7. Raw materials &amp; supplies

Item	Millions of yen	Thousands of U.S. dollars
Raw materials & supplies.....	¥52	\$437
Materials for sale.....	25	209
Others.....	39	319
Total.....	¥116	\$965

## (Liabilities)

## 1. Notes payable

## (a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION.....	¥1,049	\$8,730
Marubeni-Itochu Techno Steel Inc. ....	818	6,808
SANKEN SETSUBI KOGYO CO.,LTD. ....	564	4,691
OBAYASHI ROAD CORPORATION.....	540	4,470
Marubeni Construction Material Lease Co., Ltd. ....	510	4,242
Other.....	16,429	136,740
Total.....	¥19,910	\$165,681

## (b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2015, April.....	¥5,178	\$43,086
May.....	4,711	39,203
June.....	4,972	41,373
July.....	5,049	42,019
Total.....	¥19,910	\$165,681

## 2.

## (a) Electrically recorded obligations

Recipient	Millions of yen	Thousands of U.S. dollars
Kinden Corporation.....	¥1,528	\$12,717
SANKEN SETSUBI KOGYO CO.,LTD. ....	1,193	9,927
TC TRADING CO., Ltd. ....	873	7,268
Japan Kenzai Co., Ltd. ....	684	5,695
Uehara Sei Shoji Co., Ltd. ....	650	5,407
Other.....	24,099	200,539
Total.....	¥29,027	\$241,553

## (b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2015, April.....	¥7,953	\$66,180
May.....	7,253	60,356
June.....	6,481	53,934
July.....	7,340	61,083
Total.....	¥29,027	\$241,553

## 3. Accounts for payable for construction

Recipient	Millions of yen	Thousands of U.S. dollars
KUROSAWA CONSTRUCTION CO., LTD. ....	¥1,291	\$10,740
Hanwa CO., LTD. ....	481	4,001
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION.....	457	3,806
Kinden Corporation.....	333	2,774
OBAYASHI ROAD CORPORATION.....	316	2,628
Other.....	48,398	402,749
Total.....	¥51,276	\$426,698

**4. Short-term debt**

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Corporate Bank, Ltd. ....	¥2,000	\$16,643
Higo Bank, Ltd. ....	870	7,240
Mizuho Trust & Banking Co., Ltd. ....	867	7,215
Resona Bank, Ltd. ....	858	7,140
The Ogaki Kyoritsu Bank, Ltd. ....	500	4,161
The Hyaku Jushi Bank, Ltd. ....	500	4,161
North Pacific Bank, Ltd. ....	500	4,161
The Norinchukin Bank, Ltd. ....	500	4,161
Other .....	2,544	21,169
Long-term debt due within one year .....	24,000	199,717
Total .....	¥33,139	\$275,768

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

**5. Advances received on uncompleted construction**

	Millions of yen			
	Balance at April 1, 2014	Amount received the year	Amount transferred to completed construction contract	Balance at March 31, 2015
Advances received on uncompleted construction .....	¥24,228	¥170,592	¥180,197	¥14,623

	Thousands of U.S. dollars			
	Balance at April 1, 2014	Amount received the year	Amount transferred to completed construction contract	Balance at March 31, 2015
Advances received on uncompleted construction .....	\$201,613	\$1,419,592	\$1,499,515	\$121,690

The difference of ¥145,267 million between total sales of ¥325,464 million on the non-consolidated statements of income and the amount transferred to net sales of ¥180,197 million indicated above is equal to the sum accounts receivable from completed construction contracts of ¥144,982 million for fiscal 2014 and the increase of ¥285 million as a result of making adjustment to the contract value of prior-period settled construction contracts.

**6. Long-term debt**

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Bank, Ltd. ....	¥6,440	\$53,591
Mizuho Trust & Banking Co., Ltd. ....	3,024	25,164
Resona Bank, Ltd. ....	2,300	19,140
Sumitomo Mitsui Banking Corporation .....	2,130	17,725
Yokohama Bank, Ltd. ....	1,420	11,817
Daishi Bank, Ltd. ....	1,420	11,817
Other .....	12,216	101,655
Long-term debt due within one year .....	(24,000)	(199,717)
Total .....	¥4,950	\$41,192

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

**14. Cost of completed construction****1. Cost of completed construction**

Item	Millions of yen		Millions of yen		Thousands of U.S. dollars
	2014	% to Total	2015	% to Total	
Raw materials .....	¥51,421	18.6%	¥55,235	18.3%	\$459,643
Labor .....	19,070	6.9%	19,368	6.4%	161,173
(of which, outsourced labor cost) ..	(19,070)	(6.9)%	(19,368)	(6.4)%	(161,173)
Outsourcing cost .....	160,439	58.0%	181,555	60.2%	1,510,817
Expenses .....	45,686	16.5%	45,488	15.1%	378,530
(of which personal expenses) .....	(16,823)	(6.1)%	(17,535)	(5.8)%	(145,920)
Total .....	¥276,616	100.0%	¥301,646	100.0%	\$2,510,163

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
	2014	% to Total	2015	% to Total	
Land .....	¥1,661	22.9%	¥363	8.0%	\$3,022
Buildings .....	1,311	18.1%	93	2.0%	771
Expenses .....	3,047	42.1%	2,482	54.7%	20,659
Sub-Total .....	6,019	83.1%	2,938	64.7%	24,452
Other .....	1,226	16.9%	1,601	35.3%	13,322
Total .....	¥7,245	100.0%	¥4,539	100.0%	\$37,774

Cost is calculated under the job-order cost system.

**15. Subsequent events****Issuance of Unsecured Bonds**

The Board of Director of the Company resolved at its meeting held on June 25, 2015 to issue unsecured bonds with the following terms and conditions:

Issue class:	Unsecured Domestic Straight Bonds
Issue amount:	Maximum of ¥30,000 million (\$249,646 thousand)
Maturity:	Within 7 years
Demonstration of Bond:	¥100 million (\$832 thousand)
Interest rate:	Not more than swap rate plus 1.0%
Redemption schedule:	Redemption at maturity
Issue price:	¥100 for face value of ¥100
Redemption price:	¥100 for face value of ¥100
Offering period:	From July 1, 2015 to September 30, 2015
Interest payment:	At the end of every 6 month period
Status of the Bonds:	Unsecured by non-guarantee's
Use of proceeds:	Repayment of debt and working capital

CEO or a person who is appointed by the CEO (the General Manager of Management Division) of the company is authorized to determine all of the bond issue matters in accordance with the above terms and conditions.

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Nishimatsu Construction Co., Ltd. which comprise the balance sheet as of March 31, 2015, and the statement of income and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

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

## **Auditor's Responsibility**

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

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

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

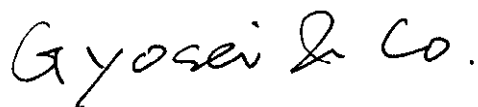
## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nishimatsu Construction Co., Ltd. as of March 31, 2015, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

## **Convenience Translation**

The United States dollar amounts shown in the financial statements referred to above have been translated solely for convenience. We have recomputed the translation and, in our opinion, the financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 4.

Tokyo, Japan  
June 26, 2015



GYOSEI & Co.  
Certified Public Accountants

# CORPORATE DIRECTORY

## HEAD OFFICE

10th Floor Toranomon Hills Mori Tower,  
23-1, Toranomon 1-chome, Minato-ku,  
Tokyo 105-6310, Japan  
Phone: 81-3-3502-7694  
Fax: 81-3-3580-2745

## REGIONAL HEADQUARTERS & BRANCH OFFICES

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

## OVERSEAS OFFICES

### ◆ Hong Kong

#### Hong Kong Branch Office

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

#### Fan Ling Machine & Mechanical Centre

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

#### MTR West Island Line

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

#### MTR South Island Line

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

#### MTR Kwun Tong Line Extension

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

### ◆ Thailand

#### Bangkok Office

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

#### HATC Project Office

c/o Honda Automobile (Thailand) Co., Ltd.  
Rojana Industrial Park,  
49 Moo 9, Tambol Thanu, Amphur Uthai,  
Ayutthaya 13210  
Phone: 66-3580-0003, 0037

#### HATC Sawadi Project Office

c/o Honda Automobile (Thailand) Co., Ltd.  
Rojana Industrial Park Prachinburi,  
Moo 12, Tambol Huawa, Amphur Si Maha Phot,  
Prachinburi 25140  
Phone: 66-3721-8831~2 Fax: 66-3721-8833

#### RIST Project Office

c/o ROHM Integrated Systems (Thailand) Co., Ltd.  
Navanakorn Industrial Zone,  
101/94, 102 Moo 20, Phaholyothin Road,  
Tambol Khlong-Nueng, Amphur Khlong-Lueng,  
Pathumthani 12120  
Phone: 66-2024-8016 Fax: 66-2024-8015

#### BTMT OSP 2015 Project Office

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

#### AKST 2 Project Office

c/o Asahi Kasei Spunbond (Thailand) Co., Ltd.  
Saha Group Industrial Park Sriracha,  
54/19 Moo 10 Tambol Bung, Amphur Sriracha,  
Chonburi 20230  
Phone: 66-3819-0766

#### FSTH Project Office

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

#### SMT Project Office

c/o Siam Metal Technology Co., Ltd.  
Eastern Seaboard Industrial Estate,  
64/12 Moo 4 Tambol Pluakdaeng, Amphur  
Pluakdaeng, Rayong 21140

#### Training Center & Warehouse

Moo 1, Tambol Napradu, Amphur Panthong,  
Chonburi 20160

### ◆ Singapore

#### Singapore Office

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

#### LTA Downtown Line Stage 3

#### Contract 929A (UBI) Project Office

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

#### SPPA East-West Transmission Cable Tunnel Contract EW3

#### (Airport Road) Project Office

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Singapore 533970  
Phone: 65-6922-7020 Fax: 65-6282-6190

#### LTA Thomson Line

#### Contract T228 (Contract T228) Project Office

5A Marina Gardens Drive  
Singapore 018910  
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### ◆ Malaysia

#### Malaysia Office

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#### Ho Chi Minh Office

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### ◆ Myanmar

#### Yangon Office

No.70, Yaw Min Gyi Condominium Rm. 408,  
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Yangon, Myanmar  
Phone: 95-1-379-697

### ◆ Algeria

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

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

# INVESTOR INFORMATION

## Board of Directors and Statutory Auditors

Representative Director and President	Harusada Kondo
Representative Directors	Uichi Mizuguchi Akira Maeda
Directors	Yoshiyuki Sawai Nobutoshi Takase Akira Matsumoto Yuichi Kono Koji Mino Kiyomi Kikuchi
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	Yoshiaki Kudo
Managing Officer	Yoshiyuki Sawai Nobutoshi Takase Akira Matsumoto Yuichi Kono Shuichi Abe Akimitsu Takashima Haruto Ban
Executive Officer	Shigeru Tokura Hideo Kaneko Hiroo Morimoto Junichiro Saito Shozo Sakai Kazunari Umeda Jun Morita Jiro Goto Kensuke Hayashi Katsuya Iwanaga Fumihide Miyazaki Makoto Isshiki Osamu Shibui

## 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

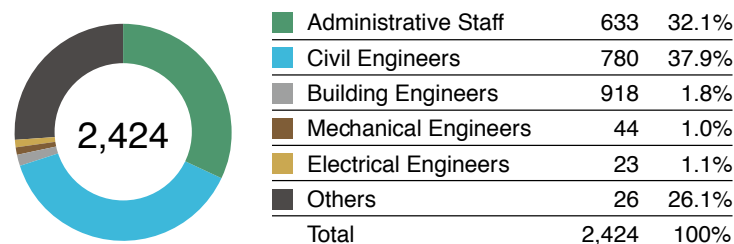
## Number of Shareholders

30,009

## Major Shareholders

	Thousands of Shares
Japan Trustee Services Bank, Ltd. (trust account)	21,722
The Master Trust Bank of Japan, Ltd. (trust account)	15,174
Japan Trustee Services Bank, Ltd. (trust account No. 4)	9,479
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	5,259
Mizuho Bank, Ltd.	5,070
Meiji Yasuda Life Insurance Company	4,577
CREDIT SUISSE SECURITIES (EUROPE) LIMITED PB OMNIBUS CLIENT ACCOUNT	4,178
Mizuho Trust & Banking Co., Ltd.	4,000
Nishimatsu Construction Employee Shareholders' Association	3,382
Mitsuboshi Belting Ltd.	3,000

## Employees



## 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 June 27, 2015)

(As of March 31, 2015)



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



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