

Corporate Report

# 2019



## Company Motto

### Courage, Courtesy, and Justice

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

## Corporate Philosophy

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

## CSR Management Policy

We aim to ensure that all of us follow CSR practices and act with an awareness of all stakeholders in our day-to-day operations. We will conduct our CSR management in accordance with the motto of "respecting all people," in an effort to forge win-win relationships with stakeholders and create a situation in which the Company and its employees can build mutual trust in a free and broad-minded internal environment based on interactive communications.

## Five Steps for CSR Management

1. We will listen to everyone's opinions and create an outstanding living environment to help meet our customers' needs.
2. We will provide workplaces that allow all who are related to or work for the Company, as well as their family members, to lead healthy and fulfilling lives, and enable employees to take full advantage of their abilities so they can feel proud to work here.
3. We will recognize societal expectations and demands and take bold action in the spirit of compliance as we responsibly carry out our corporate activities without deviating from societal norms.
4. We will consider the next generation and take positive steps to create and maintain a better environment in order to facilitate a sustainable society.
5. We will actively participate in corporate social contribution activities and support individual employees' activities in Japan and overseas by maintaining close communications with local communities.

## Editorial Policy

Since 2017, Nishimatsu Construction publishes an Integrated Report that combines its Annual Report and Sustainability Report (printed version), in order to communicate its corporate value through both financial and non-financial information.

### Coverage

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

### Applicable Period

In principle, the applicable period for this report is the financial reporting period from April 1, 2018 to March 31, 2019, although it also covers some activities conducted in fiscal 2019, due to the importance of presenting the most current information.

### Topics Covered

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

For CSR information, we referenced the Environmental Reporting Guidelines (2012 Version) of Japan's Ministry of the Environment and the GRI Standards (launched in 2016) of the Global Reporting Initiative (GRI). Third party assurances have been adopted for some environmental data and HR data to ensure reliability.

\* An organization comprised of private companies, investors, accounting groups, government agencies, NGOs, etc., IIRC was founded in 2010 with the purpose of providing an international framework for corporate reports.

### Referenced Guidelines

We refer to the International Integrated Reporting Council's (IIRC)\* international framework for Integrated Reporting (IR) and report on Nishimatsu Construction's value provision. IR is based on the seven basic principles below and strives for reporting that covers a company's short-, medium- and long-term value provision, which we believe is aligned with Nishimatsu Construction's basic aspirations and aims for integrated reporting.

A) Strategic focus and future orientation, B) Connectivity of information, C) Stakeholder relationships, D) Materiality, E) Conciseness, F) Reliability and completeness, G) Consistency and comparability

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

## Strategies for Sustainable Growth



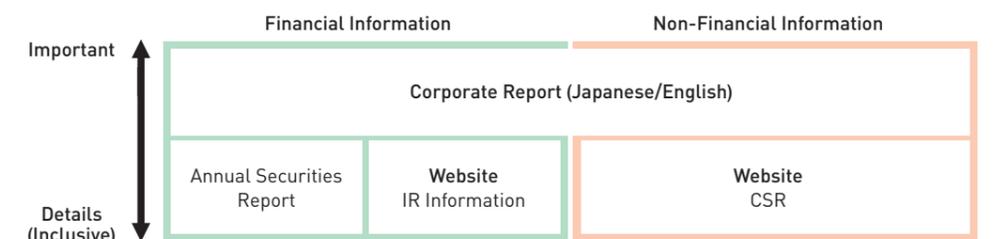
## Value Creation through ESG Initiatives



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## Information Disclosure

The report's printed version and online version take advantage of the features of each medium when covering Nishimatsu Construction's social responsibility activities. The printed version focuses on our major initiatives in fiscal 2018, while our website offers more detailed information.



Website <https://www.nishimatsu.co.jp/eng>



# Becoming a Company with Overall Capabilities That Provides Better Value

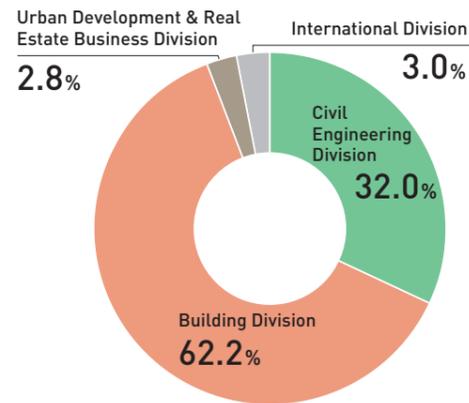
In order to respond with precision to social changes and achieve sustainable growth, Nishimatsu Construction formulated a long-term vision describing the kind of company it wants to be in 10 years. We aim to become a company with overall capabilities that enable us to provide stakeholders with better value through superior environmental technologies, diverse services and appealing work styles.

# Nishimatsu Construction's Business

Nishimatsu Construction is a leader in the development of national infrastructure, actively engaging in the construction of roads, dams, bridges, railways, buildings, public facilities, urban redevelopment and other projects. Utilizing the advanced technologies and expertise gained from these large-scale projects, we continue to grow, underpinned by our current four pillars of civil engineering, building construction, urban development and real estate, and international business.

## Business Portfolio and Results in Fiscal 2018 (Non-consolidated basis)

### Sales Composition by Business



	Civil Engineering Division	Building Division	Urban Development & Real Estate Business Division	International Division
<b>Orders received</b> (Non-consolidated basis)	<b>¥95.2 billion</b>	<b>¥233.9 billion</b>	—	<b>¥11.0 billion</b>
<b>Net sales</b> (Non-consolidated basis)	<b>¥107.7 billion</b>	<b>¥209.6 billion</b>	<b>¥9.3 billion</b>	<b>¥10.1 billion</b>

## Main Projects Completed Inside and Outside Japan (Fiscal 2018)

### Civil Engineering Division

- Rifu-cho Shinnakamichi Land Readjustment Project Development Work**  
Location: Rifu-cho Shinnakamichi Land Readjustment Association, Shinyurugibashi-jisaki, Rifu-aza, Rifu-cho, Miyagi-gun, Miyagi Prefecture  
Use: Lots for residential, commercial and other uses  
Completion date: March 31, 2019
- Nambu Treatment District Shin-Isogo-kansen Sewage Line Construction**  
Location: Nambu Treatment District Shin-Isogo-kansen Sewage Line Construction (part 2), Nambu Treatment District Shin-Isogo-kansen Sewage Line Construction (part 3)  
Starting point: 4 Isogo, Isogo-ku, Yokohama-shi, Kanagawa Prefecture  
Ending point: 39 Shin-isogo-cho, Isogo-ku, Yokohama-shi, Kanagawa Prefecture  
Use: Sewage facility  
Completion date: December 21, 2018
- Shin-Meishin Expressway Inagawa Central Construction Project**  
Location: From Ueno to Ibuchi, Inagawa-cho, Kawabe-gun, Hyogo Prefecture  
Use: Expressway  
Completion date: February 19, 2019

### Building Division

- Aeon Mall Iwaki Onahama (tentative name) New Construction Project**  
Location: Onahama, Iwaki-shi, Fukushima Prefecture  
Use: Commercial facility  
Completion date: June 11, 2018
- Shibuya-ku Udagawa-cho Project (tentative name)**  
Location: Udagawa-cho, Shibuya-ku, Tokyo  
Use: Offices and apartments  
Completion date: February 28, 2019
- Sakai Heisei Hospital Construction Project (tentative name)**  
Location: Fukaisawa-machi, Naka-ku, Sakai City, Osaka Prefecture  
Use: Hospital  
Completion date: February 28, 2019
- Taketa City Bunka Kaikan (tentative name) Construction Project**  
Location: Tamarai, Taketa City, Oita Prefecture  
Use: Cultural hall  
Completion date: May 31, 2018

### Urban Development & Real Estate Business Division

- Office Building Joint Reconstruction Project (NCO Metro Kamiyacho)**  
Location: 5-12-11 Toranomon, Minato-ku, Tokyo  
Use: Commercial/business facility and subway entrance  
Opening date: December 1, 2018
- Sendai City Arai-nishi Land Readjustment Project (Nanairo-no Sato)**  
Location: Umenoki, Minami-koizumi-aza, Wakabayashi-ku, Sendai City, Miyagi Prefecture and other areas  
Use: Lots for residential, commercial and other uses  
Completion date: March 18, 2019
- NCRe Misono**  
Location: 7-3-1 Misono Jujo, Toyohira-ku, Sapporo City, Hokkaido  
Use: Apartments  
Occupancy commencement date: February 1, 2019

### International Division

- TLIPII RF11 Project**  
Location: Thang Long Industrial Park II, Hung Yen Province, Vietnam  
Use: Rental factory  
Completion date: January 31, 2019
- BCM New Factory & Warehouse Project**  
Location: Rojana Ayutthaya Industrial Park, Ayutthaya Province, Thailand  
Use: Beverage can (aluminum) production plant  
Completion date: December 15, 2018
- OM Chemical Vietnam Factory Project**  
Location: Dong Van I Industrial Zone, Ha Nam Province, Vietnam  
Use: Factory for producing urethane raw materials for construction components  
Completion date: June 30, 2018

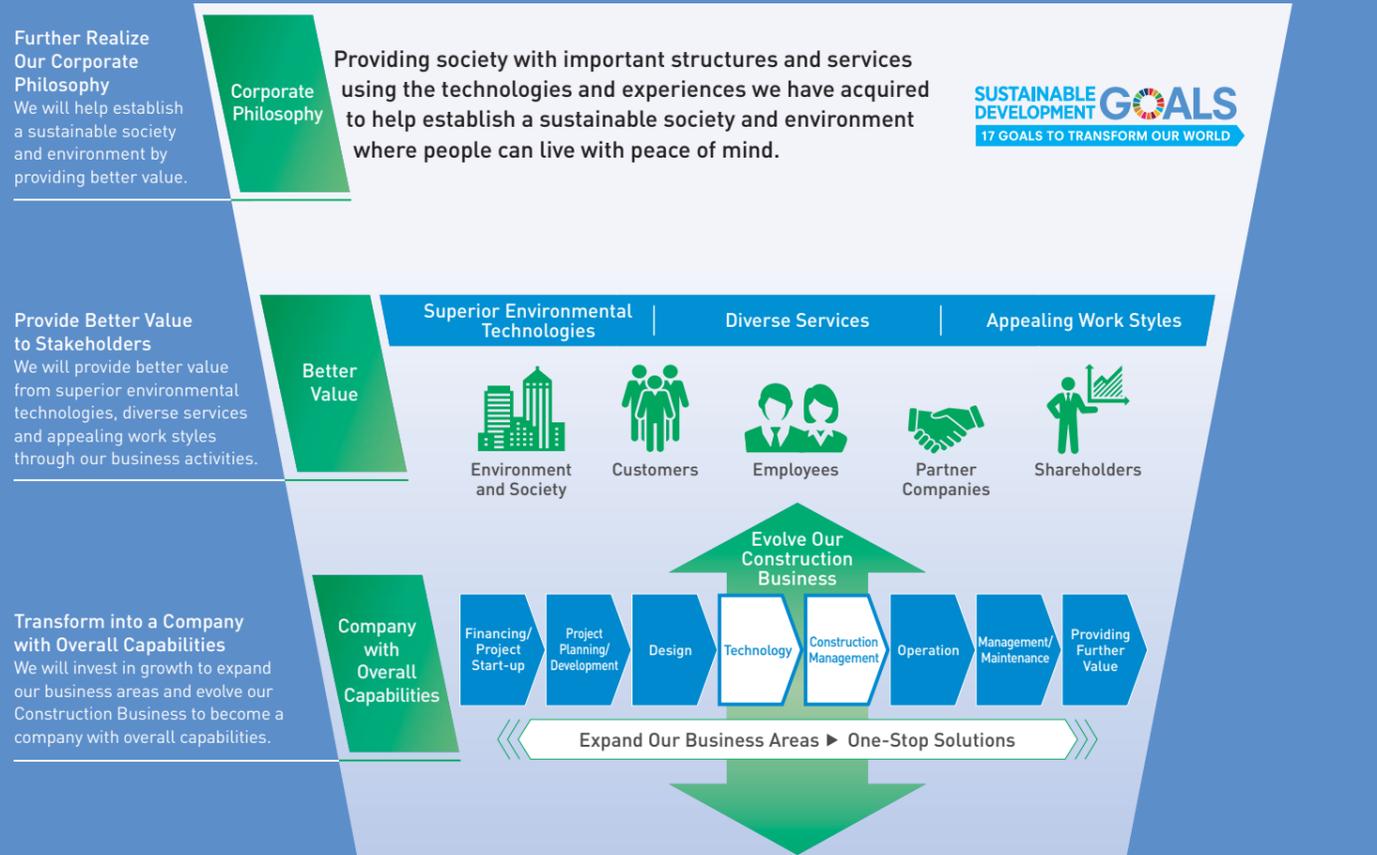
# Nishimatsu Construction's Target Vision

Becoming a Company with Overall Capabilities That Provides Better Value

The Nishimatsu Construction Group has formulated Nishimatsu-Vision 2027, which looks ahead 10 years, and our Medium-Term Management Plan 2020 for the two years beginning in fiscal 2018. Both commenced in May 2018.

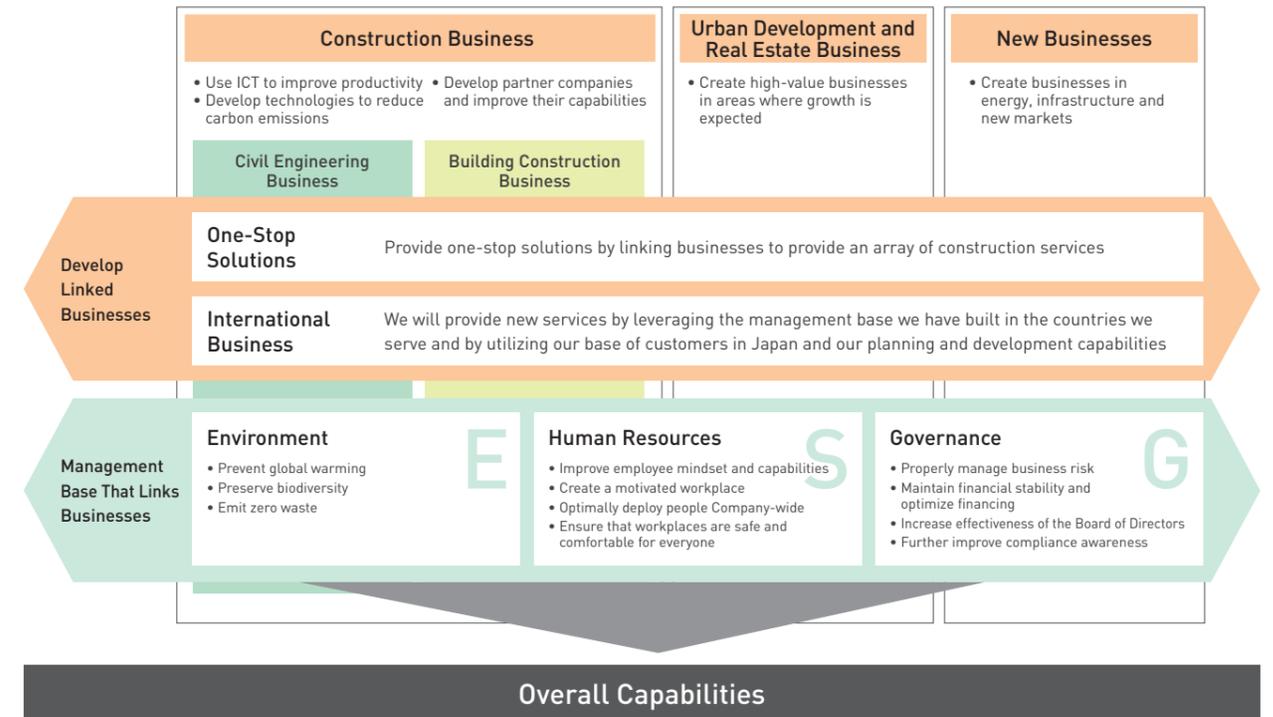
In Nishimatsu-Vision 2027, we have announced our long-term vision to "become a company with overall capabilities that provides better value" and we will continue establishing a sustainable society and environment where people can live with peace of mind. We will do this by achieving the best mix of "flow business" and "stock business" through growth investments supported by a sound financial standing while getting out of the simple built-to-order business, and deliver new value to stakeholders.

## Nishimatsu-Vision 2027



## Investment in Growth to Become a Company with Overall Capabilities

We will become a company with overall capabilities by strengthening individual businesses and linking our businesses.



**Best proportion between "flow business" and "stock business"**  
In addition to the conventional built-to-order business, strengthen businesses that make efficient use of valuable buildings created through one-stop solutions

Flow Business: Built-to-order business  
Stock Business: Facility/property management business that enhances long-term relationships with customers

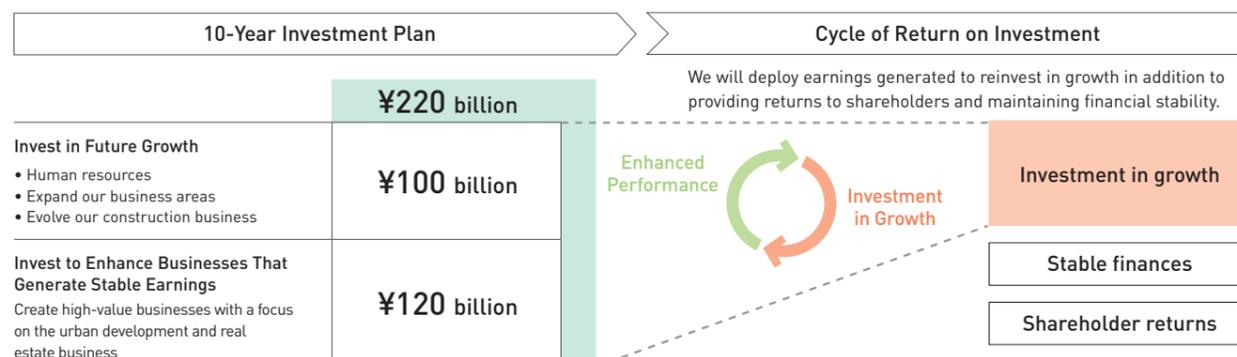
**Getting out of the simple built-to-order business**  
Accurately identify various needs and quickly provide differentiated services to customers

## Long-Term Targets (Consolidated)

	Medium-Term Management Plan 2017	Medium-Term Management Plan 2020 Build the foundation for becoming a company with overall capabilities	Realize our vision
Basic policies	<ul style="list-style-type: none"> <li>Nurture the human resources necessary for continuous expansion</li> <li>Establish a highly profitable core business</li> <li>Develop new business to achieve continuous expansion</li> </ul>	<b>Build the Foundation for Becoming a Company with Overall Capabilities</b> <ul style="list-style-type: none"> <li>Expand our business areas: Start providing one-stop solutions</li> <li>Evolve our Construction Business: Improve productivity</li> </ul> <b>Goal: Provide Better Value</b>	<b>Overall Capabilities</b> <ul style="list-style-type: none"> <li>Best proportion between "flow business" and "stock business"</li> <li>Getting out of the simple built-to-order business</li> </ul> <b>Better Value</b> <ul style="list-style-type: none"> <li>Superior environmental technologies</li> <li>Diverse services</li> <li>Appealing work styles</li> </ul>
	<b>FY2017 Actual</b>	<b>FY2020</b>	<b>FY2027</b>
Net sales	¥284.4 billion	¥380.0 billion	¥400.0 billion
Income from operations	¥22.7 billion	¥25.0 billion	¥30.0 billion or higher
ROE	9.6%	8.0% or higher	Sustained at 8.0% or higher
Capital to assets ratio	47.7%	Approx. 50.0%	50% or higher
Debt-to-equity ratio	0.24 times	Approx. 0.3 times	0.3 times or lower
Dividend payout ratio	30.8%	30% or higher, and ¥100 or more per share	—

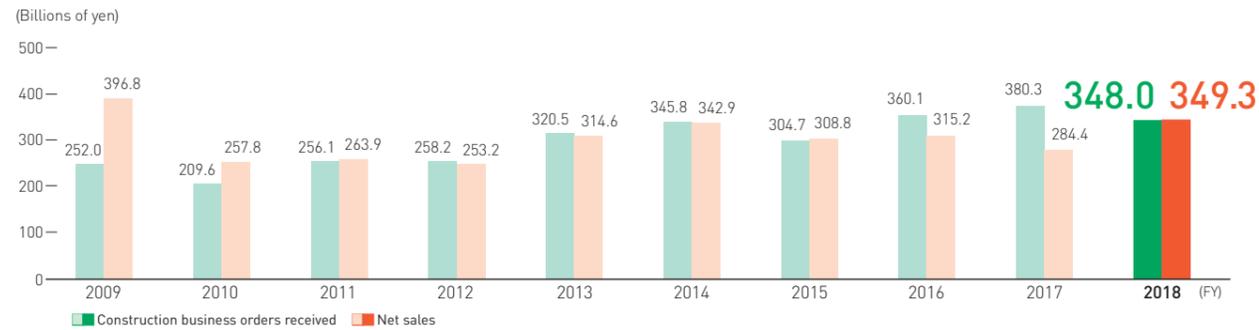
## Business Development to Become a Company with Overall Capabilities

We will enhance our business performance by investing in future growth, and deploying earnings to reinvest in growth.

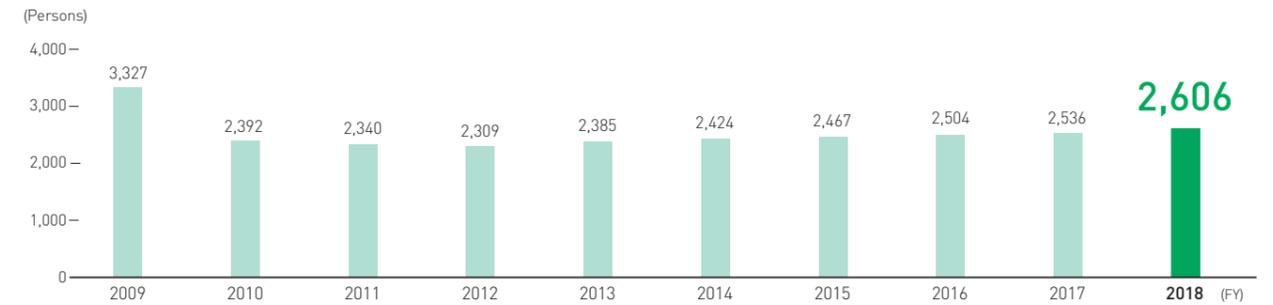


# Financial and Non-Financial Highlights

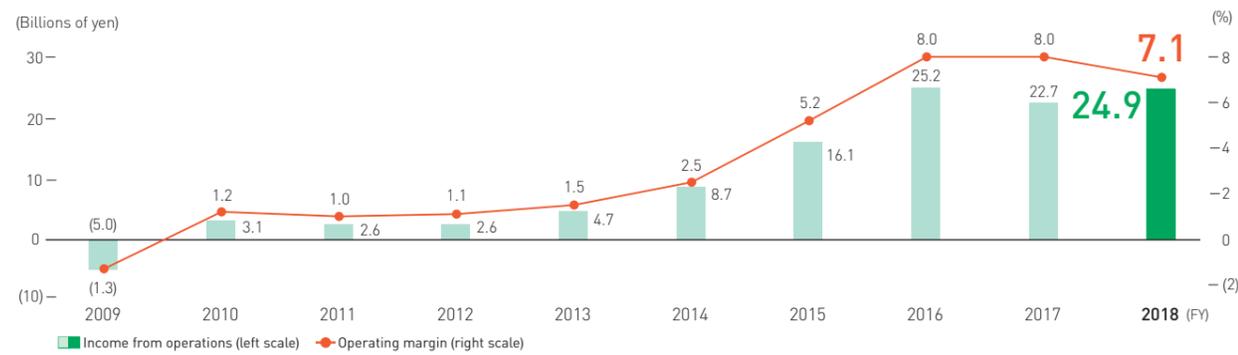
Construction Business Orders Received, Net Sales (Consolidated basis)



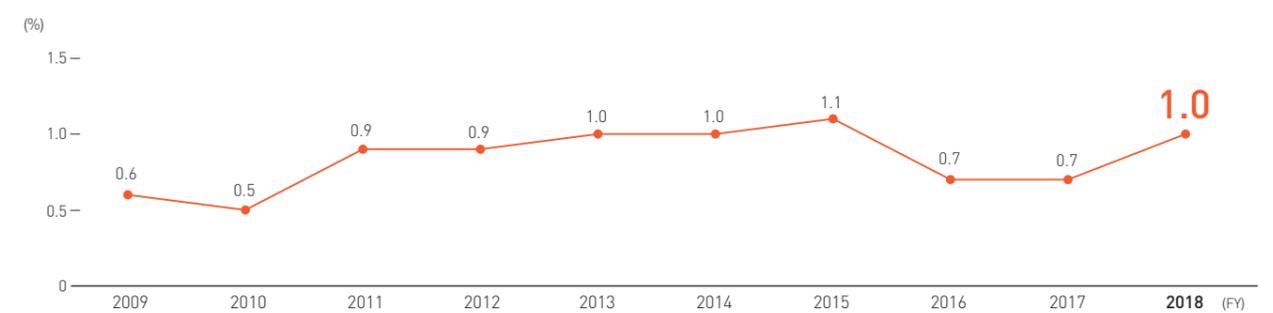
Number of Employees



Income from Operations, Operating Margin (Consolidated basis)



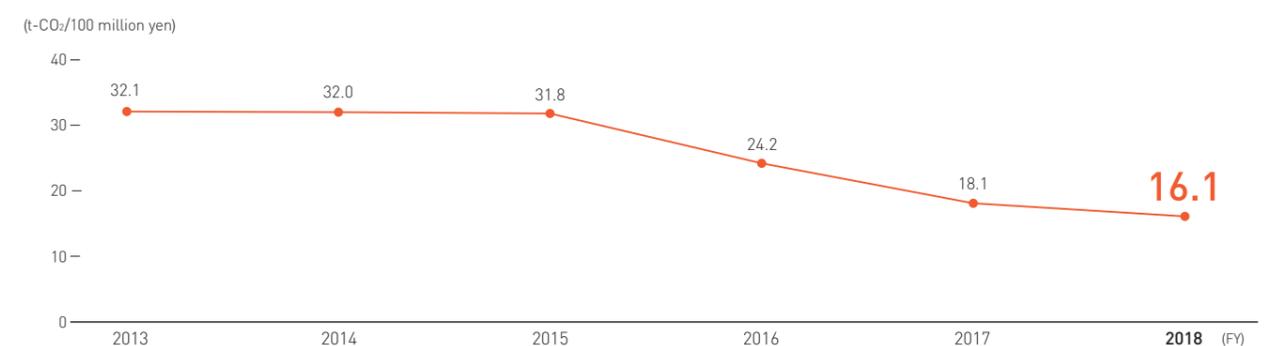
Occupational Injury Frequency Rate



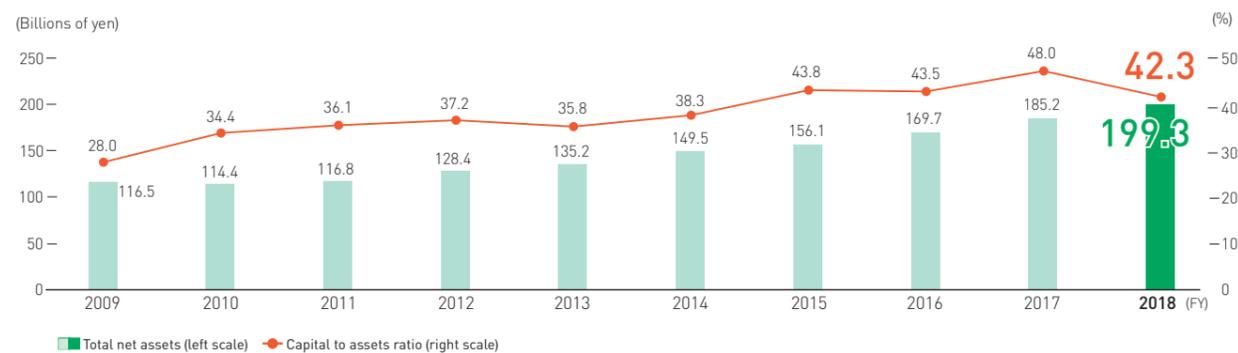
ROE, Dividend Payout Ratio (Consolidated basis)



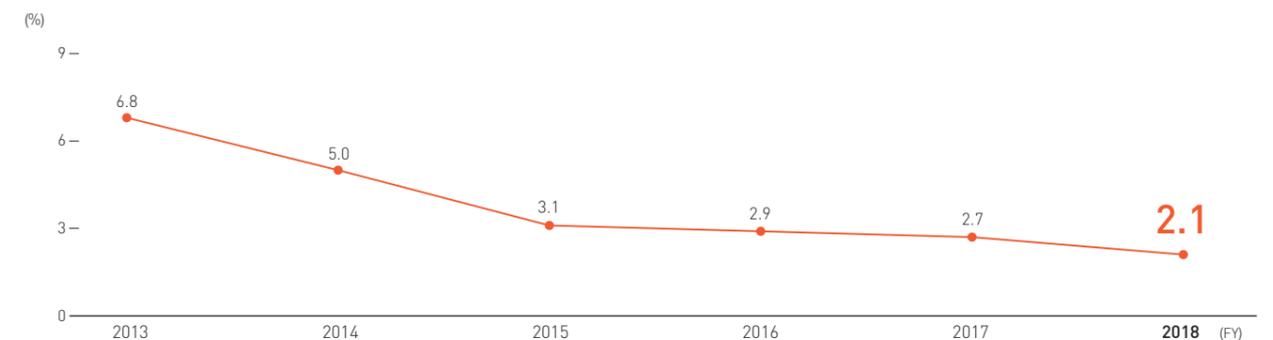
CO<sub>2</sub> Emission Intensity from Construction Projects



Total Net Assets, Capital to Assets Ratio (Consolidated basis)



Percentage of Construction Waste Sent for Final Landfill Disposal\*



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



# Working to Achieve Nishimatsu-Vision 2027

## Challenge for growth

**Nobutoshi Takase**

Representative Director and President

### Progress of Nishimatsu-Vision 2027 and Medium-Term Management Plan 2020

In May 2018, amid unprecedented structural changes in the construction market, such as the need to respond to the falling birthrate, aging population and environmental issues, the Nishimatsu Construction Group formulated Nishimatsu-Vision 2027 to achieve sustainable growth by identifying what kind of company it wants to be 10 years in the future.

In this long-term vision, we express our aim to become a company that delivers three kinds of value to a wide range of stakeholders: diverse services, superior environmental technologies and appealing work styles. Furthermore, by executing a 10-year investment plan, we aim to expand our business areas and evolve our construction business to transform into a company with overall capabilities.

Our Medium-Term Management Plan 2020, launched at the same time as Nishimatsu-Vision 2027, positions the three years from fiscal 2018 to fiscal 2020 as a period for building a foundation for specific plans and embarking on the first steps of our long-term vision. In fiscal 2018, the first year of the plan, we allocated approximately ¥20 billion mainly for the acquisition of land and buildings in the real estate leasing business and the construction of the Company's head office for the purpose of expanding our business areas. We have already started providing one-stop services for student dormitories in areas from planning and development to facility operation and maintenance.

To evolve our construction business, a main pillar of our approach will be structuring efficient building and production systems that use cutting-edge ICT solutions. During the medium-term management plan, we are working to enhance initiatives for productivity improvement using BIM/CIM (3D modeling of buildings, topography, structures, etc.). In civil engineering, in line with our focus on mountain tunnels and shield tunnels, areas in which we are strong, we aim to make progress in introducing unmanned and automated construction that utilizes ICT and AI. Additionally, in order to ensure we achieve our long-term vision, we substantially increased investment in technology development for fiscal 2019.

With regard to initiatives to preserve the global environment and become carbon-free, we are continuing research and development of biomass energy and storage batteries. Furthermore, we have announced a pioneering target of reducing CO<sub>2</sub> emissions from business activities

to a net zero level by fiscal 2030. We believe this target is fully achievable through greater use of renewable energy and proactive incorporation of the latest carbon-free technologies.

Since the domestic construction market is brisk, our results are basically in line with the medium-term management plan. We also expect to achieve our fiscal 2020 targets, including for income from operations and ROE. However, over the long term, the nature of demand may shift substantially and the market could contract due to Japan's falling birthrate, aging population and other factors. In addition, we are currently seeing a downtrend in capital expenditures in Japan due to U.S.-China trade friction and other factors. Going forward, we must continue monitoring global political and economic trends. Furthermore, we are making efforts to speed up management decision-making that will enable us to address rapid changes in the business environment.

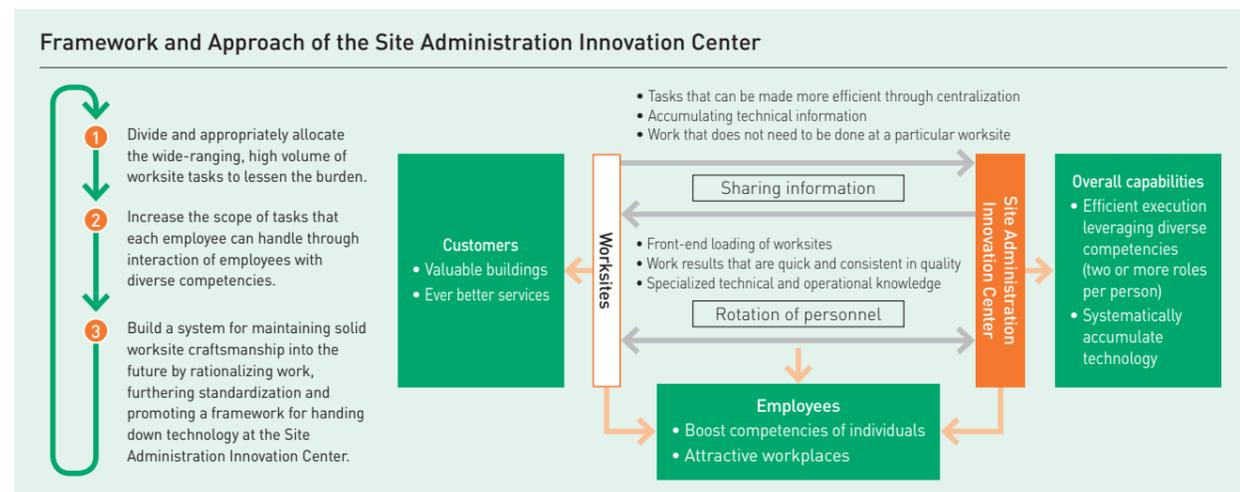
## A Project to Boldly Transform Our Approach to Construction Management

In the civil engineering and building construction businesses, which are our current mainstays, we are conducting an in-house project to boldly transform our approach to construction management in order to boost productivity while ensuring safety and quality. Efforts include using the newly opened Site Administration Innovation Center to centralize the processing of routine tasks that have been handled by technical staff at construction sites, such as document preparation and photograph organization. This will simultaneously boost work efficiency and promote work-style innovation by decreasing the burden on employees working at construction sites. In April 2019, we started using this new approach to construction management at our branches.

We expect this project to generate even greater results through synergies with our human resource development system, which has been newly redesigned to achieve our long-term vision. The new human resource development system includes a training program aimed at diversifying

the skills of employees and enabling them to take on multiple roles. While simultaneously broadening the range of skills of each individual employee, we will aggregate the safety, environment and purchasing organizations, which were set up separately for each specialized field, at the Site Administration Innovation Center. This will save time spent at worksites on routine tasks such as document preparation and enable employees to diversify their skills and handle multiple roles, which will reduce the number of staff dispatched to carry out tasks such as on-site patrols, resulting in greater work efficiency. Furthermore, we will aggregate the advanced civil engineering and construction technologies of each office and worksite at the Site Administration Innovation Center and create a framework for passing on those technologies to future generations.

I predict that the increased productivity derived from this project will lead to work-style innovation and be reflected in our business results.



## Human Resource Strategies Supported by the New Human Resource Development System

While working toward expansion of our business areas and the evolution of our construction business, the Nishimatsu

Construction Group is also focusing efforts on human resource strategies. Central to those efforts is the new

human resource development system. The objective of the system is to help employees master technical and management skills, in addition to transforming their awareness and approach based on our new management vision. The system, which we call the Nishimatsu Employees' University, has been launched in stages starting in fiscal 2018. From the time employees join the Company until they leave, the university provides a framework for visualizing their careers as they grow, the various specialized skills they can acquire, and the competencies they should have and training they need to undergo at key milestones in their careers. Furthermore,

diverse career paths suited to each individual's goals and interests are available. For female employees and mid-career hires, two groups with few role models at the Company, the system will incorporate content that makes it easy for them to plan their careers. We will also ensure that the system promotes diversity. Additionally, we are accelerating technological development in the areas of ICT and software, and have conducted trials of a telework system, which we are in the process of introducing. We will also utilize 5G services, slated for full-scale launch in 2020, as a foundation for advancing work-style innovation and the active participation of women.

## Implementing Health and Productivity Management

I believe that health underpins all aspects of sustainable corporate growth and individual well-being. The safety of construction sites is also ensured by the good health of employees and everyone at our partner companies. In line with this thinking, Nishimatsu Construction is implementing health and productivity management. We also recognize our pioneering work-style innovation as a vital means of doing business with health first and foremost in mind. In February 2019, we were selected for the 2019 Health & Productivity Stock Selection Program jointly run by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange, Inc. Nishimatsu Construction is the first general

contractor to receive this distinction. Our initiatives in fiscal 2019 include supplying employees with air-conditioned clothing, subsidizing N-NET member companies' purchases of air-conditioned clothing and holding a body composition measurement event at our head office. We are also considering offering low-cost, calorie-conscious, nutritionally balanced meals at the employee cafeteria of our new head office to be completed in April 2020. Going forward, we will continue to dedicate efforts to investing in human resources and in other policies that strongly emphasize health.

## Our Reason for Being and the Role We Fulfill

The Nishimatsu Construction Group recognizes that its Corporate Philosophy, established in 2011, defines the role it must fulfill as a member of society.

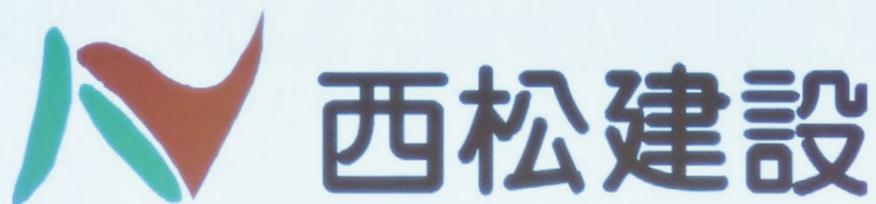
When we engage in important decision-making, and when we launch new initiatives, it is necessary to take even more care than ever to provide explanations to stakeholders based on this philosophy.

We formulated our new long-term vision in 2018, based on our Corporate Philosophy, which is a clear statement of the Group's essence and reason for being. Since then, the mindset of our employees has gradually changed.

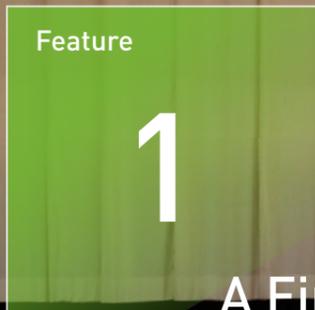
There is heightened awareness that they themselves are responsible for driving our transformation into a company with overall capabilities. Employees at worksites provide many suggestions, including ideas for improving cohesion between divisions and for innovating everyday tasks. I believe that further changes in the mindset of our employees will lead to the achievement of our long-term vision.

The management and employees of Nishimatsu Construction Group will continue working as one to deliver new value to all stakeholders. I look forward to your ongoing understanding and support as we do so.

未来を創る現場力



人間ドック受診制度の導入で健康意識を改革。  
業界課題である長時間労働対策への段階的取り組みをスタート



## A First for a General Contractor: Nishimatsu Construction Selected under the 2019 Health & Productivity Stock Selection Program

### Overview

Nishimatsu Construction believes that the health of its employees is connected to its sustainable growth. We therefore promote greater mental and physical health, and strive to create a workplace environment conducive to health for each and every individual.

As physical health initiatives, we work to eliminate long working hours, hold Company-wide walking events, and have a system for providing employees with complete physical examinations. As mental health initiatives, we have improved benefits for employees dispatched to jobs away from their families, encouraged stress checkups and implemented mental health care for employees with high levels of stress.

In recognition of these efforts, Nishimatsu Construction was selected

under the 2019 Health & Productivity Stock Selection Program<sup>1</sup> jointly run by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange. We are the first general contractor to be selected. In addition, we were recognized under the 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program "White 500."<sup>2</sup> It was our second consecutive year to be recognized.

Nishimatsu Construction is the only company in the construction industry category of the 2019 Health & Productivity Stock Selection Program. As a leader in promoting health management, we will continue implementing even higher-level initiatives as we communicate the significance of health management inside and outside the Company. See our website for details.

From left: Yoshihiro Seki (State Minister of Economy, Trade and Industry), Nobutoshi Takase (President, Nishimatsu Construction), Ai Aoki (award presenter)

### Health Checks and Complete Physical Examinations

In order to quickly uncover and preempt serious complications from diseases, from fiscal 2018, we provide mandatory regular health checks and annual complete physical examinations for all employees 30 years old and over, an age group which is at higher risk of disease. We encourage compliance by giving employees one day of leave to receive the complete physical examination. In addition, we have introduced a subsidy program that eliminates most out-of-pocket expenses for employees taking the examination. For employees under 30, we also hold biannual health checks. We cover the full cost for these checks and have made them mandatory to help educate employees about the significance of health management from a young age. Furthermore, making appointments for health checks and

complete physical examinations has been simplified through the introduction of an internal online system that allows 24-hour access to about 1,000 affiliated medical institutions nationwide.

When it is determined that a follow-up exam is necessary, we encourage the employee to undergo a detailed examination aimed at early treatment and recovery.



### Other Initiatives

Particular challenges in the construction industry include long working hours and a high rate of employees dispatched to jobs away from their families.

In order to address long working hours, we have set targets for progressively reducing overtime up to fiscal 2023, and labor and management are cooperatively formulating measures. Furthermore, in order to transform organizational and individual awareness, we have introduced a system that visually

displays working hours.

We have also reassessed benefits for employees dispatched to jobs away from their families, a situation that can cause considerable stress. While we previously paid travel expenses for two trips home per month, we raised this to three trips per month in fiscal 2018. In addition, we made the system more flexible by enabling family members to visit dispatched employees instead.

### Recognition under Health and Productivity Programs

1. Health and Productivity Stock Selection Program
2. Certified Health and Productivity Management Outstanding Organizations Recognition Program

Under this program, the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange jointly select and announce the names of companies that strategically focus on and carry out efforts regarding their employees' health from a management perspective. By introducing these companies as attractive investment options to investors who prioritize the improvement of corporate value from a long-term perspective, the program aims to encourage companies to promote health and productivity management.

Based on initiatives aligned with regional health issues and initiatives the Nippon Kenko Kaigi promotes for health improvement, this program awards prizes for large companies, as well as for SMEs that implement particularly outstanding health and productivity management.\*

By increasing the visibility of such enterprises, the program aims to establish an environment in which companies that focus on and strategically carry out efforts regarding their employees' health from a management perspective can receive social recognition from employees, job applicants, related companies and financial institutions.

\* The Japanese term for health and productivity management ("kenkokeiei") is a registered trademark of the nonprofit organization Kenkokeiei (Workshop for the Management of Health on Company and Employee).





Feature  
**2**

## Initiatives at the Technology Research Institute

Mock-up test of precast concrete tunnel-lining segments at the Technology Research Institute

### Mission and Direction of the Technology Research Institute

The mission of the Technology Research Institute is to solve technical issues at the request of construction sites and to provide Nishimatsu Construction with support from a technical perspective by developing pioneering technologies. In order to address the needs of a changing society and operating environment, and to steadily deliver technology with ever greater market competitiveness, the institute pursues research and development in four areas: civil engineering technology, architectural technology, environmental technology, and advanced technology. For example, by

steadily accumulating results such as improvements in technical capabilities for mountain tunnels and shield tunnels in civil engineering and using precasting to boost operational efficiency in building construction, and by making productivity enhancements from many different angles, the institute contributes to the construction business.

Going forward, the institute will continue to proactively adopt cutting-edge technologies, deliver new value, and solidify the technological foundation of the Nishimatsu Construction brand.

### Message from the Director



**Katsuya Iwanaga**  
Director of Technology Research Institute

The Technology Research Institute has diverse roles, but one of our main responsibilities is assessing and verifying social needs and cutting-edge technologies in order to pioneer new approaches. To that end, I continually encourage researchers to take an interest in a variety of fields and digest relevant information. At present, we are collaborating with each of Nishimatsu Construction's divisions, and proactively promoting communication in ways such as participating in academic conferences, external committees and industry-academia-government collaboration.

As we continue these types of initiatives, we will strive to acquire and accumulate valuable technological expertise and skills that will contribute to creating new businesses.

## Remote Control and Automated Construction of Mountain Tunnels and Shield Tunnels

### Working to enhance safety and productivity through labor-saving and unmanned approaches to construction

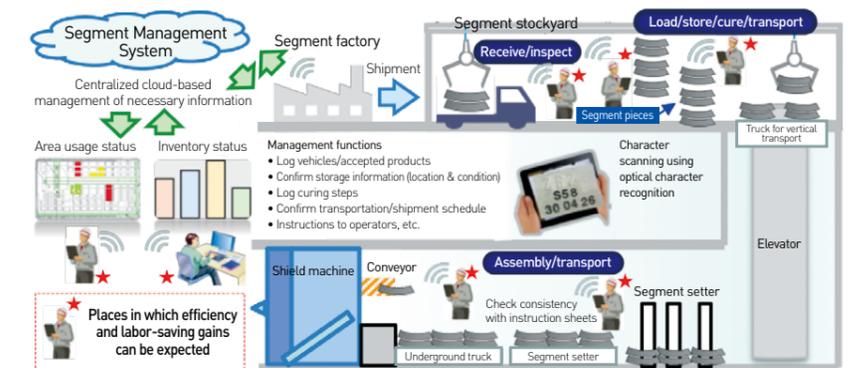
By researching the use of ICT and AI in the construction of mountain tunnels and shield tunnels, the Technology Research Institute aims to improve safety and productivity through advances in unmanned and automated construction.

The first steps are coming in fiscal 2020. For mountain tunnel construction, we are aiming for labor-saving or unmanned operations near the tunnel-cutting face, in addition to significantly improving related working environments. For shield tunnels, we are aiming to automatically control boring direction and reduce or minimize the number of workers on site. By fiscal 2027, we are also aiming to increase the degree to which each construction site has progressed in implementing unmanned operations and automated technologies, in addition to furthering the centralization of project management and reducing

personnel by 30% through efficiency gains.

Furthermore, in order to ensure that our technologies are passed on, we are actively sharing knowledge in ways such as formalizing knowledge that comes from personal experience.

### Shield Tunnel Segment Management System

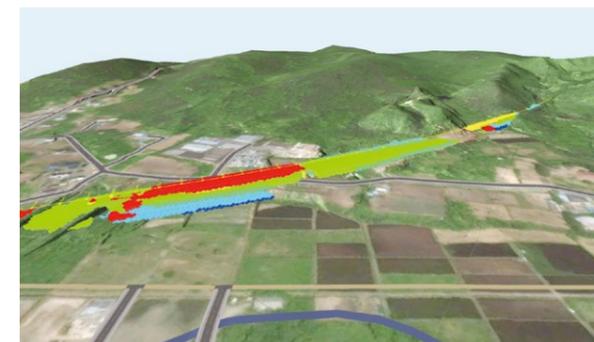


## Development of an ICT Earthwork Management System

### Integration of construction data management and advancement of labor savings and efficiency gains

At earthwork sites using ICT, there have been advancements in mechanization and systemization to achieve automation and labor savings. However, the burden of issues such as the growing volume of data that must be handled has increased. To improve this situation, we have built a platform for an ICT construction system that uses centralized cloud-based

management of construction data and are working to move data stored and managed at individual sites to the cloud. This will enable us to use an app or other method to gather piecemeal data that was previously spread out across many sites and store it on the cloud so that it can be used by anyone, anywhere, anytime. The system will ease the workload of construction site workers and site foremen, and in the future we expect to use it to manage the traceability of materials and waste products.



Banking/landfill 3D management system control chart



Construction underway using ICT (GNSS\* management of roller compacting)

\* GNSS: Global navigation satellite system. Among satellite-based systems for measuring real-time geographical locations, a GNSS has global coverage.

# Civil Engineering Division

Through the construction of social infrastructure such as roads, railways, dams, and electrical power, we support people's lifestyles and socioeconomic activity. Leveraging the technical capabilities and on-site experience that we have accumulated over many years, we are responding to social demands for safe and secure national land development.



Kouchigawa Dam Construction Project (Dam body works)

## STRATEGY

Achieve sustainable development by working to improve productivity while aggressively expanding our business areas

Makoto Isshiki General Manager of Civil Engineering Division



The Civil Engineering Division has set forth two pillars to achieve the Medium-Term Management Plan 2020 and Nishimatsu-Vision 2027: evolve the construction business and expand business areas. To evolve our construction business, we are working to improve productivity through technological development and i-Construction.\* In technological development, we are conducting unmanned operation at tunnel-cutting faces for both mountain and shield tunnels. In civil engineering projects, we are engaged in joint development of ICT technology with Toda Corporation and Okumura Corporation. In addition, in CIM, which uses 3D modeling, we are introducing a new system for centralizing construction data to improve productivity starting from the worksite level. To expand our business areas, we are advancing our efforts in land readjustment projects as part of a one-stop solution business while expanding from simple built-to-order business to design and construction, stock business, and maintenance and renewal works. Every employee needs to

be firmly aware that the aim of these new productivity improvement initiatives and diverse approaches for expanding our business areas is the sustainable development of Nishimatsu Construction, and that they must strive to achieve this aim.

Going forward, conditions in the civil engineering market are expected to remain unchanged until 2020. In order to get the two aforementioned pillars in place by then, in technological development we will achieve milestones toward unmanned construction, and in CIM we will ensure the reliable operation of the new system. Furthermore, where expanding our business areas is concerned, I expect that 2020 will be a year for reassessing our current approaches. In other words, I believe that the period up to 2020 is extremely important, because the initiatives during that period will serve as the foundation for achieving Nishimatsu-Vision 2027.

\* i-Construction: An initiative for increasing productivity in construction systems overall and for creating appealing construction sites through full-scale use of ICT and similar measures at sites.

## TOPIC

### Achieving Labor Savings and Efficiency Gains Using ICT Solutions

Originating in Soma City, Fukushima Prefecture, this cutting/banking project comprises approximately 2.7 kilometers of a roughly 268-kilometer-long high-standard highway connecting to the Akita Expressway. The purpose of the project is to facilitate interaction among residents in the southern parts of the Tohoku region, in addition to strengthening network functions in times of emergency.

The most significant feature of the project is the full-scale use of cutting-edge ICT. The most advanced ICT technologies are used across all stages of construction, from surveying at the start of construction using unmanned aerial vehicles (UAV) and terrestrial laser scanners (TLS) to the creation of 3D design data, construction with ICT-aided machinery (backhoes, bulldozers and rollers) with 3D design data and GPS enables earthworks to be conducted without using stakes and strings, while making survey work much more efficient and less labor intensive. Additionally, incorporating UAV, TLS, and similar technologies in soil volume calculations and work progress control enables us to quickly confirm the current situation with real-time data, while using 3D

software in construction management helps us simplify on-site inspections and reduce inspection paperwork. These cutting-edge technologies increase efficiency, save labor and contribute significantly to finishing projects faster.



Yumiko Toki

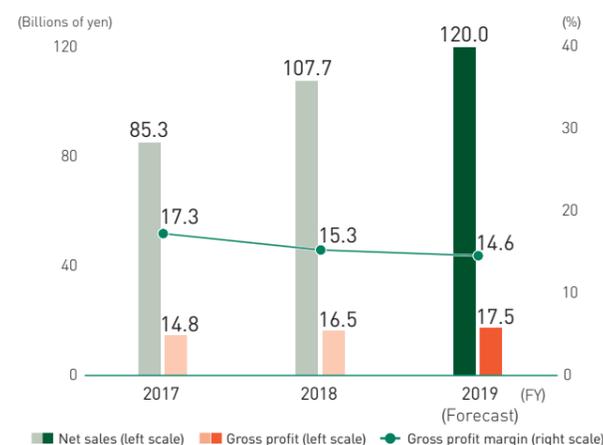
Project name: Tohoku-Chuo Expressway, Tokorozawa Area Improvement Work  
Client: Fukushima River and National Highway Office, Tohoku Regional Bureau, Ministry of Land, Infrastructure, Transport and Tourism  
Location: Between Hobaramachi Tomizawa and Fushiguro in Date City, Fukushima Prefecture  
Construction period: October 12, 2017 - July 24, 2020



#### Our Targets under Nishimatsu-Vision 2027

Under the Company-wide vision of becoming a "company with overall capabilities that provides better value," the Civil Engineering Division aims to be an organization that delivers optimal technologies for all manner of needs, from survey and planning to maintenance and management, by making maximum use of the technologies and experience it has cultivated to date, as well as by rolling out new initiatives.

#### Net Sales, Gross Profit, Gross Profit Margin (Unconsolidated basis)



#### Yokozegawa Dam Receives the "Best Event Award" at Japan Dam Award 2018

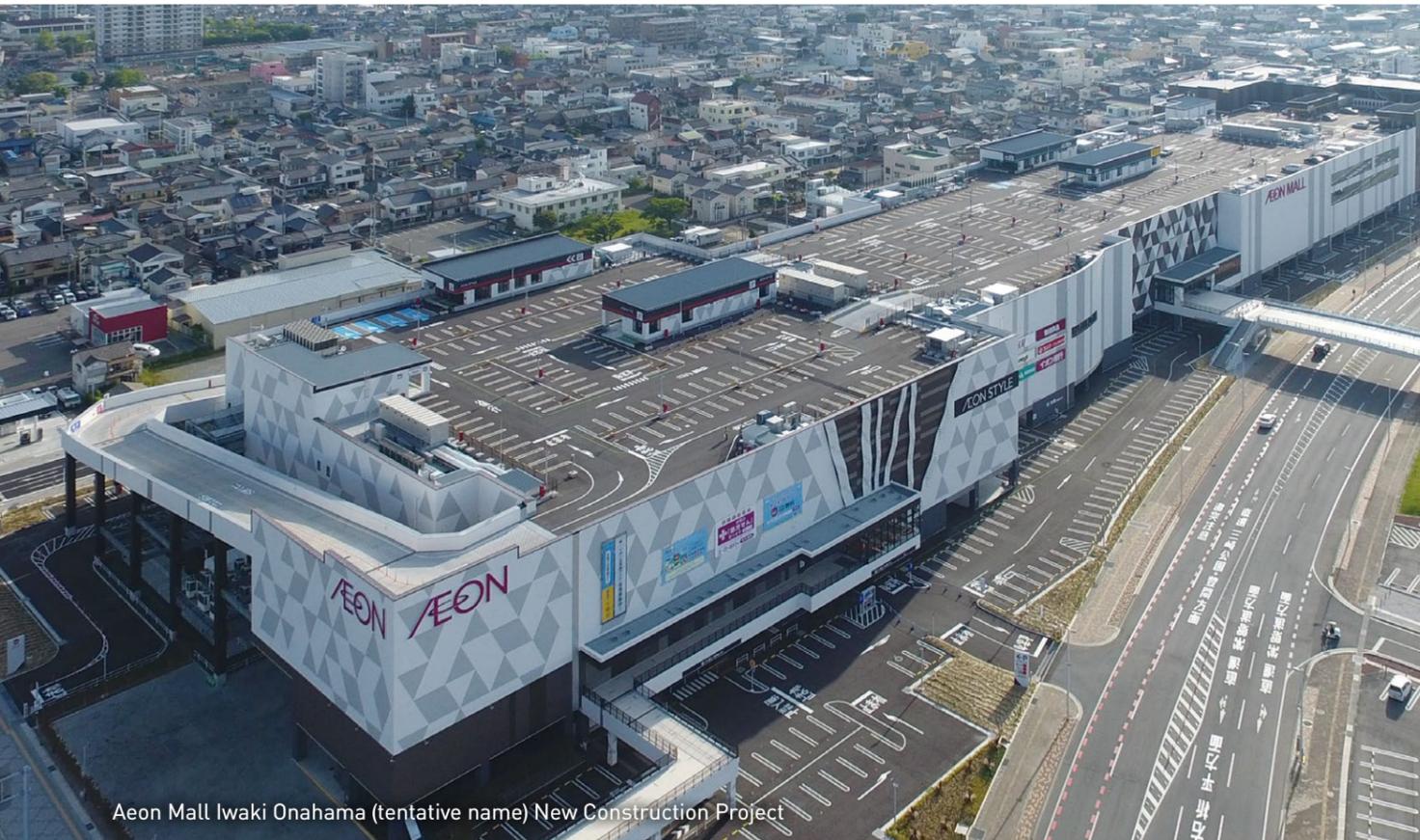
With the cooperation of the client, the Ministry of Land, Infrastructure, Transport and Tourism, and in collaboration with the Sukumo City Tourist Association, from April to December 2018 we held evening tours of the construction work currently underway at Yokozegawa Dam (Sukumo City, Kochi Prefecture).

Offered for a limited time only, the tours were popular enough to require a waiting list. Newspapers and television stations covered the tours, which dam enthusiasts selected for the "Best Event Award" at Japan Dam Award 2018.



# Building Division

While making full use of advanced technical capabilities, we handle diverse building construction projects, from office buildings to cultural, educational, commercial, and medical facilities. At the same time, we deliver services throughout the lifespan of buildings from the planning and design stages to operation and maintenance.



Aeon Mall Iwaki Onahama (tentative name) New Construction Project



## STRATEGY

### Develop and sustain the building construction business by delivering maximum satisfaction to customers

Akira Maeda General Manager of Building Division

We succeeded in our goal to visualize completed construction contracts, which was part of our strategy for securing orders with a structure that integrates sales and worksite operations. By doing so, we achieved all of our fiscal 2018 performance targets for orders received, net sales, and gross profit. We have established a path toward a construction business that is not swayed by market fluctuations and that will maintain stable profit by fully utilizing the Site Administration Innovation Center. The center promotes efficiency, digitization, and automation by allocating tasks at active worksites, while winning customer trust by focusing on delivering value from their perspective.

Social change is progressing faster than we can imagine. I think that the speed and effectiveness with which we respond to such change will determine our success or failure. That is why

innovative thinking is imperative for overcoming obstacles, and I think that sustainable growth for the construction business will follow from united execution of appropriate solutions.

As a Building Division strategy focused on 2020, we will make investments for sustainable growth and for crafting future strategies. At the same time, we will strengthen our business by creating new value and technical capabilities that differentiate us from our competitors. Furthermore, as a corporate growth strategy, we will strive to boost corporate value by collaborating with companies in other industries to develop new fields. The key to growth, and to delivering maximum satisfaction to customers, is for everyone in the Building Division to see things from the perspective of management and work together, flexibly and proactively, toward common goals.

## TOPIC

### Construction under Challenging Conditions and Consideration for the Neighborhood

Located in the Kawaramachi/Shinkyogoku area of central Kyoto, this reconstruction project, for a nine-story building with one basement level, contains shops and accommodation facilities. The site was the former location of the Sakaiza theater, where the client, Shochiku Co., Ltd., was founded. Because the site was cramped and adjacent to wooden structures (small shops), the frame of the basement for the previous buildings was used as is for the two previous rebuilds.

The only access to the worksite was via Shinkyogoku Street, which is a bustling tourist and shopping area specifically limited to pedestrian traffic on weekdays. Consequently, vehicle traffic was strictly regulated. Access was limited to vehicles under four tons and permission for transporting construction materials was only granted for the four hours from 5:00 a.m. to 9:00 a.m. Only the pouring of concrete was permitted at night, with neighboring residents agreeing to a 11:00 p.m. to 9:00 a.m. schedule.

There were many obstacles, from the tight confines of the site to the adjacent wooden buildings and the basement frame remaining from two previous rebuilds. Resolved to handle each issue, worksite personnel worked together, carefully surveying, reviewing, executing, and confirming matters step by step, while

striving to maintain safety and quality. Under these challenging conditions, we successfully completed the project with zero accidents and injuries, while maintaining good relations with neighborhood residents. The building, a new symbol of the Shinkyogoku district, is currently being used by many people.



Yasutaka Isoji

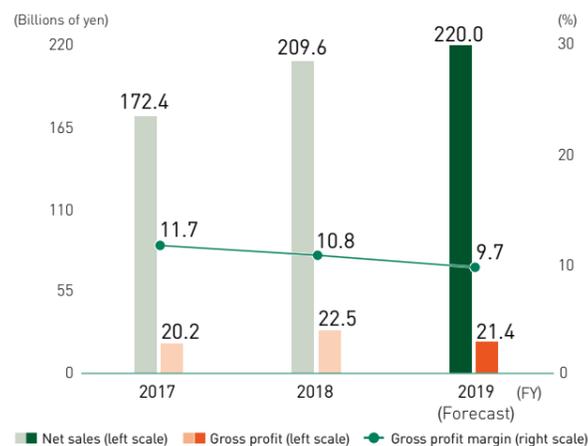
Project name: Kyoto Shochiku No. 3 Building Reconstruction Project (tentative name)  
Client: Shochiku Co., Ltd.  
Location: Shinkyogoku-dori, Shijo-agaru, Nakagyo-ku, Kyoto  
Construction period: May 1, 2017 - November 26, 2018



## Our Targets under Nishimatsu-Vision 2027

Amid expectations that the domestic construction market will contract and construction investment will decrease, we will achieve growth as a trusted company able to maintain stable profit by continuing to thoroughly pursue craftsmanship from the customer's perspective, striving for the highest standards of construction, service quality, taking an eco-first approach to business, and building a resilient structure that is not swayed by market fluctuations.

### Net Sales, Gross Profit, Gross Profit Margin (Unconsolidated basis)



### Recipient of Award of Excellence at 16th Public Buildings Association Awards

The 16th Public Buildings Association Awards were held by Public Buildings Association, Ltd. in June 2018. The purpose of these awards is to contribute to the improvement of the overall level of public buildings by recognizing outstanding projects. Nishimatsu Construction received the Award of Excellence for the construction of Hiroshima Municipal Hiroshima Special Needs School. The award is in recognition of our close cooperation with school officials, the government and designers, and our shared commitment in building a school for children with disabilities.



# Urban Development & Real Estate Business Division

We provide one-stop real estate solutions with high added value through redevelopment projects that lead to attractive urban development and revitalization of local economies, in addition to commercial and office building development and management projects. To these, we add corporate real estate (CRE) and other businesses that support companies seeking to efficiently manage their real estate holdings.



NCO Metro Kamiyacho



Sendai City Arai-nishi Land Readjustment Project (Nanairo-no Sato)



NCO Kanda Konya-cho

## Our Targets under Nishimatsu-Vision 2027

We aim to generate high-value business in areas expected to offer growth, while delivering the Nishimatsu Construction Group's one-stop solutions over the entire lifecycle of real estate.

### Net Sales, Gross Profit, Gross Profit Margin (Urban development and real estate business, etc.; Unconsolidated basis)



### Turning the Misono Company Dormitory into Hokkaido's First ZEH Rental Housing Project

In February 2019, Nishimatsu Construction launched Hokkaido's first Nearly ZEH-M<sup>1</sup> rental housing development as the Company's own CRE<sup>2</sup> project. We are tackling the development and operation of an environmentally conscious building in the harsh climate of Hokkaido. Using the ZEH<sup>3</sup> knowledge and expertise gained from this development, we will work to expand application of our ZEB<sup>4</sup> technologies and prepare for the future growth of the ZEH market.

1. Nearly ZEH-M: Nearly net zero energy house-condominium. Apartments and condominiums that use energy-saving and energy-generation to meet a standard of 75% or greater reduction in primary energy consumption.
2. CRE: Corporate real estate. Offices, shops, factories, and other buildings for businesses owned by companies.
3. ZEH: Net zero energy house. Houses that have better insulation and energy-saving features and use renewable energy to achieve net zero annual primary energy consumption.
4. ZEB: Net zero energy building. Buildings that cut operating energy consumption through energy-saving features and renewable energy with the aim of achieving net zero annual primary energy consumption.



## STRATEGY

### Working for faster project preparation and project start-up

**Yoshiyuki Sawai**

General Manager of Urban Development & Real Estate Business Division



Amid uncertainty in the real estate investment environment, the Urban Development & Real Estate Business Division carefully watched market trends, targeting markets expected to yield new growth\* with the aim of delivering new value through the development of businesses capable of solving issues faced by customers and society. Projects we have launched include a highly sophisticated office building development connected to Tokyo Metro Kamiyacho Station, a student dormitory at Tamagawa Gakuen, and CRE projects using Nishimatsu Construction's company dormitories (including refurbishing a dormitory close to Furue Station, Hiroshima as serviced housing for rent to elderly occupants and conversion of another dormitory to create Hokkaido's first ZEH rental housing). Furthermore, in fiscal 2019 we began a hotel project in front of

Toyama Station. Each project incorporates ample consideration for the environment, security, safety, and energy efficiency, as well as design specifications that will ensure the comfort and enjoyment of people using the buildings.

We have also stepped up our overseas expansion, including newly entering the office building business in Singapore and the leasing business in Thailand. We are getting closer to our goal of each employee being able to respond to the diversifying needs of clients and society in general as an "expert that wins the overwhelming support of our customers." As we do so, we will concentrate the combined knowledge of Nishimatsu Construction and leverage our strengths in creating businesses of even greater value.

\* Foreign nationals, women, seniors, rapidly growing companies, steadily growing companies, tourism and entertainment businesses, and others.

## TOPIC

### Complete-Package Business: Offering One-Stop Solutions That Deliver Security, Safety and Comfortable Living Environments

The Nishimatsu Construction Group started a complete-package student dormitory management business in April 2019, offering one-stop solutions that help educational institutions make the best use of their land. For this business, Nishimatsu Construction leases the land, designs, constructs and retains ownership of a student dormitory, and entrusts Nishimatsu Jisho Co., Ltd. with rental management. The facilities emphasize security, with indoor and outdoor surveillance cameras, access control systems and similar measures that help ensure peace of mind for students.

In this era of diversifying learning styles, the Nishimatsu

Construction Group will continue to provide student dormitories that meet the needs of the time through this business.

Building name: NCRE Tamagawa Gakuen  
Purpose: 77 student dormitory rooms + 1 building manager unit  
Structure and scale: Reinforced concrete; 3 floors (above ground)  
Total floor area: 3,015.47 m<sup>2</sup>



## TOPIC

### Entering the Hotel Business: Leveraging the Expertise of Craftsmanship to Create Perennially Popular Hotels

Nishimatsu Construction is entering the hotel business with Okura Nikko Hotel Management Co., Ltd. Just three minutes on foot from JR Toyama Station, this hotel project (Hotel JAL City Toyama) boasts an enviable location in a business and leisure hub. We aim to build hotels that will be perennial choices among travelers while seizing domestic and international tourist demand.

Planned construction site: 1-Chome, Takaramachi, Toyama City, Toyama Prefecture  
Total floor area: Approx. 9,600 m<sup>2</sup>  
Floors: 10 (above ground)  
Guest rooms: Approx. 250  
Other facilities: All-day dining room, bar, library  
Scheduled opening: 2022



# International Division

Leveraging the technical capabilities we have built up over many years, and our relationships with trusted local partners, we are expanding our business with a focus on the construction of infrastructure that requires advanced technologies, and on private sector factories and logistics facilities that demand meticulous service. We have also been making progress in structuring an urban development and real estate business that discerns the needs of each region.

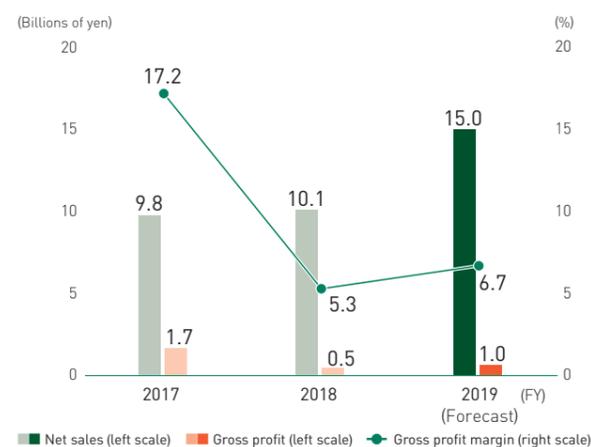


BCM New Factory & Warehouse Project

## Our Targets under Nishimatsu-Vision 2027

We will identify the needs of the countries in which we operate and leverage trusting relationships cultivated to date with local clients and partners to deliver products and services that are valuable in terms of ease of use and durability because they take lifecycle costs into account.

### Net Sales, Gross Profit, Gross Profit Margin (Unconsolidated basis)



### Recipient of BCA Awards

At BCA Awards 2019, held by the Building and Construction Authority of Singapore on May 29, 2019, Nishimatsu Construction received two awards for the East-West Transmission Cable Tunnel, Zone 3 Construction Project.

We were recognized for our efforts to improve productivity on the worksite, including using soil pumps to move soil excavated by the tunnel boring machine (TBM) and setting up equipment within the tunnel using a gantry system. We were also recognized for our worksite management, which included deploying two TBMs simultaneously inside a deep shaft, constructing tight turns in the tunnel, and for achieving zero accidents and injuries for the fiscal year. Although most of the projects receiving awards are building construction projects, civil engineering projects have been recognized two years in a row.



## STRATEGY

### Achieve further business expansion by entering new markets with local partners and working to cultivate new customers

**Kensuke Hayashi** General Manager of International Division



Although we are aiming to grow after securing stability in the overseas business overall, the civil engineering business continues to be buffeted by market fluctuations. On the other hand, the building construction business has become a key pillar for us, maintaining a scale of around ¥10 billion in orders for production facilities for clients headquartered in Japan. In Hong Kong, we found our way into the growing construction business by focusing on medium-sized projects. In the urban development and real estate business, we are laying the foundation for structuring overseas urban development projects and investing in income-producing real estate. In terms of measures to handle the changes faced by each business, in civil engineering business I believe we need to use our accumulated expertise to secure infrastructure-related projects in new markets. In the construction business, we need to cultivate new customers (including companies

headquartered outside Japan) and structure projects in collaboration with the urban development and real estate business.

Going forward, we will work to enter new markets, cultivate new customers and to reallocate our current resources to focus on the most promising opportunities. In the civil engineering business, we will work to develop concrete businesses in markets with rapidly growing infrastructure projects, such as the Philippines and Australia, by leveraging partner consultants and our network of construction companies. In the building construction business, we will work to expand business in collaboration with trusted local partners. In the urban development and real estate business, we will keep our focus on contributing to the construction business while deepening ties with the Urban Development & Real Estate Business Division, maintaining our current direction and speed as we move steadily ahead.

## TOPIC

### Focusing Our Technical Capabilities to Finish Projects ahead of Schedule

We opened our Singapore Office in 1980, and have worked on numerous construction projects to date. In the civil engineering business, our efforts have centered on the Singapore subway system, and in the construction business, we have been working on the high-rise UOB Plaza building and Singapore's National Library.

Currently, we are working on a portion of the subway system ordered by the Singapore Land Transit Authority (LTA), which began in July 2014, consisting of the construction of Gardens by the Bay MRT station and 1.4 kilometers of shield tunnel traversing below a 350-meter-wide river. Progress to date includes on-schedule basic structure completion of the tunnels and station building, and five million accident- and injury-free man-hours, which has been highly praised by the client. All that remains is the finishing work on the station building and the construction of an emergency evacuation shaft.

Future project plans in Singapore include significant public infrastructure, such as a new subway line and an airport expansion. By finishing the above project ahead of schedule and maximizing use of our human resources, the International Division, Singapore Office and worksites are united as one in striving to establish an advantageous position for future projects with an "All Nishimatsu" approach.



## Overseas Activities

### Hong Kong



Since the commencement of Contract No. HY/2017/09 - Ho Man Tin Access Shaft in December 2017, construction works have been progressing. Despite unexpected and difficult ground conditions, installation of all diaphragm wall panels has been completed successfully, supplemented by substantial ground improvement (GI). With the aim of expediting the works, subsequent shaft excavation had been carried out concurrently with erection of a noise enclosure and other temporary facilities in the proximity of the shaft opening. Currently, shaft excavation through rock using the drill and blasting method is in progress and is expected to be completed by the end of September 2019.

For horizontal directional coring (HDC) works, all five holes were completed, including two additional holes ordered after award of the contract, for a total length of approximately 4,800 meters. This project holds the record as the longest single HDC in Hong Kong for coring HDC/02 up to 1,301 meters. Other GI works were largely completed in April 2019.



Aerial view of Ho Man Tin Access Shaft site

In September 2018, we were awarded Architectural Services Department (ASD) Contract No. SS G503 - Reprovisioning of Fu Shan Public Mortuary at Sha Tin, which mainly comprises the construction of a seven-story mortuary building with a height of approx. 31 meters, to provide nine cold rooms and one deep freezer with total storage capacity of 830 bodies, and includes design and construction of piled foundations, site formation works, building services installations and associated external works. We plan to complete these works by late February 2021. Currently, site formation works are in progress.



Aerial view of Fu Shan Public Mortuary site

Furthermore, in March 2019, we secured Hong Kong Housing Authority (HKHA) Contract No. 20170097 - Construction of District Open Space adjoining San Po Kong Public Housing Development, which involves the provision of hard and soft landscaping, outdoor seating areas, a children's play area, a fitness area, a pebble walking trail, a jogging track, lawn, and a pet corner, as well as ancillary facilities. Completion is planned for September 2020. Currently, site establishment and ground investigation works are in progress.

Since November 2018, additional rectification works, street lighting installation and drainage works have been ordered for the Wong Chuk Hang area under SIL Contract 902. All such minor works are targeted for completion in August 2019.

Localization of Hong Kong Branch's organizational structure is being promoted by assigning local Hong Kong staff to key positions for all middle-scale projects, such as current ASD and HKHA projects, as well as additional works for previous MTR Corporation contracts.

Looking back at the Hong Kong construction industry in 2018, three mega infrastructure projects were completed and have opened recently: Hong Kong-Zhuhai-Macau Bridge in November 2018, Guangzhou-Shenzhen-Hong Kong Express Rail Link in December 2018 and Central-Wan Chai Bypass in January 2019.

The first phase of construction of the three-runway system at Hong Kong International Airport, including deep cement mixing works, installation of vertical drains and the laying of stone columns, is almost complete. Reclamation filling commenced in May 2018 after a delay of about four months due to lack of filling sand.

Three major civil works contracts for another mega infrastructure project, Central Kowloon Route were awarded in 2018, and the last major civil engineering contract, Central Tunnel, will be awarded in mid-2019.

In 2018, the political environment in Hong Kong changed significantly, and as a result, the government funding approval process for infrastructure projects has sped up, but intense competition among contractors still exists in tendering for public works contracts.

Land for building public and private housing remains in short supply, which has decreased the number of building tenders. The Task Force on Land Supply submitted a finalized report in December 2018 and the government has fully accepted its recommendations on land supply strategy and eight land supply options worthy of priority study and implementation.

However, the government has put forward a scheme in the Chief Executive's 2018 Policy Address, "Lantau Tomorrow Vision," at a cost of over HK\$600 billion, to build 1,700 hectares of artificial islands - an area equivalent to one-third of Kowloon - in the waters around Kau Yi Chau and Hei Ling Chau between Lantau and Hong Kong Island within 15 years. It will also include near-shore reclamation and a cross-sea transport network linking the artificial islands to Lantau, Tuen Mun and Hong Kong Island.

Supported by key infrastructure, i.e., Hong Kong-Zhuhai-Macau Bridge, Express Rail Link and the future Shenzhen-Zhongshan Corridor, China's Central People's Government

finally released the blueprint for the development of Guangdong-Hong Kong-Macau Greater Bay Area in February 2019. It targets the transformation of nine mainland cities and two special administrative regions into a new Silicon

Valley-like technology and innovation hub. It appears to have captured the interest of real estate developers, industrialists and investors, but not that of construction contractors.

### Thailand, Laos



Thailand's economy grew strongly in 2018. The GDP growth rate was over 4.0%. It is thought to be due to recovery of the automobile industry resulting from expansion of domestic demand.

In such circumstances, Thai Nishimatsu Construction Co., Ltd. successfully completed the following projects: the UNIQLO Thailand Pathanakarn Road Project, the Bridgestone Aircraft Tire Manufacturing ACE Project, the Bangkok Can Manufacturing New Factory Project, the Bridgestone Tire Manufacturing (Thailand) New Warehouse Project, and the KAO EQ-II Project. Additionally, we have been awarded the UACJ Phase III Project, the Shama Lakeview Asoke Tower Renovation Project, the MACO EC Building Expansion Project, and the HATC Sports Center Project.

Maha Vajiralongkorn, Thailand's new king, was crowned in 2019.

It is estimated that the GDP growth rate was 2.8% in the first quarter of 2019. Compared to 2018, it declined by 0.8 pts. This low level of growth is the result of the decrease in exports due to the impact of the China-United States trade conflict. The Office of the National Economic and Social Development Board announced that the annual economic growth forecast is down to 3.3-3.8% from the former 3.5-4.5%.

On the other hand, the Eastern Economic Corridor (EEC) Project is steadily progressing. It is specifically designed to accommodate Thailand's 10 target industries and as a "Thailand 4.0 initiative." The EEC Act came into force in 2018,

and competitive tendering began for infrastructure development. The EEC Office has also promoted the investment of Japanese companies in cooperation with the Japan External Trade Organization.

In April 2019, we completed the UNIQLO Thailand Minburi Roadside Store Project. This land and building lease business is the second such project we have worked on, following the UNIQLO Thailand Pathanakarn Road Project, which we completed in 2018.

In Laos, Lao Nishimatsu Construction Co., Ltd. was awarded the HOYA MD Division New Factory Project in 2019. This project is currently on schedule to be completed in 2020.

We will continue striving to cultivate new business areas including advanced factory projects with finance leasing conditions, residential projects in cooperation with new partners, and maintenance services for civil structures. Moreover, we are considering targeting contracts from not only companies invested in by domestic and Japanese enterprises but also from enterprises headquartered in other countries.

Furthermore, Pakse-Japan SME SEZ Development Co., Ltd. (PJSEZ), in which Nishimatsu Construction has invested, has been building the Phase 2 development of its industrial park, as rental factories in the Phase 1 development have already been fully leased.

PJSEZ fully supports clients who invest in Laos.



## Singapore



In January 2019, the Building and Construction Authority (BCA) of Singapore reported projected construction demand in 2019 of between S\$27 billion and S\$32 billion. This is comparable to the S\$30.5 billion in contracts awarded in 2018. Public sector demand is expected to contribute to 60% of the total.

Singapore Power Assets EW3 Contract for the East-West Transmission Cable Tunnel was awarded to the joint venture of Nishimatsu Construction and a local contractor, KTC Civil Engineering and Construction Pte. Ltd. The works under EW3 were completed on schedule in June 2017. Nishimatsu Construction Co., Ltd. was awarded BCA's Construction Excellence Award and Construction Productivity Award (Platinum) for this project.

Land Transport Authority (LTA) T228, the construction of the Gardens by the Bay station and tunnels for Thomson Line was awarded on July 25, 2014 to Nishimatsu Construction in a joint venture with Bachy Soletanche Singapore Pte Ltd. The key milestones for T228 – basic structure completion of the bored tunnels by July 30, 2018 and station and entrances by September 30, 2018 – were achieved on time. This project also achieved 5 million accident-free man-hours as of

January 2019. Currently, architectural works under T228 are proceeding on schedule toward contract completion in December 2020.

LTA C882, the Construction of Keppel station and tunnels for Circle Line 6, was awarded on September 8, 2017 to Nishimatsu Construction in a joint venture with China State Construction Engineering Corporation Limited. Works have progressed well on this project, with the tunnel boring machines (TBM) scheduled to be delivered to the site in June 2019, and tunnel boring works will be launched on schedule.

Public Utilities Board T10, the Design and Construction of Sewer Tunnels for the Deep Tunnel Sewerage System Phase 2, was awarded on November 17, 2017 to Nishimatsu Construction. Works are progressing well, with the first TBM scheduled to be delivered in September 2019.

Nishimatsu Singapore will continue to work to fulfill its contractual obligations whilst pursuing new opportunities in the upcoming LTA Cross Island Line Phase 1, for which calls for tender are expected in the second half of 2019. Nishimatsu Construction will also continue building up its core professional and supervisory teams to embrace new challenges.



## Vietnam



Marking 45 years since Japan and the Socialist Republic of Vietnam started formal diplomatic relations, the public and private sectors of the two countries carried out a variety of events.

Leaders of the two countries met often, including a visit to Japan by President Tran Dai Quang (as a state guest) and a visit by Prime Minister Nguyen Xuan Phuc. As in 2017, Vietnam was once again Japan's top recipient of investment (US\$35.5 billion) in 2018, and the friendly political and economic relations between the two countries continue to grow and deepen.

Vietnam's economic growth rate surpassed 7% in 2018, the highest level in the past 10 years. While attention focused on the elimination of tariffs among ASEAN countries, as well as developments in trade markets resulting from the TPP, Vietnam's economy is expected to remain robust for the time being. A revised Immigration Control and Refugee Recognition Act has been passed in Japan and human resources exchange with Vietnam is forecast to pick up, and Japanese companies' interest in doing business in Vietnam is expected to remain high.

In order to more aggressively expand business in Vietnam under these economic conditions, on February 8, 2017, Nishimatsu Construction established a wholly owned local subsidiary called Nishimatsu Vietnam Co., Ltd. The creation of this subsidiary has enabled us to respond more quickly to local customer needs.

In 2018, we completed OM Chemical Co., Ltd.'s OM Chemical Vietnam Factory Project and Thang Long Industrial Park II Corporation's Rental Factory No. 11 in the north of the country, and finished work on Saigon Precision Co., Ltd.'s Factory No. 3 – Factory Extension and Renovation Project in the south.

Currently, in the north of the country, we are working on Vina Ito Co., Ltd.'s New Factory Project, Nissei Technology (Vietnam) Ltd.'s Factory No. 3 Project, Thang Long Industrial Park II Corporation's Rental Factory No. 12, and Thang Long Industrial Park (Vinh Phuc) Corporation's Land Grading Works and Infrastructure Works – Phase 2 and 3 Project, while in the central region, we are proceeding with Seto Vietnam Co., Ltd.'s Factory 2 Extension Project. We are also repairing and augmenting the existing facilities of many

Japanese companies located throughout Vietnam.

With many more Japanese companies expected to open factories in Vietnam, Nishimatsu Construction is committed to seizing these business opportunities and solidifying its position as a company with a local presence. Hence, we are leveraging the expertise we have accumulated to date in building factories, as well as human capital and all other resources, while also making maximum use of the rapid responsiveness of Nishimatsu Vietnam Co., Ltd. to make timely proposals that meet customer needs and deliver services that gain their satisfaction. In this way, we intend to aggressively expand sales activities to receive more orders for new factory construction for Japanese companies entering Vietnam. In addition to preparatory works for industrial parks and infrastructure construction, we will also explore possibilities in new areas, such as maintenance work, renovation, commercial facility construction projects



and collaborative efforts in real estate development projects. In doing so, we aim to cultivate even more customers.

At the same time, the official development assistance (ODA) construction market remains promising, as future construction bids are expected through Japanese government ODA for infrastructure projects such as urban railways, including underground tunnels, and water treatment facilities.

After sufficiently analyzing country risks in Vietnam, such as a lack of transparency for permits and licenses, various procedures, and legal interpretations, while also examining the capabilities of clients (such as whether they can acquire construction sites and pay construction fees without delay) and contractual conditions, we intend to aggressively but carefully proceed, narrowing target projects to those for which we can leverage our technologies and expertise.



## Malaysia



May 9, 2018 was a historical landmark for Malaysia. It was the 14th Malaysia General Election Day. In an unprecedented victory, the country's federal Opposition won the election and was mandated to form the new Malaysian government the next day. It was the first regime change of the government since Malaysia's independence in 1957.

The handover and transition of power went smoothly. The new government revealed that the country's current debt was seriously high. Swift changes to some government policies, albeit prudent financial and economic measures, had to be quickly implemented, especially those involving mega construction projects that had been awarded earlier. Among these projects were MRT-2, LRT-3 and ECRL (East Coast Rail Line), which were reviewed, redesigned, renegotiated and subsequently awarded on new terms and conditions. These efforts resulted in huge savings for the new government (MRT-2: RM8.82 billion, LRT-3: RM16.63 billion, ECRL: RM21.5 billion). Similar projects, such as MRT-3, HSR (High Speed Rail), RTS (JB-Singapore Rapid Transit System), which were in the early stages of implementation, were either cancelled, deferred by mutual consent, or temporarily suspended.

Under such an economic scenario, the remaining quarters of 2018 were very challenging. In the first quarter, Malaysia's economy grew 5.3% but thereafter the growth rate declined for the remaining quarters. Malaysia's GDP grew 4.7% for the full year.

For the construction sector, in the first three quarters of 2018, growth hovered around 4.7-4.9% before drastically falling to 2.6% in the fourth quarter. Year-on-year growth

rates in the construction sector have declined from 7.4% in 2016 to 6.7% in 2017 and 4.2% in 2018. For 2019, growth is projected to be only 3.0%, and with lower public expenditure it will be another challenging year. Lingering global and local economic uncertainties continue to impact the capital market and business sentiment.

Although approved foreign direct investment for 2018 increased 48%, private investment and spending flows remain slow and prudent. Securing new factory and warehouse building contracts from potential Japanese investors is likely to remain an uphill task. We believe that most investors are holding back on implementing their plans for the time being.

Our Malaysia business portfolio for 2018 also suffered and was barely sustainable. Progress on Kuching City Project-Package 2 was smooth and on schedule, with physical completion at 12.8%. We continued to receive orders for maintenance works from Sumitomo Wintec. Some of the orders were not substantial in amount, but for the entire fiscal year the cumulative amount was quite decent. We anticipate that this trend in orders from Sumitomo will continue in 2019. We have also received similar maintenance requests from other Japanese factories and there is a possibility that we will secure firm orders soon.

We continue to mull prospects for leasing of identified land and construction of purpose-design building for long-term lease. A few such deals are currently being studied and reviewed. The prospects appear very promising, but in the end, execution will require a considerable period of study.



Taking Nishimatsu Construction to the Next Stage

Moving toward Net Zero CO<sub>2</sub> Emissions in Fiscal 2030

As an Eco-First Company, Nishimatsu Construction is energetically pursuing initiatives related to preventing global warming, preserving biodiversity, and achieving zero emissions of waste. Additionally, in fiscal 2018 we achieved a 52% reduction in our CO<sub>2</sub> emission intensity from construction projects (compared with fiscal 1990), two years ahead of the target of a

50% reduction by fiscal 2020 set by Japan's Minister of the Environment in March 2016.

Furthermore, Nishimatsu Construction ranked first in the general constructor category (fifth in the construction category overall) of the Nikkei Research Environmental Management Survey 2019.



Energy-saving construction machinery leading to reduced fuel consumption



Electric backhoes (zero CO<sub>2</sub> emissions) at worksites, in place of diesel fuel-consuming machinery



Using plant-derived biodiesel fuel



Using diesel combustion enhancer for improved diesel fuel efficiency



Photovoltaic power generation systems



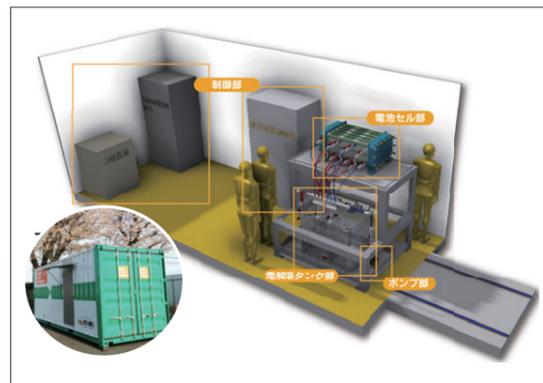
Switching to full LED lighting for office buildings and temporary worksite offices



Establishing ZEB design technology and achieving ZEB-ready status (50% or greater reduction in energy consumption)



Using LED lighting at all worksites to save energy



Developing and carrying out verification testing of power storage systems at the Technology Research Institute



Fuel-efficient machinery operation training and promoting fuel efficiency practices at all companies

Going forward, we will augment current initiatives with further energy-related efforts, such as expanding adoption of renewable energy, and further developing CO<sub>2</sub> reduction technologies as we aim for net zero CO<sub>2</sub> emissions in fiscal 2030. Moreover, since preventing global warming requires

simultaneously pursuing CO<sub>2</sub> reductions and preserving the ecosystem, we will extend our coral reef preservation efforts over the long term. (In 2018, the Minister of the Environment appointed Nishimatsu Construction an official supporter of International Year of the Reef 2018.)

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



Industry-Academia Cooperation Agreement for Coral Reef Preservation

As an official supporter of International Year of the Reef 2018, Nishimatsu Construction signed an industry-academia cooperation agreement with Tamagawa Academy (K-12) and University (hereinafter, Tamagawa Gakuen) on December 20, 2018. The junior high and high school divisions of Tamagawa Gakuen have been designated a Super Science High School

(SSH) by the Ministry of Education, Culture, Sports, Science and Technology. One of the school's research projects is to practice raising, studying, and transplanting coral. Going forward, Nishimatsu Construction will cooperate with Tamagawa Gakuen's efforts and continue promoting marine ecosystem preservation.



Agreement signing ceremony  
Right: Yoshiaki Obara, Chairman of the Board of Trustees, Tamagawa Gakuen  
Left: Nobutoshi Takase, Representative Director and President, Nishimatsu Construction

## Environmental Message

ECO FIRST  
環境第一主義

I would like to thank all employees for their continuous hard work. The average temperature of our planet continues to rise. According to the latest United Nations' reports, the temperature increase must be limited to 1.5°C to avoid serious adverse impacts from climate change. The UN warns that it will be necessary to reach net zero CO<sub>2</sub> emissions by 2050.

Amid the accelerating global push for decarbonization, we achieved our fiscal 2020 goal for CO<sub>2</sub> emission intensity from construction, as stated in our Eco-First Mission, two years ahead of schedule. I would like to thank everyone for their diligent and dedicated efforts in making that possible.

In light of this achievement, we have updated our Eco-First Mission. In the next stage, we tackle a pioneering target of reducing CO<sub>2</sub> emissions from business activities to a net zero level in fiscal 2030 with measures including further reduction of CO<sub>2</sub> emissions with proprietary environmental technologies that contribute to energy efficiency, and energy generation through the expanded use of renewable energy.

At the same time, we will focus on preserving ecosystems that help to absorb CO<sub>2</sub>, such as coral reefs and forests.

**Fiscal 2019 Environmental Slogan**  
"Pass it along to the next generation – A wonderful Earth and eco-awareness"  
 Action on global warming cannot wait. It is an issue that deeply affects us all, so let's do our part to protect the planet.

June 1, 2019  
Akira Maeda  
Chairman, Environmental Committee,  
Nishimatsu Construction Co., Ltd.

Recognition for Recycling Construction By-Products



Nishimatsu Construction received the following awards in fiscal 2018 for efforts related to recycling construction by-products. Going forward, we will promote unified Group efforts in promoting 3R (Reduce, Reuse, Recycle) activities while aiming for zero emissions of waste.

- August 2018 The Mud Recycling Association's Award of Merit (Takehara Thermal Power Field Office, West Japan Regional Headquarters; Sekiguchi Field Office, North Japan Regional Headquarters; Rokko Architectural Field Office, West Japan Regional Headquarters)
- October 2018 The 3R Suishin Kyogikai's ("Promotion Committee") Director's Award (Iwaki Construction Office, North Japan Regional Headquarters; Oiminami Redevelopment Construction Office, Kanto Architectural Regional Headquarters; Yufunehara Construction Office, Kanto Civil Engineering Regional Headquarters; Izumi Architectural Field Office\*, West Japan Regional Headquarters; Uto Worksite, Kyushu Regional Headquarters)  
\*All five Regional Headquarters that applied received the award.
- January 2019 The Kinki Region Association for Construction By-Products' Director's Award for Recycling (Izumi Architectural Field Office, West Japan Regional Headquarters)

Visualizing CO<sub>2</sub> Emissions and Construction By-Product Generation

Every month, we release data on our intranet detailing the status of CO<sub>2</sub> emissions and construction by-products generated at each of our worksites across Japan. This gives up-to-date information on targets, comparisons, and achievement levels for each regional headquarters and construction. All employees are able to obtain status updates and use that information in their next steps in making reductions.



Excerpts from Company intranet screenshots showing the status of CO<sub>2</sub> emissions

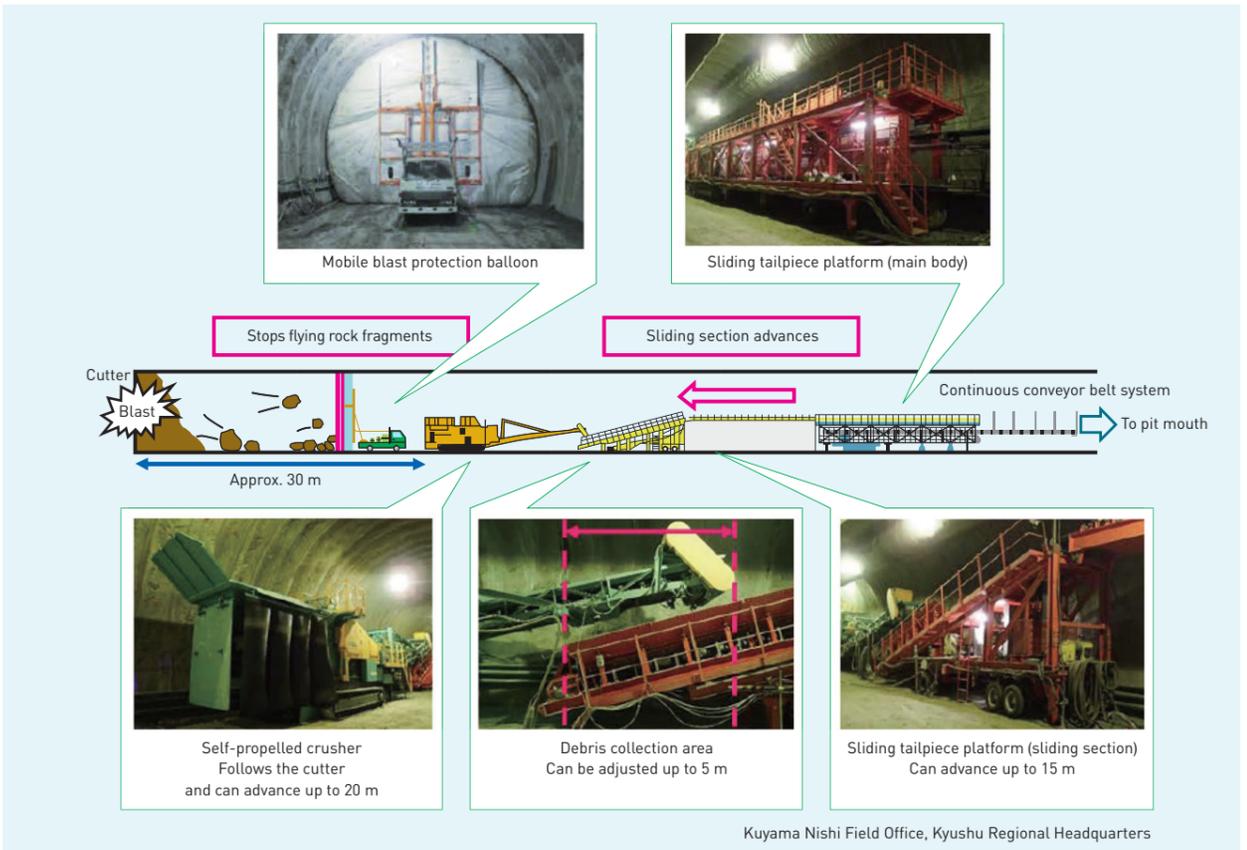
**Various Environmental Preservation Activities at Construction Sites**

This section presents some of the many initiatives Nishimatsu Construction is pursuing at construction sites. Going forward, we will continue to proactively engage in environmental preservation activities at our construction sites nationwide.

**CO<sub>2</sub> Reductions Reducing Fuel Consumption through High-Speed Debris Transfer Systems**

We are using a high-speed debris transfer system to efficiently move debris during mountain tunnel construction. This system uses a mobile blast protection balloon that minimizes the blast radius of flying rocks and protects equipment in the pit from damage. It also utilizes a platform (truck) with a sliding tailpiece,

enabling one section to shift forward while the main body remains stationary. This shortens the distance that machinery needs to travel in the pit, which cuts debris transfer time by up to 30% and in turn lowers machinery fuel consumption and leads to reduced CO<sub>2</sub> emissions.



**CO<sub>2</sub> Reductions Reducing Power Usage with N-TEMS (Nishimatsu Tunnel Electricity Management System)**

During mountain tunnel construction, the ventilation equipment that helps maintain the working environment inside the pit, and the construction machinery itself, rely on electric power. N-TEMS constantly monitors and controls the project's power consumption, while ensuring the ventilation equipment maintains the working environment inside the tunnels, thus helping to reduce electricity usage.

As of April 2019, N-TEMS is in operation in four tunnels, with a confirmed benefit of at least a 40% reduction in electricity used by ventilation equipment.

Comprised of a monitoring system for measuring and tracking electricity use and a control system for governing the operation of ventilation equipment for each stage of construction, N-TEMS is a comprehensive management system that uses a cloud server to centralize the handling of each type of data.



**Preserving Biodiversity Painting and Building Construction That Helps Preserve Flora and Fauna around the Site**

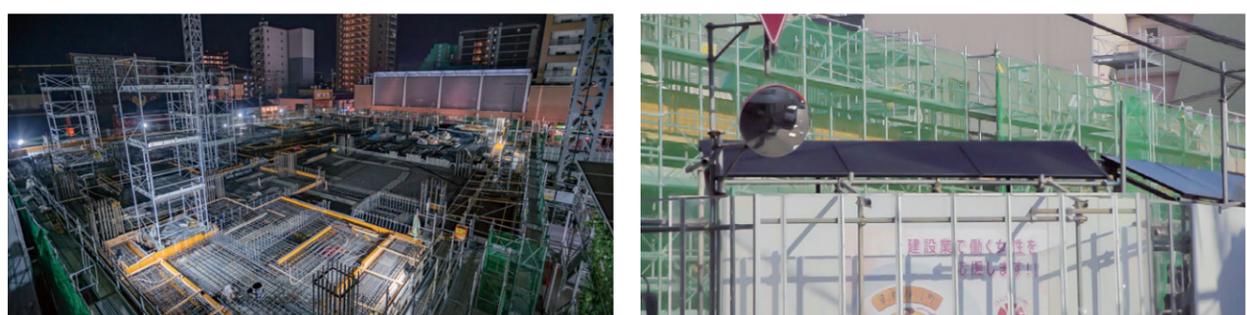
Birds and other animals experience significant stress when their habitat changes. During construction, we give consideration to the flora and fauna around the construction site, such as by cutting down as few trees as possible, using colors for buildings and heavy equipment that match the environment, and temporarily stopping construction as needed.



Use of environment-matching colors for temporary structures for a dam project

**CO<sub>2</sub> Reductions Switching to LEDs for Temporary Lighting at Construction Sites and Installing Solar Panels**

We are switching to LEDs not just in our offices, but also for temporary lighting at construction sites. Additionally, we are installing solar panels and proactively utilizing renewable energy.



Using LEDs for temporary lighting at construction sites

Installing solar panels on temporary barriers around a construction site  
Kusatsu Architectural & Construction Office, West Japan Regional Headquarters

**CO<sub>2</sub> Reductions Effective Use of Resources Reduction of Waste Reusing Construction Sludge within the Site**

Sludge generated at construction sites is reused within the site. This prevents the need to transport the sludge (as a waste product) off-site, which helps reduce CO<sub>2</sub> emissions.



Making fluidized soil using construction sludge generated during shield tunneling

Filling in shield cavities with fluidized soil made from construction sludge  
Isogo Shield Field Office, Kanto Civil Engineering Regional Headquarters



CO<sub>2</sub> Reductions Effective Use of Resources **Using Biodiesel Fuel**

We use biodiesel fuel in construction machinery. Some worksites, such as in Kumamoto Prefecture, are also pursuing initiatives alongside governments and local residents to take advantage of used cooking oil, in addition to having collection containers on-site for used tempura oil.

\* Biodiesel fuel: Carbon-neutral fuel derived from used cooking oil - a replacement for diesel fuel



Exchanging opinions with the Governor of Kumamoto Prefecture (Kumamoto Prefectural Office)

Signing a biodiesel fuel usage agreement in collaboration with local businesses and the national, prefectural, and local governments  
Tateno Dam JV Construction Office, Kyushu Regional Headquarters



Collection barrel for used tempura cooking oil at a construction site  
Tenryu Architectural Field Office, West Japan Regional Headquarters

CO<sub>2</sub> Reductions Reduction of Waste **Reducing Mixed Waste with "Question Boxes" and Using Compactors to Reduce the Number of Collections**

Aiming to reduce the high percentage of mixed waste sent for final landfill disposal, we have set up "question boxes" at worksites to collect waste that is difficult to place into a simple category for sorting. All personnel regularly go through the waste in these boxes in order to sort it properly.

Also, some worksites use compactors to reduce waste to one-fifth its original volume and greatly curtail the number of times waste pickup is required.



Area with waste separation boxes

Using a compactor to reduce the volume of waste at the time of disposal

Kojimachi 5-chome Construction Office, Kanto Architectural Regional Headquarters

Promoting Environmental Education **Setting up Signboards on SDG Initiatives and Giving Environmental Classes to Elementary School Students**

We give classes on the environment to elementary school students at our construction sites. Additionally, we engage in activities for increasing awareness by displaying signs explaining our SDG initiatives on the temporary barriers surrounding worksites.



Explanation covering the SDGs



Seminar on Nishimatsu Construction's environmental preservation initiatives  
Kusatsu Architectural & Construction Office, West Japan Regional Headquarters

**Human Resources Strategy Department**

Established in fiscal 2018, the Human Resources Strategy Department proposes a range of human resource strategies for hiring, development and utilizing employees, to help us achieve Nishimatsu-Vision 2027. In concrete terms, as a measure for developing human resources the department defined necessary skills for Company employees as "Nishimatsu Employee Competencies" and started offering ongoing skills

training at Nishimatsu Employees' University, which was founded in April 2019.

Additionally, the department works to secure the human resources necessary for achieving our business strategies and drafts hiring and human resource utilization plans to optimize Company-wide employee placement so that employees can exercise their capabilities to the fullest.

**Nishimatsu Construction Work-Style Innovation**

Nishimatsu Construction designated fiscal 2017 as the "First Year of Work-Style Innovation" and has rolled out initiatives across the Company.

In particular, to solve the pressing issue of long working hours at construction sites, we are building frameworks to optimally allocate work, promoting integration and visualization

of work through the use of ICT and using technological innovation to automate and achieve unmanned construction management.

To enable diverse human resources to do their jobs efficiently, we will introduce a variety of systems that accommodate more flexible work styles.

**Schedule**

FY	2017	2018	2019	2020	2021	2022	2023	2024
				▼ Close sites for six days every four weeks		▼ Close sites for eight days every four weeks		
Japan Federation of Construction Contractors		Strive for coordinated closure of sites on the second Saturday of every month	Strive for coordinated closure of sites on the second and fourth Saturdays of every month	In principle, close sites for six days every four weeks by closing sites on the second and fourth Saturdays of every month		Close sites for eight days every four weeks		
Nishimatsu Construction worksite closure targets		<ul style="list-style-type: none"> <li>Every Sunday</li> <li>In principle, every second Saturday</li> </ul>	<ul style="list-style-type: none"> <li>Every Sunday</li> <li>In principle, every second Saturday</li> <li>In principle, every fourth Saturday for six or more months of the year</li> </ul>	<ul style="list-style-type: none"> <li>Every Sunday</li> <li>In principle, every second Saturday</li> <li>In principle, every fourth Saturday</li> </ul>	<ul style="list-style-type: none"> <li>Every Sunday</li> <li>In principle, every second Saturday</li> <li>In principle, every fourth Saturday</li> <li>In principle, every Saturday for six or more months of the year</li> </ul>	<ul style="list-style-type: none"> <li>Every Sunday</li> <li>Every Saturday</li> </ul> <p>Note: The calculation of eight days of closure every four weeks for projects scheduled without two holidays per week during the design phase will include summer, year-end and other holidays.</p>		
		On-site setup and testing of model for six days of closure every four weeks (monitoring, followed by confirmation and verification of issues)		On-site setup and testing of model for eight days of closure every four weeks (monitoring, followed by confirmation and verification of issues)				

**Concrete Initiatives**

1. Customer understanding	Getting clients on board	We explain our goal of two days off per week to clients with the aim of establishing reasonable deadlines.
2. Securing a workforce	Building robust cooperative relationships with partner companies	We share details, such as information on projects we are bidding on, the status of progress at worksites, and the status of partner companies' current projects in order to even out workloads and allow stable order volume for partner contractors.
	Getting partner companies on board	We explain our goal of two days off per week to partner companies and specify this condition in estimates provided when an order is placed.
3. Boosting work efficiency	Improving productivity	We strive to improve productivity by promoting i-Construction. (Continuing to adopt tablet devices for all worksite employees; utilizing site management software; promoting ICT relevant to construction)
	Strengthening of the worksite support framework by headquarters and branch offices	We are working to enhance headquarters and branch office support for worksites to shorten the preparation phase before construction starts, and to speed up design changes and other tasks.
4. Following up	Visually communicating status of worksite closures	We are striving for integrated management that visually communicates the status of all worksite closures so we can identify sites having difficulty complying and raise the percentage of compliant sites.

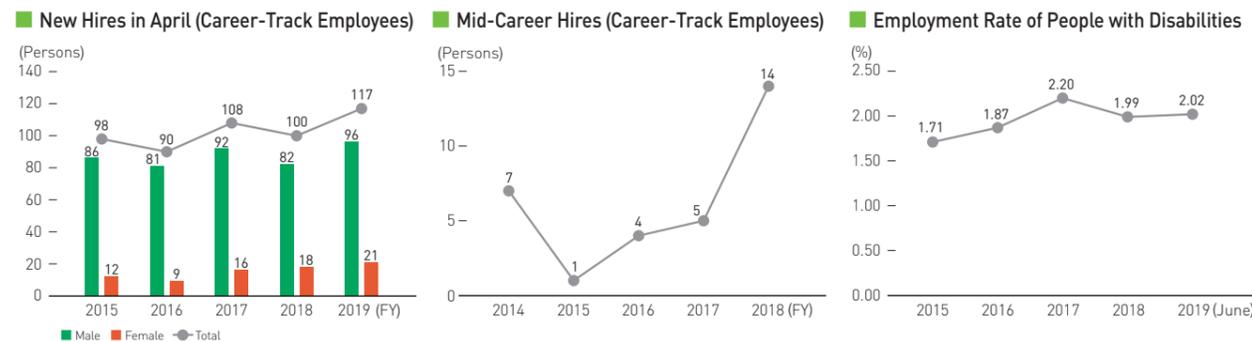
## Approach to Hiring

In order to “become a company with overall capabilities that provides better value,” we must hire, train, and make the best use of talented human resources. Through internships and other programs, we are communicating the appeal of the construction industry, while actively hiring human resources with interpersonal skills who recognize the importance of our strong frontline capabilities.

Among investments for growth announced in Nishimatsu-Vision 2027, we see human resource strategies as the greatest priority. Labor shortages due to Japan’s falling birthrate and aging population are a pressing issue in the construction industry. In order to respond to this situation and grow sustainably, we must secure and foster diverse personnel who can excel not only in today’s construction industry, but also in business areas in which we aim to expand going forward.



New employee training (structure workshop)



## Approach to Human Resource Development

Our basic human resource development policy for achieving Nishimatsu-Vision 2027 is to transform the mindset of employees and foster human resources able to accurately respond to changes in society.

The current environment of the construction industry is changing substantially and we are facing a dramatic shift from traditional work styles and structures. Furthermore, we see human resource development as an urgent management issue in implementing our medium-term management plan, which is now in its second year, and in “becoming a company with overall capabilities that provides better value.” To that end, we established Nishimatsu Employees’ University as a program to equip employees with diverse skills and to clarify their paths to career advancement. Through the Nishimatsu Employees’ University program, we will broaden the scope of employees’ knowledge and activities to develop human resources who can perform in a variety of situations.

### Fiscal 2018 Training Results

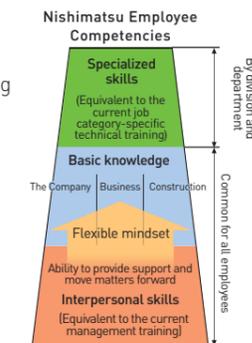
Training Title	Category	Participants	Schedule and Duration
New employee training	Career level specific	100	Apr. 2-13 (11 days)
Introductory management training (newly appointed: SV2)	Career level specific	36	Oct. 16-19 (4 days)
Intermediate management training (newly appointed: SV1)	Career level specific	41	Sep. 11-14 (4 days)
Skill level enhancement training (next-generation leaders) Phase 1	Career level specific	34	Aug. 22-24 (3 days)
Skill level enhancement training (next-generation leaders) Phase 2			Oct. 22-23 (2 days)
Senior management training (new managers) (1)	Career level specific	32	Jun. 19-21 (3 days)
Senior management training (new managers) (2)	Career level specific	36	Jul. 11-13 (3 days)
Senior management training	Career level specific	29	May. 18, Jun. 26 (2 days)
New employee technical training*	Technical	100	Apr. 16-Jul. 27 (69 days)
Civil engineering training, 2nd year	Technical	43	Oct. 1-5 (5 days)
Architectural training, 2nd year	Technical	48	Jan. 29-Feb. 8 (9 days)
Civil engineering training, 4th year	Technical	38	Jul. 23-28 (6 days)
Architectural training, 4th year Phase 1	Technical	32	Sep. 3-7 (5 days)
Architectural training, 4th year Phase 2			Nov. 5-9 (5 days)
Civil engineering training, 6th year	Technical	32	Jun. 4-8 (5 days)
Architectural training, 6th year	Technical	16	Jan. 24-25 (2 days)
First-class architect training (academic courses)	Qualification	31	Jul. 12-20 (9 days)
First-class architect training (technical drawing)	Qualification	41	Oct. 1-6 (6 days)

\* Schedule and duration of new employee technical training varies depending on job category.

## Launch of Nishimatsu Employees’ University

In order to enhance human resource development and training, we established the Nishimatsu Employee University at our head office and started holding classes in April 2019. With the opening of the university, we compiled a list of necessary skills for achieving our business strategies and defined these skills as “Nishimatsu Employee Competencies” (encompassing soft skills, basic knowledge, and specialized skills). To help develop those competencies on an ongoing basis, we established Company-wide training, as well as training by division and department. In addition to increasing the time and funds allocated to training and improving Nishimatsu Employee

Competencies through continuing education, we are fostering diverse skills in human resources, including the ability to handle multiple tasks. We will also move ahead with initiatives for human resource development at the Site Administration Innovation Center, which began operations in fiscal 2019.



## Approach to Utilizing Human Resources

We have defined the number and quality of human resources we need to achieve Nishimatsu-Vision 2027, and are currently formulating plans for securing them. With these plans, we will achieve the optimal placement of human resources Company-wide, so that each and every employee can exercise his or her capabilities to the fullest.

To visually communicate training progress and boost

### Promotion of Diversity

To achieve the goal of “becoming a company with overall capabilities that provides better value,” as stated in Nishimatsu-Vision 2027, we aim to evolve our construction business and expand our business areas. To do so, we believe we need the strength of diverse human resources able to go beyond the conventional.

Moreover, given the rapid decline in Japan’s birthrate and aging of the population, Nishimatsu Construction must establish a workplace environment that allows employees to continue their careers while raising children and caring for family members. To help establish a social environment for nursing care and for bearing and raising healthy children who will be the leaders of the future, since fiscal 2015 we have been building a robust support system of programs for balancing work with private life. In order to recommend these programs

employee motivation, we will provide job category-specific career maps, and lay out concrete milestones for employees.

Furthermore, in order to improve the balance of employee age demographics, we will formulate plans for reassessing the scope of work roles for each age group, including rehired retirees, as well as measures to reduce employee turnover.

and have them widely utilized by employees, in fiscal 2018 we published the Work & Childcare/Nursing Care Support Guide and distributed it to our employees.

Based on our fundamental principle regarding diversity, we will keep expanding the fields in which diverse employees can actively participate, while reviewing and implementing frameworks and programs for them to further their careers.

### Employees Using the Childcare Leave System



### Comments of Employee Who Took Childcare Leave

I opted to take childcare leave in order to relieve the burden of housework and childcare on my wife when our second child was born, and to serve as an example for other male employees. I was conflicted as to whether I should take childcare leave, because it was right in the middle of our busiest season for settling accounts. However, my supervisor at the time was understanding and my co-workers graciously took over my assignments. So I made the decision to go on leave.

During my time off, I was able to spend precious hours with my older child, taking him to play in the park and other places every day. It also made my wife happy to see our son enjoying himself so much.

Those 23 days of leave gave me an understanding of how hard it is to care for children and do housework, but also how these tasks make my life more satisfying.

I feel like things went very smoothly when I returned to work, and I was able to reconnect with my co-workers without missing a beat.





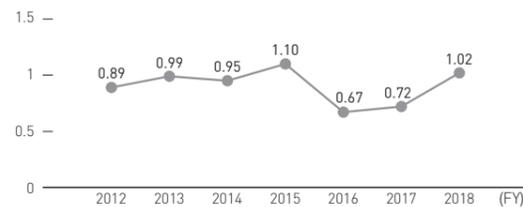
## Health and Safety Policy

Nishimatsu Construction's fiscal 2019 management targets are: no deaths and no major injuries; a frequency rate of 0.6 or below for injuries requiring four or more days of absence from work (15 or fewer incidents); a frequency rate of 1.0 or below for injuries requiring one or more days of absence from work (25 or fewer incidents); and eight or fewer "big three" accidents, as designated by Nishimatsu Construction (slips/falls; entanglement/catching of head, limbs or clothing in machinery, equipment, vehicles or materials; and flying/falling objects). To achieve these targets, we will focus on the three key management items in our health and safety plan: thoroughly enforce Nishimatsu Rules, establish an autonomous health and safety framework centered on foremen, and firmly establish the seven measures ("Action 7") for preventing human errors.

In working to ensure thorough compliance with Nishimatsu Rules, which incorporate lessons from past incidents and exceed legal requirements, we aim to use the foremen's association to build ties between foremen, who are the key personnel for on-site health and safety, as we transition from a prime contractor-led system to an autonomous health and safety framework. Additionally, we will work

to firmly establish seven measures for preventing human error: on-site hazard-awareness training (HAT), personal HAT, calling out to fellow workers, the 3-3-3 method (for stringing operations), reporting on employment of older workers and giving them due consideration, reporting on near misses, and "point and call" safety check routines. Among these seven measures, we will particularly focus on making sure that "point and call" safety check routines and personal/on-site HAT become firmly established practices.

### Occupational Injury Frequency Rate



Note: Our calculation of the number of occupational injuries is based on injuries requiring four or more days of absence from work.

### Fiscal 2019 Management Targets

- No deaths and no major injuries
- Frequency rate of 0.6 or below for injuries requiring four or more days of absence from work (15 or fewer incidents)
- Frequency rate of 1.0 or below for injuries requiring one or more days of absence from work (25 or fewer incidents)
- Eight or fewer "big three" accidents, as designated by Nishimatsu Construction (slips/falls; entanglement/catching of head, limbs or clothing in machinery, equipment, vehicles or materials; and flying/falling objects)

### Key Management Items

Thoroughly enforce Nishimatsu Rules

Establish an autonomous health and safety framework centered on foremen

Firmly establish seven measures ("Action 7") for preventing human errors

### Concrete Initiatives

- We will work to ensure thorough compliance with Nishimatsu Rules, which incorporate lessons from past incidents and exceed legal requirements.
- We aim to use the foremen's association to build ties between foremen, who are the key personnel for on-site safety management, as we transition from a prime contractor-led system to an autonomous health and safety framework.
- Among the seven measures for preventing human errors (on-site HAT, personal HAT, calling out to fellow workers, the 3-3-3 method (for stringing operations), reporting on employment of older workers and giving them due consideration, reporting on near misses, and "point and call" safety check routines), we will focus particularly on making sure that "point and call" safety routines and personal/on-site HAT become firmly established practices.

## Strengthening Client and Foreman Education



Special full-harness training

The Revised Industrial Safety and Health Act took effect in February 2019, requiring laborers to undergo special training if they are doing work that may result in falls, that is performed at heights of two meters or more, that does not easily allow for the erection of a work platform, and that is carried out while wearing a full-body fall-prevention harness. Nishimatsu Construction provides this special training through its regional headquarters and branch offices, and as of March 2019, we have trained a total of 2,340 skilled workers.



Client education

Under the basic principle that both clients and prime contractors are the leaders of worksite safety management, we set aside time twice a year to educate clients on relevant topics. Given the particularly large number of legal revisions recently, we provided this education to 3,957 companies in fiscal 2018, focusing on revised laws and trends in occupational injuries.



Skill improvement training for foremen

Foremen are the key personnel for protecting the health and safety of skilled workers. Focusing on the foremen's association, we require foremen to attend a skill improvement class once every five years. The objective is to promote tidy, organized, vigilant and disciplined worksites with good communication. In fiscal 2018, 702 foremen attended 31 classes nationwide.

## N-NET Support Office Initiatives

Launched in January 2011, the Nishimatsu Subcontractors' Network (N-NET) had 1,161 registered member companies as of March 31, 2019. Since its inception, N-Net has strived to build win-win relationships through diverse activities. In April 2018, we established the N-NET Support Office to support N-NET and all of the partner companies that belong to it, with a focus on helping these companies improve productivity, augment the capabilities of their technicians and enhance safety. The pillar of that support is dialogue, through which we hope to learn about their concerns and difficulties, and to work with them to solve those issues. Partner companies are important stakeholders and an invaluable presence in the construction industry. Nishimatsu Construction will continue to further enhance

activities to address the issues and challenges uncovered through this dialogue.



## Construction Career Up System

In April 2019, Nishimatsu Construction began using the Construction Career Up System for projects of ¥50 million or more. In advance of this, we held training courses in each region of Japan during fiscal 2018, mainly to give an overview of the system and to help companies and skilled workers with the registration process, and primarily focusing on points of difficulty for partner companies when registering information.

The principle operator of the system, Fund for Construction Industry Promotion, has designated the Toranomon Field Office of Kanto Civil Engineering Regional Headquarters as a site for limited test use, ahead of regular use. Knowledge gained at the field office will be applied in regular operation. In addition to its aim of improving the working conditions of skilled workers, the Construction Career Up System will lead to greater productivity. Therefore, we will continue working to promote and broaden its use.



## Comments from N-NET Headquarters Chairman

The greatest benefit for companies that join N-NET is the feeling of working closely together with Nishimatsu Construction Co., Ltd. and the feeling that these cooperative efforts are contributing to society. By collaborating with other member companies in the same type of work, they become more confident in their ability to handle all aspects of Nishimatsu Construction projects.

Also, the N-NET Support Office, which was established in 2018, provides N-NET members with an even better environment for fostering high-caliber technicians. The Nishimatsu Senior Technician Certification System\* is a great example of this. This system opens a path for all types of professionals to become senior foremen.

My expectations continue to grow for the future of N-NET, through which Nishimatsu Construction provides all member companies with the same wholehearted support.

\* A system for certifying high-caliber technicians as senior foremen if they meet certain Nishimatsu Construction criteria. The system applies to foremen and technicians working in job categories that are not registered with institutions that provide training to senior technicians.



Masayuki Yoshida  
Chairman, Nishimatsu Subcontractors' Network Headquarters  
President, Souei Construction Co., Ltd.



Basic Philosophy

The basic policy of the Company is to improve its corporate governance and maintain good and stable relationships with its stakeholders over the long term, in order to achieve sustainable growth of the Company and increase its corporate value over the medium to long term. Based on this policy, we create structures that lead to the acceleration of decision-making and strengthen supervision by the Board of Directors and our business execution systems.

Our Corporate Governance System

Composition of the Board of Directors and Audit and Supervisory Committee

The Company's Board of Directors is comprised of seven executive directors and four directors who are Audit and Supervisory Committee members. Three of the directors who are Audit and Supervisory Committee members are external directors; of these, one has experience at a government financial agency, one is an attorney, and one has experience

at a general trading company. As such, all of these external directors possess specialized knowledge in fields considered to be important for the Company's business management.

At present, external directors comprise 27% of the Board of Directors. Going forward, we will continue to review the composition of the Board of Directors and the Audit and Supervisory Committee, including the number and diversity of external directors, to ensure it is most appropriate.

Analysis and Evaluation of the Overall Effectiveness of the Board of Directors

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

Analysis and evaluation for fiscal 2018 took place from February to April 2019. Following here is an overview of the evaluation process, evaluation results, and future initiatives.

(1) Evaluation process

The Audit and Supervisory Committee headed the creation of a questionnaire comprising a total of 18 questions in five categories: composition of the Board of Directors, operation of the Board of Directors, roles of the Board of Directors, Audit and Supervisory Committee and discretionary committees, relationships with shareholders and other stakeholders, and matters requiring improvement/examination by the Board of Directors. This questionnaire was given to all Company directors. In order to ensure anonymity, a third-party organization was entrusted with compiling the questionnaire results. The Audit and Supervisory Committee then analyzed and evaluated the compiled results and reported its findings to the Board of Directors.

(2) Overview of evaluation results

The evaluation questionnaire included many open-ended

questions in order to obtain the frank opinions of each director. It yielded many valuable opinions, as well as harsh criticisms.

Based on the opinions submitted in the questionnaire, the Audit and Supervisory Committee made the Board of Directors aware of the present state of affairs, and once the issues were clarified, the committee made suggestions for on-going improvement through a PDCA cycle to resolve those issues. Additionally, the Audit and Supervisory Committee reported that the following five items would continue to be a focus going forward.

- 1) Composition of the Board of Directors
- 2) Operation of the Board of Directors
- 3) Role of the Board of Directors (regarding the supervision of directors' execution of their duties)
- 4) Compliance and governance
- 5) Officer compensation system (performance-linked compensation)

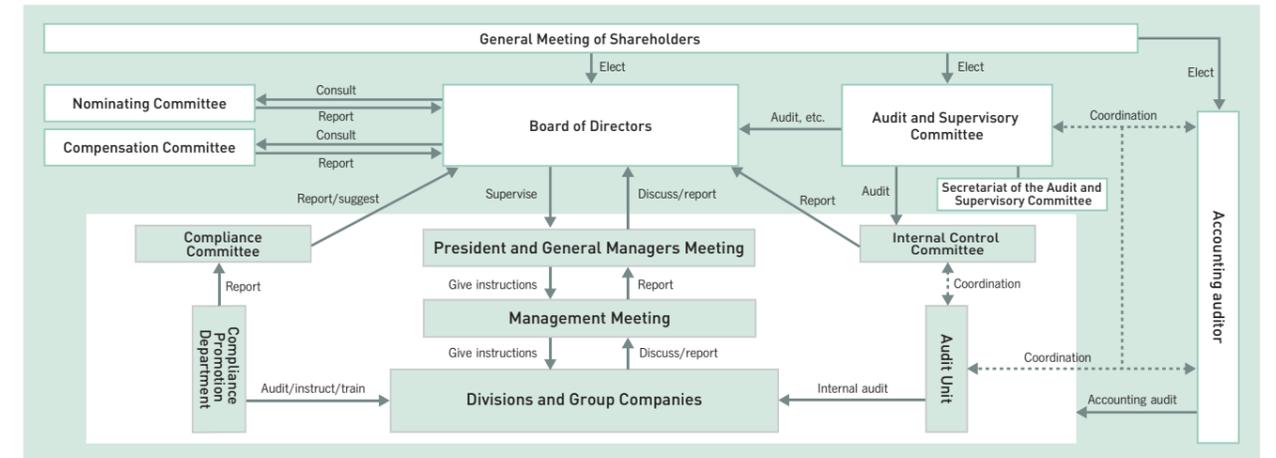
(3) Future initiatives

Based on the above suggestions and reports, the general manager of the Management Division and the Administrative Office of the Board of Directors (General Affairs Department) will work together to formulate matters to be deliberated by the Board of Directors and their schedule for the year, and proceed with concrete initiatives following those deliberations.

Changes to Our Corporate Governance Framework

Composition of the Board of Directors	Number of Board of Directors members stipulated in the Articles of Incorporation: No more than 37	June 2006: Revised number of Board of Directors members in the Articles of Incorporation to no more than 10	June 2016: Revised number of directors (excluding Audit and Supervisory Committee members) in the Articles of Incorporation to no more than 8 Revised number of directors (Audit and Supervisory Committee members) to no more than 6
External directors	June 2006: Executive officer system	June 2009: External directors: 2	June 2016: External directors (Audit and Supervisory Committee members): 3
External auditors	June 1995: External auditors: 2		
Voluntary meetings	Management Meeting		President and General Managers Meeting
Voluntary advisory bodies		June 2009: Nominating Committee June 2009: Compensation Committee	
	June 2006: Introduced the executive officer system	June 2009: Election of external directors	June 2016: Transitioned to a company with an Audit and Supervisory Committee July 2019: Established the President and General Managers Meeting

Corporate Governance Framework



**Board of Directors**..... Decides basic management policies, and other important management matters, and supervises the execution of business by directors. Furthermore, deliberates on and decides matters stipulated by laws, regulations and the Articles of Incorporation, as well as items specified in the rules for the Board of Directors.

**Audit and Supervisory Committee**... Audits the execution of business by directors and carries out other tasks stipulated by laws and regulations.

**Nominating Committee and Compensation Committee**..... As described in Nomination and Compensation Procedures

**President and General Managers Meeting**..... Among the proposals on the agenda of Board of Directors meetings, carries out preliminary deliberations on important matters mainly related to sustainable growth, in addition to deciding on specific measures relating to the execution of those proposals once they have been approved by the Board of Directors. Also approves or deliberates on certain individual matters of business execution.

**Internal Control Committee**..... Reviews matters related to internal control, promotes and upholds the processes of internal control, and manages Company-wide risk.

**Compliance Committee**..... Responds to various issues related to compliance.

Nomination and Compensation Procedures

Nominating Committee

To help build an appropriate management structure, we have instituted a Nominating Committee for the nomination of director candidates and executive officers. The Nominating Committee accepts inquiries from the Board of Directors and prepares reports on the nomination of director candidates, the appointment/removal of representative directors, the appointment/dismissal of the president, and the appointment/dismissal and promotion/demotion of executive officers. The Board of Directors accepts these reports from the Nominating Committee and makes final decisions.

Compensation Committee

To ensure transparency and objectivity regarding decisions relating to director and executive officer compensation, we have instituted a Compensation Committee. The Compensation Committee accepts inquiries from the Board of Directors and prepares reports on individual compensation for directors and executive officers. The Board of Directors accepts these reports from the Compensation Committee and makes final decisions.

Composition of the Nominating Committee

Committee chairperson	External Director (Audit and Supervisory Committee Member)	Koji Mino
Member	Director (Audit and Supervisory Committee Member)	Uichi Mizuguchi
Member	External Director (Audit and Supervisory Committee Member)	Kiyomi Kikuchi
Member	External Director (Audit and Supervisory Committee Member)	Jun Ikeda
Member	Executive Director	Akira Maeda

Composition of the Compensation Committee

Committee chairperson	External Director (Audit and Supervisory Committee Member)	Kiyomi Kikuchi
Member	Director (Audit and Supervisory Committee Member)	Uichi Mizuguchi
Member	External Director (Audit and Supervisory Committee Member)	Koji Mino
Member	External Director (Audit and Supervisory Committee Member)	Jun Ikeda
Member	Executive Director	Yuichi Kono

Attendance Rate of External Directors at Board of Directors Meetings and Audit and Supervisory Committee Meetings (Fiscal 2018)

	Board of Directors	Audit and Supervisory Committee
Koji Mino	17/17 (100%)	17/17 (100%)
Kiyomi Kikuchi	17/17 (100%)	17/17 (100%)
Jun Ikeda	17/17 (100%)	17/17 (100%)

Board Members' Remuneration (Fiscal 2018)

	Number of board members receiving remuneration	Total amount of remuneration
Directors (excluding Audit and Supervisory Committee members)	8	¥275 million
Directors (Audit and Supervisory Committee members) (Those who are external directors)	4 (3)	¥43 million (¥25 million)

## Messages from Directors on the Audit and Supervisory Committee

### Uichi Mizuguchi

Director and Chairperson of the Audit and Supervisory Committee (Full-time)



My role as a full-time member of the Audit and Supervisory Committee is to audit and supervise the execution of duties by directors, ensuring correct actions in line with Company policies. In particular, I strive to increase the quality and accuracy of audits by establishing the right environment for audits, actively gathering information by attending key meetings, verifying on a daily basis the structure and operation of our internal control system, and also sharing the information I receive with other Committee members. Furthermore, during on-site audits at regional headquarters and branch offices, I investigate whether business is being executed according to the policies of Medium-Term Management Plan 2020 and Nishimatsu-Vision 2027, and whether there are any conflicts with laws, regulations or the Company's Articles of Incorporation.

Based on the above activities, I offer my input at Board of Directors' meetings to ensure that risks to the Company are clearly recognized and measures to address them are taken.

The first year of Nishimatsu-Vision 2027 is behind us. Going forward, if the Company does not work on each measure with a sense of urgency, it will be very difficult to adapt to the rapid changes in society and achieve its goals. It is my hope that Nishimatsu Construction employees will maintain their serious and sincere approach as they follow the Company Motto and Code of Conduct, boldly taking on challenges in new as well as established areas. I look forward to their success.

### Koji Mino

External Director and Audit and Supervisory Committee Member



As an external director, I strive to approach my role with respect for the worksites and the employees working there, as they are the source of value for the Company, and with an understanding of what I can do.

I am committed to utilizing my many years of experience in government-related financial agencies to maintain a broad, long-term view from a public perspective that spans all business categories. Since general contractors tend to be siloed organizations with compartmentalized thinking that does not extend beyond the established boundaries of each business, I strive to provide the big picture, overseeing situations from an external vantage point, and find as many opportunities as I can to encourage each level of the organization to broaden its view.

With the start of the new medium- and long-term plans, the Company must continue to focus on worksites and steadfastly maintain customer trust, predicated upon securing stable, increasing profit and growth. At the same time, the Company is now operating in an environment increasingly disrupted by technological innovation and other factors. In order to increase corporate value in such an environment, officers and employees alike must bridge the boundaries of business categories, keep communication channels open, and challenge themselves to unlock the Company's potential. To that end, with a sense of ownership they should build networks inside and outside the Company, leverage higher quality information to engage in each project cautiously yet boldly, and strive for an organizational system and human resource development that makes all of this possible.

In particular, I believe that, for the Company's progress going forward, it is important to foster human resources able to take risks and challenge themselves, and to create an organization and corporate culture that are accepting of such employees.

### Kiyomi Kikuchi

External Director and Audit and Supervisory Committee Member



The abilities to spot issues and ask questions are particularly important elements for being able to adequately function as an external director. In other words, I feel that it is critical to point out issues underlying things that are accepted as a matter of course inside the Company, to raise questions about those issues, and to ask management about their essence. In the legal profession, we routinely engage in dialogue with clients to elicit solutions by highlighting issues that clients may not have noticed, and by repeatedly posing questions that get to the heart of the matter. This approach becomes a form of training through natural repetition. At Nishimatsu Construction as well, I am uncompromising in my efforts to delve into matters when I am concerned about facts that management takes as given. Furthermore, it is necessary for external directors to remain thoroughly objective and impartial, avoiding subjectivity and being careful not to digress, for the sake of curiosity, into debate overly focused on business execution. Consequently, I am careful to keep a certain degree of psychological and financial distance from management personnel to constantly maintain my independence.

Society is currently undergoing rapid change as ways of thinking diversify and distinctions between business categories disappear due to factors including Japan's low birthrate and shrinking population, increasing advancement and complexity of science and information technology, and intensifying competition on a global scale. Amid such change, I have high expectations that management will continue handling operations in a way that puts stakeholders at ease, and lead the way with outstanding speed and strength.

### Jun Ikeda

External Director and Audit and Supervisory Committee Member



The Company marks its second year under a new president as Japan has now entered the Reiwa era. The Heisei era we leave behind has been characterized as "three lost decades" in which responses to key issues were postponed and Japan's national and corporate competitiveness declined. A strong will is required to seize the opportunity to build a truly new era. The target year of Nishimatsu-Vision 2027 is eight years away. This is not the distant future – it is right around the corner. During these eight years, society will likely change far faster than predicted and nearly all conventions and common sense will lose relevance.

Recent changes in the operating environment and social expectations for companies, including corporate governance, work-style innovation, delayed retirement, year-round hiring, and AI, necessitate a now-or-never transformation for both management and worksites. Against this background, I think that the Company's scale and position make it well-suited to lead innovation in the industry. I have great expectations that all officers and employees will face whatever challenges and changes come their way with a positive attitude and a sense of urgency to build "a company with overall capabilities that provides better value." I believe that promoting this process is my greatest responsibility as an external director.

## Compliance

### Basic Compliance Policy

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



### Compliance Promotion System

In our compliance promotion system, the heads of each division at our head office, the general managers at each regional headquarters, and the presidents of affiliated companies have been appointed as persons in charge of compliance under the Compliance Promotion Department. We are working to publicize and raise awareness about compliance through training and other measures. Furthermore, we established our Compliance Committee, which meets once a month and is chaired by an expert from outside the Company. The committee fulfills functions such as resolving various compliance-related issues. It also makes proposals and recommendations, and provides guidance and training for the Board of Directors. The Compliance Promotion Department acts as the administrative office for the Compliance Committee and works to coordinate with committee activities.

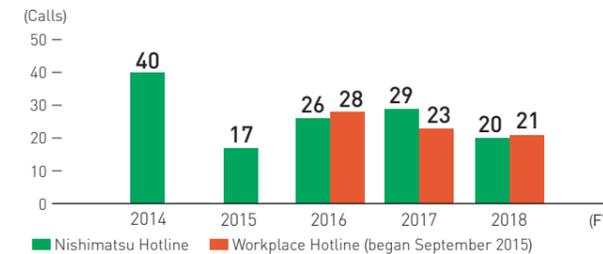
### Whistleblower System and External Consultation Hotline

We have established the Nishimatsu Hotline internal reporting system to improve our corporate culture and deter misconduct, and the Workplace Hotline that enables employees to contact an external professional organization regarding human relations in the workplace or mental health issues.

### Compliance Training

We conduct ongoing training and e-learning courses to spread and improve compliance awareness. Additionally, we conduct regular compliance awareness surveys of all employees (including temporary workers), allowing us to objectively analyze the results of compliance awareness efforts, which we use to improve our compliance training.

### Calls to the Nishimatsu Hotline and Workplace Hotline



### Compliance Awareness Survey

	2011	2015	2017	Medium-Term Management Plan 2020 Targets
Overall evaluation	1.09	1.15	1.25	1.35 or above
Awareness of the hotlines	0.59	0.79	0.97	1.0 or above

## Risk Management

### Basic Philosophy

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

### Company-Wide Risk Management System

Each fiscal quarter, individual risks are assessed by the responsible departments; then the Audit Unit holds hearings with each department to verify these assessments. The Internal Control Committee then judges these assessments from the perspective of efficacy toward establishing and implementing risk management practices. If necessary, the committee has the department in question define risk levels and revise risk evaluation standards. Furthermore, with regard to the manifestation of high risks, concrete countermeasures are devised and monitoring is carried out to verify and follow the progress of said measures. This ensures thorough risk management to minimize the possibility of risk manifestation and reduce the effect such risk has on operations.

### Risk Management System



# Board of Directors (As of June 27, 2019)



▶ Director and Chairman

## Harusada Kondo

Apr. 1978 Joined the Company  
 Apr. 2005 Deputy General Manager of Kanto Branch  
 Jun. 2005 Director, Deputy General Manager of Kanto Branch  
 Jun. 2006 Executive Officer, Deputy General Manager of Kanto Branch  
 Jun. 2008 Director, Managing Officer, General Manager of Kanto Branch  
 Jun. 2009 Representative Director and President, Chief Executive Officer and President  
 May 2014 Chairman of National General Contractors Association of Japan (to present)  
 Apr. 2018 Director and Chairman (to present), Executive Chairman (to present)



▶ Representative Director and President

## Nobutoshi Takase

Apr. 1980 Joined the Company  
 Sep. 2005 General Manager of Building Department, Chubu Branch  
 Apr. 2008 Deputy General Manager of Chubu Branch  
 Jul. 2008 General Manager of Building Department  
 Apr. 2010 Executive Officer, General Manager of Building Headquarters and Building Department  
 Apr. 2011 Managing Officer, General Manager of Building Headquarters  
 Jun. 2011 Director, Managing Officer, General Manager of Building Headquarters  
 Apr. 2012 Director, Managing Officer, General Manager of Kanto Architectural Regional Headquarters  
 Apr. 2017 Director, Senior Managing Officer, General Manager of Kanto Architectural Regional Headquarters  
 Apr. 2018 Representative Director and President (to present), Chief Executive Officer and President (to present)



▶ Representative Director

## Akira Maeda

Apr. 1975 Joined the Company  
 Jun. 2005 Director, General Manager of Higashi Kanto Branch  
 Jun. 2006 Executive Officer, General Manager of Higashi Kanto Branch  
 Jun. 2007 Director, Managing Officer, General Manager of Yokohama Branch  
 Jun. 2008 Director, Senior Managing Officer, General Manager of Yokohama Branch  
 Jun. 2009 Retired from the position of Director Senior Managing Officer, General Manager of Kansai Branch  
 Jul. 2010 Senior Managing Officer, General Manager of West Japan Regional Headquarters  
 Apr. 2012 Senior Managing Officer, General Manager of Building Division  
 Jun. 2012 Representative Director and Executive Vice President, General Manager of Building Division  
 Apr. 2016 Representative Director and Executive Vice President, General Manager of Building Division, In charge of Safety, Environment & Quality  
 Apr. 2017 Representative Director and Executive Vice President, General Manager of Building Division and Safety, Environment & Quality Division (to present)



▶ Director

## Kensuke Hayashi

Apr. 1978 Joined the Company  
 Apr. 2004 General Manager of Overseas Civil Engineering Department  
 Jul. 2008 General Manager of Hong Kong Office  
 Jan. 2012 Deputy General Manager of International Division, General Manager of Hong Kong Office  
 Apr. 2013 Deputy General Manager of International Division, General Manager of Hong Kong Branch  
 Apr. 2014 Executive Officer, Deputy General Manager of International Division  
 Apr. 2018 Managing Officer, General Manager of International Division  
 Jun. 2018 Director, Managing Officer, General Manager of International Division (to present)



▶ Director (Audit and Supervisory Committee Member) (Full-Time)

## Uichi Mizuguchi

Apr. 1972 Joined the Company  
 Jun. 2006 Executive Officer, General Manager of Civil Engineering Marketing Department  
 Jun. 2007 Managing Officer, General Manager of Civil Engineering Marketing Department  
 Jun. 2009 Senior Managing Officer, Deputy General Manager of Marketing Division  
 Apr. 2010 Senior Managing Officer, General Manager of Civil Engineering Headquarters  
 Jun. 2010 Director, Senior Managing Officer, General Manager of Civil Engineering Headquarters  
 Apr. 2012 Director, Senior Managing Officer, General Manager of Civil Engineering Division  
 Jun. 2012 Executive Vice President and Representative Director, General Manager of Civil Engineering Division  
 Apr. 2015 Executive Vice President and Representative Director, General Manager of Civil Engineering Division and Safety, Environment & Quality Division  
 Apr. 2016 Representative Director  
 Jun. 2016 Director (Audit and Supervisory Committee Member) (to present)



▶ External Director (Audit and Supervisory Committee Member)

## Koji Mino

Apr. 1979 Joined Japan Development Bank (current Development Bank of Japan Inc.)  
 Mar. 2000 Deputy General Manager of Kansai Branch, Japan Development Bank  
 Mar. 2001 Seconded to The Japan Economic Research Institute  
 Jun. 2003 Executive Director of The Japan Economic Research Institute  
 Apr. 2005 Seconded to PLUS Corporation  
 Apr. 2011 Director, Institute Educational Environment  
 Jun. 2011 Retired from Development Bank of Japan Inc.  
 May 2013 Auditor, Jalec Co., Ltd. (to present)  
 Jun. 2014 Auditor, AERHOME, Co., Ltd.  
 Jun. 2015 External Director of the Company  
 Jun. 2016 External Director (Audit and Supervisory Committee Member) (to present)  
 Jan. 2017 Auditor, Tokyo Telemarketing Inc. (to present)  
 Mar. 2017 Director and General Manager of General Affairs Department, Kyoritsuikueikai Educational Corporation (to present)



▶ Representative Director

## Makoto Isshiki

Apr. 1984 Joined the Company  
 Jan. 2003 General Manager of Building Marketing Department I  
 Apr. 2005 General Manager of Civil Engineering, Higashi Kanto Branch  
 Apr. 2007 General Manager of Building Marketing Department I  
 Apr. 2010 General Manager of Building Marketing Department III  
 Jul. 2011 General Manager of Chubu Branch, West Japan Regional Headquarters  
 Apr. 2014 Executive Officer, Deputy General Manager of Civil Engineering Division, General Manager of Civil Engineering Business Planning Department  
 Apr. 2016 Senior Managing Officer, General Manager of Civil Engineering Division  
 Jun. 2016 Director, Senior Managing Officer, General Manager of Civil Engineering Division  
 Apr. 2018 Representative Director and Executive Vice President, General Manager of Civil Engineering Division  
 Apr. 2019 Representative Director and Executive Vice President, General Manager of Civil Engineering Division, In charge of New Businesses (to present)



▶ Director

## Yuichi Kono

Apr. 1980 Joined the Company  
 Apr. 2005 Deputy General Manager of Finance & Accounting Department  
 Apr. 2008 Deputy General Manager of Audit Unit, Deputy General Manager of Finance & Accounting Department  
 Mar. 2009 General Manager of Audit Unit  
 May 2009 General Manager of General Affairs Department  
 Apr. 2012 Executive Officer, Chief of the President Office  
 Apr. 2015 Managing Officer, General Manager of Management Division, In charge of Investor Relations  
 Jun. 2015 Director, Managing Officer, General Manager of Management Division, In charge of Investor Relations  
 Apr. 2018 Director, Senior Managing Officer, General Manager of Management Division, In charge of Investor Relations (to present)



▶ Director

## Yoshiyuki Sawai

Apr. 1980 Joined Fuji Bank, Ltd.  
 Mar. 2006 Executive Officer, General Manager of Corporate Planning, Mizuho Bank, Ltd.  
 Apr. 2007 Executive Officer, General Manager of Corporate Business, Mizuho Bank, Ltd.  
 Apr. 2008 Executive Officer, General Manager of Shibuya Branch, Mizuho Bank, Ltd.  
 Jun. 2010 Director of the Company  
 Apr. 2011 Director, Managing Officer, General Manager of Urban Development & Real Estate Business Division  
 Apr. 2012 Director, Managing Officer, General Manager of Urban Development & Real Estate Business Division  
 Apr. 2019 Director, Senior Managing Officer, General Manager of Urban Development & Real Estate Business Division (to present)



▶ External Director (Audit and Supervisory Committee Member)

## Kiyomi Kikuchi

Apr. 1986 Joined The Dai-ichi Kangyo Bank, Limited  
 Apr. 1999 Asahi Law Offices (registered in Tokyo Bar Association)  
 May 2002 Graduated from Law school at Columbia University  
 Sep. 2002 Allen & Overy (London)  
 May 2003 Acquired attorney license at New York State Oct. 2003 Asahi Law Offices  
 Sep. 2004 TAIYO LAW OFFICE (current Paul Hastings LLP)  
 Sep. 2006 JPMorgan Securities Japan Co., Ltd.  
 Apr. 2008 Attorney, TMI Associates (to present)  
 Jun. 2015 External Director of the Company  
 Mar. 2016 Outside Auditor, Nissay Asset Management Corporation (to present)  
 Jun. 2016 External Director (Audit and Supervisory Committee Member) of the Company (to present)  
 Jun. 2016 Outside Auditor, GECCO CORPORATION (to present)  
 Jun. 2019 Outside Director of the Board, Mitsubishi Chemical Holdings Corporation (to present)



▶ External Director (Audit and Supervisory Committee Member)

## Jun Ikeda

Apr. 1976 Joined Mitsubishi Corporation  
 Dec. 1998 General Manager, Commodity Chemicals Division, US Mitsubishi Headquarters (New York)  
 May 2003 Corporate Planning Division, Business Development Division, Mitsubishi Corporation  
 Jun. 2005 General Manager of Advanced Science Division, Mitsubishi Corporation  
 Apr. 2006 Executive Officer, Mitsubishi Corporation  
 Jun. 2009 Retired from Mitsubishi Corporation  
 President and Representative Director, Mitsubishi Shoji Foodtech Co., Ltd.  
 Nov. 2012 President and CEO, Mitsubishi Corporation Life Sciences Limited  
 President and CEO, KOHJIN Life Sciences Co., Ltd.  
 Jul. 2015 Advisor, Mitsubishi Corporation Life Sciences Limited  
 Jun. 2016 External Director (Audit and Supervisory Committee Member) of the Company (to present)  
 Outside Director, SODA NIKKA CO., LTD. (to present)

# Financial Section

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# Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Notes 2 and 15).....	¥ 32,499	¥ 31,474	\$ 283,571
Marketable securities.....	6	128	1,158
Notes and accounts receivable, trade:			
Notes (Notes 11 and 15).....	7,526	10,001	90,108
Accounts (Note 15).....	131,988	187,728	1,691,393
Allowance for doubtful accounts (Note 2).....	(155)	(163)	(1,467)
Inventories.....	8,215	11,209	100,988
Advance paid.....	19,979	17,469	157,394
Other current assets.....	4,967	11,356	102,315
Total current assets.....	205,025	269,202	2,425,460
<b>Investments and other assets:</b>			
Investment securities (Notes 2, 6, 11 and 15).....	71,778	76,331	687,730
Investments in subsidiaries and affiliates (Note 11).....	828	745	6,710
Others.....	7,043	5,762	51,919
Allowance for doubtful accounts (Note 2).....	(99)	(91)	(818)
Total investments and other assets.....	79,690	82,747	745,541
<b>Property and equipment (Notes 2 and 11):</b>			
Land.....	53,865	57,573	518,720
Buildings.....	68,868	84,071	757,469
Machinery and equipment.....	9,433	10,098	90,980
Accumulated depreciation.....	(35,526)	(37,364)	(336,647)
Total property and equipment.....	96,640	114,378	1,030,522
Total assets.....	¥381,355	¥466,327	\$4,201,523

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Liabilities and Net assets</b>			
<b>Current liabilities:</b>			
Short-term debt (Notes 7 and 15).....	¥ 18,207	¥ 61,068	\$ 550,210
Current portion of long-term debt (Note 15).....	—	100	901
Notes and accounts payable, trade:			
Notes (Note 15).....	29,371	47,183	425,108
Accounts (Note 15).....	48,339	61,463	553,767
Advances received on uncompleted contracts.....	12,102	8,866	79,881
Provision for warranties for completed construction (Note 2).....	2,261	763	6,875
Provision for bonuses (Note 2).....	3,199	3,674	33,099
Provision for loss on construction contracts (Note 2).....	673	1,002	9,028
Accrued income taxes.....	4,051	4,265	38,427
Employees' deposits.....	8,139	9,016	81,231
Provision for loss on real estate business and other (Note 2).....	1	24	216
Deposits received.....	21,804	23,134	208,432
Other current liabilities.....	4,578	2,915	26,276
Total current liabilities.....	152,725	223,473	2,013,451
<b>Long-term liabilities:</b>			
Long-term debt (Notes 7 and 15).....	25,100	25,000	225,246
Net defined benefit liability.....	8,682	8,475	76,355
Deferred income taxes (Notes 2 and 9).....	5,005	5,702	51,371
Provision for environmental measures (Note 2).....	309	246	2,217
Asset retirement obligations (Note 17).....	378	424	3,816
Other long-term liabilities.....	3,936	3,676	33,126
Total long-term liabilities.....	43,410	43,523	392,131
Total liabilities.....	196,135	266,996	2,405,582
<b>Net assets:</b>			
Common stock:			
Authorized - 160,000,000 shares			
Issued and outstanding - 55,591,502 shares.....	23,514	23,514	211,854
Capital surplus.....	20,780	20,780	187,228
Retained earnings.....	116,133	129,707	1,168,635
Treasury stock, at cost.....	(2,170)	(2,172)	(19,571)
Unrealized gain on available-for-sale securities.....	24,802	25,811	232,559
Equity adjustment from foreign currency translation.....	18	(36)	(327)
Remeasurements of defined benefit plans.....	94	(366)	(3,297)
Non-controlling interests.....	2,049	2,093	18,860
Total net assets.....	185,220	199,331	1,795,941
Total liabilities and net assets.....	¥381,355	¥466,327	\$4,201,523

## Consolidated Statement of Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Net sales</b> (Note 2):			
Completed construction contract.....	¥273,739	¥338,334	\$3,048,331
Real estate business and other.....	10,673	10,985	98,969
	284,412	349,319	3,147,300
<b>Cost of sales</b> (Notes 2 and 12):			
Cost of completed construction contract.....	236,596	298,044	2,685,320
Cost of real estate business and other.....	7,391	7,851	70,741
	243,987	305,895	2,756,061
Gross profit.....	40,425	43,424	391,239
<b>Selling, general and administrative expenses</b> (Note 12).....	17,673	18,495	166,638
Income from operations.....	22,752	24,929	224,601
<b>Other income (expenses):</b>			
Interest and dividend income.....	1,010	1,208	10,886
Interest expenses.....	(416)	(439)	(3,959)
Financing expenses.....	(30)	(72)	(646)
Gain on sales of investment securities.....	1,328	1,208	10,886
Gain on investments in silent partnerships.....	62	254	2,292
Loss on impairment of long-lived assets.....	(39)	—	—
Gain on sales of fixed assets.....	22	—	—
Loss on valuation of investment securities.....	(1)	—	—
Loss on retirement of non-current assets.....	(7)	(31)	(282)
Loss of rebuilding.....	(344)	(147)	(1,328)
Foreign currency exchange loss.....	(100)	(11)	(98)
Compensation income.....	60	15	135
Settlement package.....	(65)	(7)	(61)
Other-net.....	263	10	89
	1,743	1,988	17,914
<b>Profit before income taxes</b> .....	24,495	26,917	242,515
<b>Income taxes</b> (Notes 2 and 9):			
Current.....	7,653	7,590	68,388
Deferred.....	(13)	470	4,232
	7,640	8,060	72,620
<b>Profit</b> .....	16,855	18,857	169,895
<b>Loss attributable to non-controlling interests</b> .....	(59)	72	649
<b>Profit attributable to owners of parent</b> .....	¥ 16,914	¥ 18,785	\$ 169,246
	Yen		U.S. dollars
<b>Per share of common stock</b> (Note 19):			
Net income.....	¥308.52	¥343.39	\$3.094
Cash dividends applicable to the year.....	95.00	105.00	0.950

The accompanying notes are an integral part of these statements.

## Consolidated Statement of Comprehensive Income

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Profit</b> .....	¥16,855	¥18,857	\$169,895
<b>Other comprehensive income:</b>			
Unrealized gain on available-for-sale securities (Note 13).....	4,075	1,009	9,098
Equity adjustment from foreign currency translation (Note 13).....	192	(77)	(701)
Remeasurements of defined benefit plans (Note 13).....	668	(460)	(4,142)
	4,935	472	4,255
<b>Comprehensive income</b> .....	¥21,790	¥19,329	\$174,150
<b>Comprehensive income attributable to:</b>			
Comprehensive income attributable to owners of parent.....	¥21,722	¥19,280	\$173,712
Comprehensive income attributable to non-controlling interests.....	68	49	438

The accompanying notes are an integral part of these statements.

## Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2018 and 2019

	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 translation	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
<b>Balance at April 1, 2017</b>	¥23,514	¥20,780	¥104,982	¥(1,578)	¥20,727	¥(47)	¥(575)	¥1,985	¥169,788
Dividends declared (Note 14)			(5,763)						(5,763)
Profit attributable to owners of parent			16,914						16,914
Purchase of treasury stock				(592)					(592)
Net changes of items other than shareholder's equity					4,075	65	669	64	4,873
<b>Balance at April 1, 2018</b>	¥23,514	¥20,780	¥116,133	¥(2,170)	¥24,802	¥18	¥94	¥2,049	¥185,220
Dividends declared (Note 14)			(5,197)						(5,197)
Profit attributable to owners of parent			18,785						18,785
Change of scope of consolidation			(14)						(14)
Purchase of treasury stock				(2)					(2)
Net changes of items other than shareholder's equity					1,009	(54)	(460)	44	539
<b>Balance at March 31, 2019</b>	<b>¥23,514</b>	<b>¥20,780</b>	<b>¥129,707</b>	<b>¥(2,172)</b>	<b>¥25,811</b>	<b>¥(36)</b>	<b>¥(366)</b>	<b>¥2,093</b>	<b>¥199,331</b>

	Thousands of U.S. dollars								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Equity adjustment from foreign currency translation	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
<b>Balance at April 1, 2018</b>	\$211,854	\$187,228	\$1,046,336	\$(19,552)	\$223,461	\$163	\$845	\$18,459	\$1,668,794
Dividends declared (Note 14)			(46,822)						(46,822)
Profit attributable to owners of parent			169,246						169,246
Change of scope of consolidation			(125)						(125)
Purchase of treasury stock				(19)					(19)
Net changes of items other than shareholder's equity					9,098	(490)	(4,142)	401	4,867
<b>Balance at March 31, 2019</b>	<b>\$211,854</b>	<b>\$187,228</b>	<b>\$1,168,635</b>	<b>\$(19,571)</b>	<b>\$232,559</b>	<b>\$(327)</b>	<b>\$(3,297)</b>	<b>\$18,860</b>	<b>\$1,795,941</b>

The accompanying notes are an integral part of these statements.

## Consolidated Statement of Cash Flows

Nishimatsu Construction Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 24,495	<b>¥ 26,917</b>	<b>\$ 242,515</b>
Adjustment for:			
Depreciation and amortization	2,012	<b>2,209</b>	<b>19,903</b>
Loss on impairment of long-lived assets	(39)	—	—
Increase (decrease) in allowance for doubtful accounts	(19)	<b>0</b>	<b>2</b>
Increase (decrease) in provision for loss on construction contracts	(132)	<b>329</b>	<b>2,964</b>
Increase (decrease) in net defined benefit liability	(104)	<b>(867)</b>	<b>(7,813)</b>
Loss (gain) on sales of investment securities	(1,328)	<b>(1,208)</b>	<b>(10,886)</b>
Loss (gain) on sales of property and equipment	(22)	<b>84</b>	<b>760</b>
Interest and dividend income	(1,010)	<b>(1,208)</b>	<b>(10,886)</b>
Interest expenses	416	<b>439</b>	<b>3,959</b>
Decrease (increase) in notes and accounts receivable	18,072	<b>(58,225)</b>	<b>(524,595)</b>
Decrease (increase) in inventories	1,275	<b>(2,995)</b>	<b>(26,980)</b>
Increase (decrease) in notes and accounts payable	(16,561)	<b>30,952</b>	<b>278,874</b>
Increase (decrease) in advances received on uncompleted contracts	(2,950)	<b>(3,231)</b>	<b>(29,109)</b>
Others	(1,563)	<b>(2,401)</b>	<b>(21,637)</b>
Sub-total	22,542	<b>(9,205)</b>	<b>(82,929)</b>
Interest and dividend received	1,008	<b>1,195</b>	<b>10,769</b>
Interest paid	(409)	<b>(438)</b>	<b>(3,950)</b>
Income taxes paid	(9,571)	<b>(7,435)</b>	<b>(66,984)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>13,570</b>	<b>(15,883)</b>	<b>(143,094)</b>
<b>Cash flows from investing activities:</b>			
Payment for purchases of marketable and investment securities	(2,113)	<b>(4,056)</b>	<b>(36,546)</b>
Proceeds from sale of marketable and investment securities	2,205	<b>1,982</b>	<b>17,860</b>
Acquisition of property and equipment	(18,365)	<b>(21,044)</b>	<b>(189,600)</b>
Proceeds from sale of property and equipment	3,636	<b>271</b>	<b>2,441</b>
Payments of loans receivable	(807)	<b>(587)</b>	<b>(5,286)</b>
Proceeds from collection of loans	37	<b>21</b>	<b>189</b>
Others	(16)	<b>(219)</b>	<b>(1,987)</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(15,423)</b>	<b>(23,632)</b>	<b>(212,929)</b>
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans	1,172	<b>42,900</b>	<b>386,518</b>
Repayment of long-term debt	(607)	—	—
Cash dividends paid	(5,757)	<b>(5,193)</b>	<b>(46,791)</b>
Dividends paid to non-controlling interests	(4)	<b>(4)</b>	<b>(37)</b>
Others	278	<b>854</b>	<b>7,693</b>
<b>Net cash provided by (used in) financing activities</b>	<b>(4,918)</b>	<b>38,557</b>	<b>347,383</b>
Effect of exchange rate changes on cash and cash equivalents	243	<b>(42)</b>	<b>(376)</b>
<b>Net increase (decrease) of cash and cash equivalents</b>	<b>(6,528)</b>	<b>(1,000)</b>	<b>(9,016)</b>
Cash and cash equivalents at beginning of year (Note 2)	39,027	<b>32,499</b>	<b>292,813</b>
Decrease in cash and cash equivalents resulting from change of scope of consolidation	—	<b>(25)</b>	<b>(226)</b>
<b>Cash and cash equivalents at end of year (Note 2)</b>	<b>¥ 32,499</b>	<b>¥ 31,474</b>	<b>\$ 283,571</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 Corporate Report, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers of these statements outside Japan.

### **(b) Scope of consolidation**

The Company, its eleven subsidiaries (of which nine are included in the scope of consolidation), and eleven affiliates constitute the Nishimatsu Construction Group (the "Group"). Nishimatsu Real Estate & Development (Asia) Pte. Ltd. which was established in the consolidated fiscal year ended March 31, 2019, has been included in the scope of consolidation. Konkem Co., Ltd have been excluded from the scope of consolidations as they are less quantitative materiality.

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

Major non-consolidated subsidiaries are Shimashizu Corporation Co.,

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

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

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

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

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

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

The fiscal year end of our consolidated subsidiaries, Thai Nishimatsu Construction Co., Ltd., Lao Nishimatsu Construction Co., Ltd., Nishimatsu Vietnam Co., Ltd., Nishimatsu Real Estate & Development (Asia) Pte. Ltd, 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.

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

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

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

Intangible assets (excluding lease assets):

Intangible assets are carried at cost.

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

Lease assets:

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

### **(d) Accrued retirement benefits**

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

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 ¥332,493 million (\$2,995,700 thousand).

### **(f) Income taxes**

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

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

### **(g) Foreign currency transactions**

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

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

### **(h) Hedge accounting**

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

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

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

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

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

### **(j) Allowance for doubtful accounts**

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

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

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

### **(l) Provision for bonuses**

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

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

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

### **(n) Provision for environmental measures**

It is calculated based on a rational estimate and the Group recognized ¥246 million (\$2,217 thousand) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

### **(o) Other accounting policies on 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. Accounting standards not yet implemented, etc.

- Accounting Standards on Revenue Recognition (Corporate Accounting Standards No. 29, March 30, 2018)
- Implementation Guidelines on Accounting Standards on Revenue Recognition (Corporate Accounting Standards Application Guideline No. 30, March 30, 2018)

### (1) Overview

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation and as it fulfills

### (2) Planned applicable date

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

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

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

## 4. Changes in presentations

Notes to consolidated statement of income

"Gain on investments in silent partnerships" which was included in "Other-net" under "Other income (expenses)" in the previous fiscal year, is separately listed from the fiscal year ended March 31, 2019, because of more quantitative materiality.

The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation. As a result, ¥325 million presented in "Other-net" under "Other income (expenses)" in the consolidated statement of income of the previous fiscal year has been reclassified as ¥62 million of "Gain on investments in silent partnerships" and ¥263 million of "Other-net."

Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards have been applied from the beginning of the fiscal year ended March 31, 2019, whereby deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under long-term liabilities, and the notes to tax-effect accounting have been changed.

As a result, on the consolidated balance sheet for the prior fiscal year, ¥104 million of ¥2,701 million previously presented as "Deferred tax assets" under "Current assets" is now included in ¥140 million of "Deferred tax assets" under "Investments and other assets," and ¥2,597 million of ¥2,701 million previously presented as "Deferred tax assets" under "Current assets" is now included in ¥5,005 million of "Deferred tax liabilities" under "Long-term liabilities."

Note 8 to the "Accounting Standard for Tax Effect Accounting" (excluding the total amount of the valuation allowance) and Note 9 to said standard as stipulated in Paragraphs 3-5 of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" have been reflected in the notes to tax-effect accounting; provided, however, that matters concerning the previous fiscal year are not reflected in accordance with the transitional treatment stipulated in Paragraph 7 of said Partial Amendments.

## 5. United States dollar amounts

The United States dollar amounts presented in the accompanying consolidated financial statements are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥110.99 = US\$1, which was the exchange rate prevailing as of March 31, 2019.

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

## 6. Investment in securities

As of March 31, 2018 and 2019, securities with quoted market prices were summarized as follows:

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

	Millions of yen			Thousands of U.S. dollars		
	2018	2019		2019		
	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.....	¥133	¥136	¥3	¥128	¥130	¥2
Sub-total.....	133	136	3	128	130	2
Held-to-maturity securities whose market values do not exceed the amounts recorded in the balance sheet:						
Debt securities.....	—	—	—	—	—	—
Sub-total.....	—	—	—	—	—	—
Total.....	¥133	¥136	¥3	¥128	¥130	¥2

### Other securities with quoted market prices

	Millions of yen			Thousands of U.S. dollars		
	2018	2019		2019		
	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.....	¥24,923	¥61,157	¥36,234	¥26,454	¥64,392	¥37,938
Sub-total.....	24,923	61,157	36,234	26,454	64,392	37,938
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:						
Equity securities.....	3,127	2,625	(502)	3,114	2,358	(756)
Sub-total.....	3,127	2,625	(502)	3,114	2,358	(756)
Total.....	¥28,050	¥63,782	¥35,732	¥29,568	¥66,750	¥37,182

### Available-for-sale securities sold during the fiscal year ended March 31, 2018 and 2019

	Millions of yen			Thousands of U.S. dollars		
	2018	2019		2019		
	Proceeds	Total gain on sales	Total loss on sales	Proceeds	Total gain on sales	Total loss on sales
Equity securities.....	¥2,027	¥1,328	¥—	¥1,865	¥1,208	¥(657)

### Loss on valuation of investment securities

FY2017 (April 1, 2017 to March 31, 2018)

As of March 31, 2018, an impairment loss is recognized of ¥0 million of securities (other securities of unlisted stocks)

FY2018 (April 1, 2018 to March 31, 2019)

As of March 31, 2019, an impairment loss is recognized of ¥0 million of securities (other securities of unlisted stocks)

The Group recognizes an important loss on securities with market prices in cases where the market price at the end of the fiscal year falls 50% or more compared to the book value and is considered to be irrecoverable. An impairment loss is also recognized for any item considered to be irrecoverable when the market price at the end of the fiscal year falls 30% or more and less than 50% compared to the book price and any of the following applies.

- Market price has continued to drop at a rate of 30% or more over the past year.
- The issuing company of the respective stock is in an excess debt status as of the latest fiscal year.
- The issuing company of the respective stock has posted loss attributable to owners of parent for the last two consecutive years and expects to post loss attributable to owners of parent also in the following fiscal year.

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

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

(a) The weighted-average interest rates on short-term debt outstanding as of March 31, 2019 was approximately 0.315 per cent.

(b) Long-term debt comprised the following:

Issuer	Type	Date of issue	Millions of yen		Thousands of U.S. dollars
			2018	2019	2019
Due 2019 to 2020 with weighted-average interest rate of 0.420 per cent.....	—	—	¥ 100	¥ 100	\$ 901
0.500 per cent Unsecured Japanese Yen bond due Jul 24, 2020.....	Nishimatsu Construction Co., Ltd.	The 6th unsecured Japanese Yen bonds	15,000	15,000	135,147
0.810 per cent Unsecured Japanese Yen bond due Jul 22, 2022.....	Nishimatsu Construction Co., Ltd.	The 7th unsecured Japanese Yen bonds	10,000	10,000	90,098
Less: Portion due within 1 year.....			25,100	25,100	226,146
			0	100	901
			¥25,100	¥25,200	\$227,047

The aggregate annual maturities of long-term debt on March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
2019.....	¥100	\$900
2020.....	—	—
2021.....	—	—
2022 and thereafter.....	—	—

The aggregate annual maturities of lease on March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
2019.....	¥26	\$237
2020.....	¥15	\$137
2021.....	¥ 4	\$ 39
2022 and thereafter.....	¥ 4	\$ 40

## 8. Retirement benefit and pension plan

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

FY2017 (April 1, 2017 to March 31, 2018)

(a) Retirement benefit obligation

Recognition of retirement benefit obligation:

	Millions of yen
Retirement benefit obligation as of April 1, 2017.....	¥24,913
Service cost.....	1,141
Interest cost.....	172
Actuarial gain or loss.....	25
Retirement benefits paid.....	(1,113)
Other.....	5
Retirement benefit obligation as of March 31, 2018.....	¥25,143

Method of attributing the retirement benefit obligation to periods of service: Simplified method

(b) Reconciliation of plan assets

	Millions of yen
Plan assets as of April 1, 2017.....	¥15,168
Expected return on plan assets.....	251
Actuarial gain or loss.....	(29)
Contribution by the Company.....	1,918
Retirement benefits paid.....	(847)
Plan assets as of March 31, 2018.....	¥16,461

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

	Millions of yen
	2018
Funded retirement benefit obligation.....	¥ 24,996
Plan assets.....	(16,461)
	8,535
Unfunded retirement benefit obligation.....	147
Net liability for retirement benefit in the Consolidated Balance Sheet.....	8,682
	2019
Net defined benefit liability.....	8,682
Net liability for retirement benefit in the Consolidated Balance Sheet.....	¥ 8,682

(d) Components of net periodic pension cost for the year ended March 31, 2018

	Millions of yen
	2018
Service cost.....	¥1,141
Interest cost.....	172
Expected return on plan assets.....	(251)
Amortization of actuarial gain or loss.....	1,108
Unrecognized past service cost.....	(91)
Total.....	¥2,079

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

(e) Remeasurements of defined benefit plans

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

	Millions of yen
	2018
Past service cost.....	¥ (91)
Actuarial gain or loss.....	1,054
Total.....	¥ (963)

(f) Cumulative remeasurements of defined benefit plans

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

	Millions of yen
	2018
Unrecognized past service cost.....	¥(182)
Unrecognized actuarial gain or loss.....	47
Total.....	¥(135)

(g) Pension assets

Details of plan assets

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

	2018
Bonds.....	43%
Securities.....	28%
General accounts.....	18%
Others.....	11%
Total.....	100%

Retirement benefits trust established for corporate pension plans accounts for 34% of total plan assets.

Method for long-term expected return on plan assets

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

**(h) Assumptions for actuarial calculations**

	2018
Discount rate.....	0.7%
Expected return on plan assets	
Except pension trust .....	2.5%
Expected return on pension trust .....	0.0%

**(i) Defined contribution**

Amount payable for defined contribution of the Company and consolidated subsidiary was ¥188 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.**

As mentioned above, our company had joined NATIONAL CONSTRUCTION ASSOCIATION PENSION FUND, which is in the process of liquidation so the Company omitted the funded status of the entire plan, the ratio of the Company's payment contributions for the entire plan and other supplementary information.

**FY2018 (April 1, 2018 to March 31, 2019)****(a) Retirement benefit obligation**

Recognition of retirement benefit obligation:

	Millions of yen		Thousands of U.S. dollars	
	2019	2019	2019	2019
Retirement benefit obligation as of April 1, 2018.....	¥25,144		\$226,540	
Service cost .....	1,159		10,439	
Interest cost .....	173		1,562	
Actuarial gain or loss .....	658		5,930	
Retirement benefits paid .....	(1,141)		(10,276)	
Others.....	(2)		(24)	
Retirement benefit obligation as of March 31, 2019 .....	¥25,991		\$234,171	

Method of attributing the retirement benefit obligation to periods of service: Simplified method

**(b) Reconciliation of plan assets**

	Millions of yen		Thousands of U.S. dollars	
	2019	2019	2019	2019
Plan assets as of April 1, 2018.....	¥16,462		\$148,317	
Expected return on plan assets .....	286		2,575	
Actuarial gain or loss .....	(337)		(3,037)	
Contribution by the Company .....	1,960		17,656	
Retirement benefits paid .....	(853)		(7,695)	
Plan assets as of March 31, 2019 .....	¥17,516		\$157,816	

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2019	2019	2019
Funded retirement benefit obligation.....	¥25,823		\$232,671	
Plan assets.....	(17,515)		(157,816)	
	8,308		74,855	
Unfunded retirement benefit obligation .....	167		1,500	
Net liability for retirement benefit in the Consolidated Balance Sheet .....	8,475		76,355	
Net defined benefit liability.....	8,475		76,355	
Net liability for retirement benefit in the Consolidated Balance Sheet .....	¥ 8,475		\$ 76,355	

**(d) Components of net periodic pension cost for the year ended March 31, 2019**

	Millions of yen		Thousands of U.S. dollars	
	2019	2019	2019	2019
Service cost .....	¥1,159		\$10,439	
Interest cost .....	173		1,562	
Expected return on plan assets.....	(286)		(2,576)	
Amortization of actuarial gain or loss .....	424		3,822	
Unrecognized past service cost.....	(91)		(822)	
Total.....	¥1,379		\$12,425	

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

**(e) Remeasurements of defined benefit plans**

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2019	2019	2019
Past service cost .....	¥ (91)		\$ (822)	
Actuarial gain or loss.....	(571)		(5,146)	
Total.....	¥(662)		\$(5,968)	

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

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2019	2019	2019
Unrecognized past service cost.....	¥ (91)		\$ (822)	
Unrecognized actuarial gain or loss.....	618		5,572	
Total.....	¥527		\$4,750	

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

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

	2019
Bonds .....	46%
Securities .....	22%
General accounts .....	19%
Other .....	13%
Total.....	100%

Retirement benefits trust established for corporate pension plans accounts for 28% of total plan assets.

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

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

**(h) Assumptions for actuarial calculations**

	2019
Discount rate.....	0.7%
Expected return on plan assets	
Except pension trust .....	2.5%
Expected return on pension trust .....	0.0%

**(i) Defined contribution**

Amount payable for defined contribution of the Company and consolidated subsidiary was ¥192 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.**

As mentioned above, our company had joined NATIONAL CONSTRUCTION ASSOCIATION PENSION FUND, which is in the process of liquidation so the Company omitted the funded status of the entire plan, the ratio of the Company's payment contributions for the entire plan and other supplementary information.

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

(a) Deferred tax assets and liabilities at March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2018	2019
Deferred tax assets:				
Net defined benefit liability.....	¥ 4,063	¥ 3,958	\$ 35,659	
Impairment loss of long-lived assets .....	2,812	2,695	24,280	
Allowance for doubtful accounts .....	1,406	1,406	12,665	
Provision for bonuses .....	979	1,124	10,128	
Carryforwards .....	932	955	8,604	
Provision for warranties for completed construction ...	692	234	2,104	
Loss on valuation of real estate.....	316	261	2,352	
Provision for allowance for loss on construction projects ...	206	307	2,763	
Valuation loss on investment securities.....	195	189	1,707	
Others.....	2,392	2,379	21,447	
Subtotal deferred tax assets .....	13,993	13,508	121,709	
Valuation allowance for net operating loss carryforwards (*1).....	—	(932)	(8,401)	
Valuation allowance for the sum of deductible temporary differences .....	—	(5,712)	(51,463)	
Valuation allowance .....	(6,803)	(6,644)	(59,864)	
Gross deferred tax assets .....	¥ 7,190	¥ 6,864	\$ 61,845	
Deferred tax liabilities:				
Unrealized gain on available-for-sale securities ....	(10,936)	(11,381)	(102,541)	
Reserve for reduction entry of replaced property ...	(487)	(485)	(4,370)	
Resignation payment trust .....	(57)	—	—	
Others.....	(575)	(577)	(5,200)	
Gross deferred tax liabilities .....	¥(12,055)	¥(12,443)	\$(112,111)	
Net deferred tax assets (liabilities).....	¥ (4,865)	¥ (5,578)	\$( 50,266)	

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

Current fiscal year (As of March 31, 2019)

	Millions of yen						
	2019						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Net operating loss carryforwards (a).....	¥ 19	¥ 240	¥ 138	¥ 21	¥ 19	¥ 518	¥ 955
Valuation allowance .....	(6)	(240)	(138)	(11)	(19)	(518)	(932)
Deferred tax assets (b).....	12	—	—	10	—	—	22

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

	Thousands of U.S. dollars						
	2019						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Net operating loss carryforwards (a).....	\$ 167	\$ 2,162	\$ 1,246	\$ 190	\$ 170	\$ 4,670	\$ 8,605
Valuation allowance .....	(57)	(2,162)	(1,246)	(97)	(170)	(4,670)	(8,402)
Deferred tax assets (b) ..	110	—	—	93	—	—	203

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

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

	2018	2019
Statutory tax rate.....	30.9%	30.6%
(Adjustment)		
Permanent non-deductible items.....	2.1%	1.6%
Permanent non-taxable items .....	(0.3)%	(0.8)%
Inhabitant taxes on per capita levy .....	0.6%	0.5%
Valuation allowance .....	(0.9)%	(0.6)%
Tax credit .....	(2.7)%	(1.3)%
Others .....	1.5%	(0.1)%
Effective tax rate .....	31.2%	29.9%

**10. Lease transactions****Finance lease transactions that do not transfer ownership**

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

## 11. Notes to Consolidated Balance Sheet

### (a) Investments in non-consolidated subsidiaries and affiliates as of March 31, 2018 and 2019 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investment securities .....	¥828	¥745	\$6,710

### (b) Collateral assets and secured liabilities

#### Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligations as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Pledged assets:</b>			
Building and structures .....	¥831	¥ -	\$ -
Land .....	95	-	-
<b>Total .....</b>	<b>¥926</b>	<b>¥ -</b>	<b>\$ -</b>

#### Secured liabilities:

Other long-term liabilities .....	¥390	¥ -	\$ -
<b>Total .....</b>	<b>¥390</b>	<b>¥ -</b>	<b>\$ -</b>

#### Pledged assets for loans on subsidiaries and affiliates:

Building and structures .....	¥296	¥285	\$2,572
Land .....	37	37	331
Investment securities .....	186	98	885
<b>Total .....</b>	<b>¥519</b>	<b>¥420</b>	<b>\$3,788</b>

#### Pledged assets for housing latent defects:

Securities .....	¥ 6	¥128	\$1,158
Investment securities .....	127	-	-
<b>Total .....</b>	<b>¥133</b>	<b>¥128</b>	<b>\$1,158</b>

### (c) Contingent liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
	¥38	¥24	\$214

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
MUL Nishimatsu Property (Thailand) Co., Ltd. ....	¥53	¥85	\$768

### (d) Matured notes are settled on the bank clearance date.

Since March 31, 2018 and March 31, 2019 were a holiday for financial institutions, the following matured notes due on that date are included in the consolidated balance sheet as of March 31, 2018 and 2019.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes-receivable .....	¥275	¥712	\$6,416

### (e) Due to have ready working capital efficiently, the Company and its subsidiaries conclude rental commitment contracts.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Total amount of loan commitment .....	¥25,000	¥35,000	\$315,344
Loans outstanding .....	3,000	35,000	315,344

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Building and structures .....	¥ 485	¥ -	\$ -
Land .....	1,288	-	-
<b>Total .....</b>	<b>¥1,773</b>	<b>¥ -</b>	<b>\$ -</b>

## 12. Notes to Consolidated Statement of income

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
	¥ -	¥331	\$2,982

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Employees' salary and allowances .....	¥9,059	¥9,430	\$84,966
Retirement benefit expenses .....	844	604	5,445
Provision for bonuses .....	439	510	4,595

### (c) Research and development expenses for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
	¥1,364	¥1,378	\$12,414

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures .....	¥13	¥ -	\$ -
Machinery .....	9	0	3
Other .....	-	-	-
<b>Total .....</b>	<b>¥22</b>	<b>¥ 0</b>	<b>\$ 3</b>

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures .....	¥ -	¥84	\$760
Land .....	-	0	3
Machinery .....	0	0	0
Other .....	0	-	-
<b>Total .....</b>	<b>¥ -</b>	<b>¥84</b>	<b>\$763</b>

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures .....	¥4	¥26	\$232
Machinery .....	1	1	10
Fixtures .....	0	1	12
Other .....	1	3	29
<b>Total .....</b>	<b>¥6</b>	<b>¥31</b>	<b>\$283</b>

### (g) Loss on impairment of long-lived assets

#### FY2017 (April 1, 2017 to March 31, 2018)

The Group recognized impairment loss on the following asset groups for the year ended March 31, 2018.

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 decisions on rebuilding. The difference between the book value and the recoverable amount was posted as loss on impairment (¥39 million).

Since the recoverable amount of the asset is scheduled to be dismantled, the value of use is calculated as zero.

Location	Purpose	Type of asset	Millions of yen
			2018
Tokyo	For rent	Building	¥39

#### FY2018 (April 1, 2018 to March 31, 2019)

Not Applicable.

## 13. Notes to Consolidated Comprehensive Income

Other comprehensive income for the year ended March 31, 2018 and 2019 was as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrealized gain on available for sale securities			
Amount arising during the year .....	¥7,201	¥2,663	\$23,996
Reclassification adjustments .....	(1,328)	(1,208)	(10,886)
Equity adjustment from foreign currency translation			
Amount arising during the year .....	192	(78)	(702)
Remeasurements of defined benefit plans			
Amount arising during the year .....	(54)	(995)	(8,967)
Reclassification adjustments .....	1,017	333	2,999
Amount before income tax effect .....	7,028	715	6,440
Income tax effect .....	(2,093)	(243)	(2,185)
<b>Total .....</b>	<b>¥4,935</b>	<b>¥ 472</b>	<b>\$ 4,255</b>

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrealized gain on available for sale securities			
Amount before income tax effect .....	¥ 5,873	¥1,455	\$13,110
Income tax effect .....	(1,798)	(445)	(4,012)
Amount after adjustment of income tax effect .....	4,075	1,010	9,098
Foreign currency translation adjustment			
Amount before income tax effect .....	192	(78)	(702)
Income tax effect .....	-	-	-
Amount after adjustment of income tax effect .....	192	(78)	(702)
Remeasurements of defined benefit plans			
Amount before income tax effect .....	963	(662)	(5,968)
Income tax effect .....	(295)	203	1,826
Amount after adjustment of income tax effect .....	668	(459)	(4,142)
Other comprehensive income			
Amount total of other comprehensive income .....	7,028	715	6,440
Income tax effect .....	(2,093)	(243)	(2,185)
Amount after adjustment of income tax effect .....	¥ 4,935	¥ 472	\$ 4,255

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

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

	Thousand shares	
	2018	2019
Common stock		
Number of shares at the beginning of year .....	277,958	55,591
Number of shares increased .....	-	-
Number of shares decreased .....	222,366	-
Number of shares at the end of year .....	55,591	55,591

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

	Thousand shares	
	2018	2019
Common stock		
Number of shares at the beginning of year .....	3,529	888
Number of shares increased .....	185	1
Number of shares decreased .....	2,826	-
Number of shares at the end of year .....	888	889

### a) FY2017 (April 1, 2017 to March 31, 2018)

1. Decreased shares were due to the consolidation of shares executed on October 1, 2017.

### b) FY2017 (April 1, 2017 to March 31, 2018)

1. The increase of shares was due to the acquisition of the resolution by the Board of Directors' meeting, shares resulting from the purchase of fractional shares less than one share due to the consolidation, and the purchase of shares below one unit.

2. Decreased shares were due to the consolidation of shares executed on October 1, 2017.

### a) FY2018 (April 1, 2018 to March 31, 2019)

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

### (c) Dividends

#### FY2017 (April 1, 2017 to March 31, 2018)

##### 1. Dividends paid

Resolution	Class of shares	Total dividend		Dividend per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 29, 2017	Common stock	¥5,763	\$54,525	¥21	\$0.198	March 31, 2017	June 30, 2017

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

Resolution	Class of shares	Source of dividend	Total dividend		Dividend per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 28, 2018	Common stock	Retained earnings	¥5,197	\$48,916	¥95	\$0.894	March 31, 2018	June 29, 2018

#### FY2018 (April 1, 2018 to March 31, 2019)

##### 1. Dividends paid

Resolution	Class of shares	Total dividend		Dividend per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 28, 2018	Common stock	¥5,197	\$46,823	¥95	\$0.856	March 31, 2018	June 29, 2018

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

Resolution	Class of shares	Source of dividend	Total dividend		Dividend per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary general meeting of shareholders on June 27, 2019	Common stock	Retained earnings	¥5,744	\$51,751	¥105	\$0.946	March 31, 2019	June 28, 2019

## 15. Financial instruments

### (a) Disclosure on financial instruments

#### (1) Policy on financial instruments

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

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

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

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

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

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

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

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

The Group evaluates each customer's credit in advance.

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

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

Short-term debt 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 transactions in advance, and regularly confirms the conditions and details in conformity with the policy on risk management.

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

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

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

The Internal Control Committee makes each department responsible for a specific risk, and establishes control systems of preventive risk management and heuristic risk management.

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

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

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

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

### (b) Fair value of financial instruments

The book value, fair value, and difference of the financial instruments on the consolidated balance sheet as of March 31, 2018 and 2019 were as follows.

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

	Millions of yen		
	2019		
	Book value	Fair value	Difference
Cash and deposits.....	¥ 32,499	¥ 32,499	¥ —
Notes receivable, accounts receivable from completed construction contracts and other.....	139,514	139,473	(42)
Investment in securities.....	63,915	63,918	4
Long-term loans.....	1,918	—	—
Allowance for doubtful accounts *.....	(91)	—	—
	1,827	1,811	(16)
Assets.....	¥237,755	¥237,701	¥ (54)
Notes payable, accounts payable for construction contracts and other.....	¥ 77,711	¥ 77,711	¥ —
Short-term debt.....	18,206	18,206	—
Current portion of bond.....	—	—	—
Bond.....	25,000	25,128	128
Long-term debt.....	100	100	0
Liabilities.....	¥121,018	¥121,145	¥128
Derivative.....	—	—	—

	Millions of yen		
	2018		
	Book value	Fair value	Difference
Cash and deposits.....	¥ 31,474	¥ 31,474	¥ —
Notes receivable, accounts receivable from completed construction contracts and other.....	197,729	197,669	(60)
Investment in securities.....	66,878	66,880	2
Long-term loans.....	439	—	—
Allowance for doubtful accounts *.....	(86)	—	—
	353	345	(8)
Assets.....	¥296,434	¥296,368	¥ (66)
Notes payable, accounts payable for construction contracts and other.....	¥108,646	¥108,646	¥ —
Short-term debt.....	61,168	61,168	—
Current portion of bond.....	—	—	—
Bond.....	25,000	25,159	159
Long-term debt.....	—	—	—
Liabilities.....	¥194,813	¥194,972	¥159
Derivative.....	—	—	—

Thousands of U.S. dollars

	2019		
	Book value	Fair value	Difference
Cash and deposits.....	\$ 283,571	\$ 283,571	\$ —
Notes receivable, accounts receivable from completed construction contracts and other.....	1,781,501	1,780,963	(538)
Investment in securities.....	602,563	602,579	16
Long-term loans.....	3,959	—	—
Allowance for doubtful accounts *.....	(776)	—	—
	3,183	3,108	(75)
Assets.....	\$2,670,818	\$2,670,221	\$ (597)
Notes payable, accounts payable for construction contracts and other.....	\$ 978,875	\$ 978,875	\$ —
Short-term debt.....	551,111	551,111	—
Current portion of bond.....	—	—	—
Bond.....	225,246	226,675	1,429
Long-term debt.....	—	—	—
Liabilities.....	\$1,755,232	\$1,756,661	\$1,429
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, 2018 and 2019 were as follows:

Classification	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unlisted securities	¥6,525	¥6,212	\$55,967
Silent partnerships	1,345	3,369	30,358
Stock for non-consolidated subsidiaries and affiliates	828	745	6,710

3. Redemption schedule for receivable and securities to maturity at March 31, 2018 and 2019.

	Millions of yen			
	2018			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 32,499	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	132,367	6,621	526	—
Investment in securities				
Debt security held to maturity (government bonds)	6	127	—	—
Long-term loan	—	1,847	27	44
Total	¥164,872	¥8,595	¥553	¥44

	Millions of yen			
	2019			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	¥ 31,474	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	188,696	8,501	532	—
Investment in securities				
Debt security held to maturity (government bonds)	128	—	—	—
Long-term loan	—	374	27	39
Total	¥220,298	¥8,875	¥559	¥39

	Thousands of U.S. dollars			
	2019			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and deposits	\$ 283,571	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,700,114	76,594	4,794	—
Investment in securities				
Debt security held to maturity (government bonds)	1,158	—	—	—
Long-term loan	—	3,367	245	348
Total	\$1,984,843	\$79,961	\$5,039	\$348

4. Redemption schedule for bond, long-term debt, and lease liability as of March 31, 2018 and 2019.

	Millions of yen					
	2018					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond	¥—	¥—	¥15,000	¥—	¥10,000	¥—
Long-term debt	—	100	—	—	—	—
Lease liability	35	23	12	1	—	—
Total	¥35	¥123	¥15,012	¥ 1	¥10,000	¥—

	Millions of yen					
	2019					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Bond	¥ —	¥15,000	¥—	¥10,000	¥—	¥—
Long-term debt	100	—	—	—	—	—
Lease liability	26	15	4	3	1	—
Total	¥126	¥15,015	¥ 4	¥10,003	¥ 1	¥—

	Thousands of U.S. dollars					
	2019					
	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	\$ —	\$135,147	\$—	\$90,098	\$—	\$—
Long-term debt	901	—	—	—	—	—
Lease liability	237	137	39	28	13	—
Total	\$1,138	\$135,284	\$39	\$90,126	\$13	\$—

## 16. Investment and rental properties

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

Profit for investment and rental properties in 2018 was ¥2,214 million, in 2019 was ¥2,179 million (\$19,633 thousand).

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

Millions of yen			
	Carrying amount		Fair value
April 1, 2017	Increased (decreased)	March 31, 2018	March 31, 2018
	¥55,473	¥5,161	¥60,634

Millions of yen			
	Carrying amount		Fair value
April 1, 2018	Increased (decreased)	March 31, 2019	March 31, 2019
	¥60,634	¥6,804	¥67,438

Thousands of U.S. dollars			
	Carrying amount		Fair value
April 1, 2018	Increased (decreased)	March 31, 2019	March 31, 2019
	\$546,303	\$61,304	\$607,607

- Carrying amount is net of accumulated depreciation and accumulated impairment losses from acquisition cost.
- The main reason of increase in 2018 was the purchase, ¥11,876 million (\$111,789 thousand), those of decrease were the selling ¥3,597 million (\$33,860 thousand), transfer to sales of real estate ¥2,594 million (\$24,418 thousand), and depreciation ¥1,009 million (\$9,496 thousand). The main reason of increase in 2019 was the purchase, ¥8,226 million (\$74,112 thousand), those of decrease were the depreciation ¥1,038 million (\$9,348 thousand) selling ¥389 million (\$3,507 thousand).

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

## 17. Asset retirement obligations

The asset retirement obligations included in financial statement for the years ended March 31, 2018 and 2019 were as follows:

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

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

The estimated period of service of the building is 6 to 38 years from acquisition and the discount rate has calculated the adjustment amount of asset retirement obligations by having used 0.000 to 2.308%.

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

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

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

The estimated period of service of rental stores owned by the Group is from 19 years to 47 years based on periodical lease contract and the discount rate has calculated the adjustment amount of asset retirement obligations by having used 0.526 to 2.155%.

The estimated period of service of the offices which the Group rents is from 3 years to 42 years based on periodical lease contract and the discount rate has calculated the adjustment amount of asset retirement obligations by having used from 0.000% to 0.889%.

### (b) Increase (decrease) of asset retirement obligations as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at beginning of year	¥389	¥378	\$3,407
New obligations by acquisition of fixed assets	9	48	428
Increase because of reasonable estimate can be made	—	—	—
Adjustment for time's passage	2	3	24
Decrease because of executed obligation	(22)	(5)	(43)
Balance at end of year	¥378	¥424	\$3,816

## 18. Segment information

### (a) Decision of reportable segments

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

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

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

Civil Engineering	Contract for civil engineering project
Building Construction	Contract for architecture construction project
Development and Real Estate	Lease and sale of real estate, 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 years ended March 31, 2018 and 2019.

	Millions of yen				
	2018				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers	¥95,807	¥179,777	¥ 8,828	¥ —	¥284,412
Intersegment or transfer	—	—	6,658	(6,658)	—
Total	¥95,807	¥179,777	¥15,486	¥(6,658)	¥284,412
Operating income (loss)	9,528	11,281	1,945	(2)	22,752
Depreciation and amortization	435	563	1,014	—	2,012

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

	Millions of yen				
	2019				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers	¥117,983	¥221,997	¥9,339	¥ —	¥349,319
Intersegment or transfer	—	129	225	(354)	—
Total	¥117,983	¥222,126	¥9,564	¥(354)	¥349,319
Operating income (loss)	9,389	13,743	1,813	(16)	24,928
Depreciation and amortization	581	571	1,057	—	2,209

- "Adjustments" of negative 16 million yen in "Operating income" is due to the deletion with which segments transact.
- Adjustments are made between "Segment profit" and "Operating income" reported in the consolidated statement of income.
- Assets of each segment are not mentioned because of not distribution to the business segment.

	Thousands of U.S. dollars				
	2019				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Net sales:					
Customers	\$1,063,002	\$2,000,153	\$84,144	\$ —	\$3,147,299
Intersegment or transfer	—	1,166	2,026	(3,192)	—
Total	\$1,063,002	\$2,001,319	\$86,170	\$(3,192)	\$3,147,299
Operating income (loss)	84,594	123,818	16,333	(144)	224,601
Depreciation and amortization	5,235	5,145	9,523	—	19,903

## Related information

### (1) Products and services

Information about products and services is included in (c) Net sales, profit or loss, assets and liabilities by reportable business segments for the years ended March 31, 2018 and 2019.

### (2) Geographical areas

Information by geographical segment for the years ended March 31, 2018 and 2019 were summarized as follows:

	Millions of yen			
	2018			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	¥267,580	¥16,832	¥(0)	¥284,412

	Millions of yen			
	2019			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	¥327,955	¥21,364	¥-	¥349,319

	Thousands of U.S. dollars			
	2019			
	Domestic	Southeast Asia	Other area	Consolidated
Net sales:				
Customers.....	\$2,954,818	\$192,481	\$-	\$3,147,299

### Information about tangible assets

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

### (3) Major customers

This item for the years ended March 31, 2018 and 2019 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

The detail for the year ended March 31, 2018 was as follows:

	Millions of yen				
	2018				
	Civil Engineering	Building Construction	Development and Real Estate	Elimination	Consolidated
Loss on impairment of long-lived assets.....	¥-	¥-	¥39	¥-	¥39

There is no loss on impairment of long-lived assets on fixed assets by reportable business segment for the year ended March 31, 2019.

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

Not applicable.

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

Not applicable.

### (7) Information on Related Parties

Not applicable.

## 19. Per share information

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

Diluted net income per share is not disclosed as the Group had no dilutive potential of common shares as of March 31, 2018 and 2019.

### (a) Per share information

	Yen		U.S. dollars
	2018	2019	2019
Net income:			
Basic.....	¥ 308.52	¥ 343.39	\$ 3.094
Net assets.....	3,348.41	3,605.62	32.486

- Diluted net income per share for the years ended March 31, 2018 and 2019 were not presented because the Company had no shares with dilutive effects.
- As of October 1, 2017, a 5:1 share consolidation of common stock was implemented. Accordingly, net assets per share and net income per share have been calculated on the assumption that this consolidation of shares was carried out at the beginning of the previous fiscal year.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit attributable to owners of parent.....	¥16,914	¥18,743	\$168,868
Amount that does not belong to general shareholders.....	-	-	-
Profit attributable to owners of parent.....	16,914	18,785	169,246
Average number of shares of common stock during the year (Unit: 1,000).....	54,824	54,703	

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Total amount under net assets.....	¥185,220	¥199,331	\$1,795,941
Amount deducted from the total amount under net assets.....	2,049	2,093	18,860
(Of which non-controlling interests).....	(2,049)	(2,093)	(18,860)
Net assets at the end of the year related to common stock.....	183,171	197,238	1,777,081
Number of shares of common stock at the end of the year used in the calculation of net assets per share (Unit: 1,000).....	54,703	54,703	

## 20. Quarterly information for FY2018 (April 1, 2018 to March 31, 2019)

### (a) Accumulated period

	Millions of yen			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr. 1, 2018 Jun. 30, 2018	Jul. 1, 2018 Sep. 30, 2018	Oct. 1, 2018 Dec. 31, 2018	Jan. 1, 2019 Mar. 31, 2019
Net sales.....	¥64,673	¥145,651	¥238,439	¥349,319
Profit before income taxes.....	4,541	9,976	16,785	26,917
Profit attributable to owners of parent.....	3,132	6,916	11,646	18,785
Per share of net income (Yen).....	57.25	126.42	212.89	343.39

	Thousands of U.S. dollars			
	Three months ended	Six months ended	Nine months ended	Year ended
	Apr. 1, 2018 Jun. 30, 2018	Jul. 1, 2018 Sep. 30, 2018	Oct. 1, 2018 Dec. 31, 2018	Jan. 1, 2019 Mar. 31, 2019
Net sales.....	\$582,690	\$1,312,292	\$2,148,291	\$3,147,299
Profit before income taxes.....	40,915	89,882	151,233	242,515
Profit attributable to owners of parent.....	28,219	62,308	104,929	169,246
Per share of net income (U.S. dollars).....	0.516	1.139	1.918	3.094

### (b) Each period

	Yen			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr. 1, 2018 Jun. 30, 2018	Jul. 1, 2018 Sep. 30, 2018	Oct. 1, 2018 Dec. 31, 2018	Jan. 1, 2019 Mar. 31, 2019
Per share of net income.....	¥57.25	¥69.16	¥86.48	¥130.50

	U.S. dollars			
	1st quarter	2nd quarter	3rd quarter	4th quarter
	Apr. 1, 2018 Jun. 30, 2018	Jul. 1, 2018 Sep. 30, 2018	Oct. 1, 2018 Dec. 31, 2018	Jan. 1, 2019 Mar. 31, 2019
Per share of net income.....	\$0.516	\$0.623	\$0.779	\$1.176

## Independent Auditor's Report

### 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, 2019, 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.

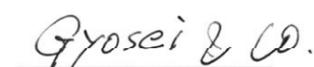
#### Opinion

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, 2019, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Convenience Translation

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

Tokyo, Japan  
June 27, 2019

  
GYOSEI & Co.  
Certified Public Accountants

## Non-Consolidated Five-Year Summary

Nishimatsu Construction Co., Ltd.

	Millions of yen				2019
	2015	2016	2017	2018	
Orders received .....	¥339,095	¥298,758	¥355,488	¥369,972	<b>¥340,302</b>
Orders received from overseas .....	25,764	11,160	18,317	37,925	<b>11,088</b>
Percentage of orders received from overseas .....	7.6%	3.7%	5.2%	10.3%	<b>3.3%</b>
Net sales .....	325,464	297,850	307,045	276,157	<b>336,854</b>
Cost of sales .....	306,186	269,494	266,004	236,503	<b>294,629</b>
Selling, general and administrative expenses .....	13,506	14,381	16,186	16,842	<b>17,688</b>
Profit before income taxes .....	9,201	12,706	27,283	24,814	<b>26,659</b>
Profit .....	8,624	14,618	19,336	17,126	<b>18,626</b>
Percentage of income against net sales .....	2.6%	4.9%	6.3%	6.2%	<b>5.5%</b>
Total assets .....	370,622	337,242	373,539	372,062	<b>452,214</b>
Net assets .....	145,127	150,410	163,564	178,404	<b>192,845</b>
Percentage of net assets against total assets .....	39.2%	44.6%	43.8%	47.9%	<b>42.6%</b>
Common stock .....	23,514	23,514	23,514	23,514	<b>23,514</b>
Per share of common stock (in yen): *					
Net income .....	¥ 31.14	¥ 52.78	¥ 350.42	¥ 312.39	<b>¥ 340.48</b>
Cash dividends applicable to the year .....	10.00	16.00	21.00	95.00	<b>105.00</b>
Net assets .....	524.02	543.12	596.02	3261.27	<b>3525.31</b>
Number of shareholders .....	30,009	23,290	18,599	17,816	<b>17,535</b>
Number of employees .....	2,424	2,467	2,504	2,536	<b>2,606</b>

\* Profit per share of common stock is based upon the weighted average number of common stock outstanding during each year. As of October 1, 2017, a 5:1 share consolidation of common stock was implemented. Accordingly, net income per share and net assets per share have been calculated on the assumption that this consolidation of shares was carried out at the beginning of the previous fiscal year.

## Non-Consolidated Balance Sheet

Nishimatsu Construction Co., Ltd.  
March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 13).....	¥ 24,334	¥ 24,623	\$ 221,853
Marketable securities (Note 10).....	6	128	1,158
Notes and accounts receivable, trade:			
Notes (Note 13).....	7,523	10,001	90,108
Accounts (Note 13).....	131,408	185,058	1,667,342
Allowance for doubtful accounts (Notes 2 and 12).....	(155)	(163)	(1,468)
Inventories (Notes 2 and 5).....	8,171	11,164	100,583
Short-term loans to subsidiaries and affiliates.....	15	1	9
Advance paid.....	20,018	17,551	158,134
Other current assets.....	4,305	10,565	95,180
Total current assets.....	195,624	258,928	2,332,899
<b>Investments and other assets:</b>			
Investment securities (Notes 2 and 10).....	69,315	71,951	648,261
Investments in subsidiaries and affiliates (Notes 2 and 6).....	3,308	4,347	39,168
Long-term loans to subsidiaries and affiliates.....	330	511	4,607
Others.....	6,700	4,870	43,872
Allowance for doubtful accounts (Notes 2, 7 and 12).....	(99)	(91)	(818)
Total investments and other assets.....	79,554	81,588	735,090
<b>Property and equipment (Notes 2 and 11):</b>			
Land.....	52,604	56,272	506,996
Buildings.....	66,918	81,887	737,787
Machinery and equipment.....	9,233	9,875	88,972
Accumulated depreciation.....	(34,668)	(36,336)	(327,379)
Total property and equipment.....	94,087	111,698	1,006,376
Total assets.....	¥369,265	¥452,214	\$4,074,365

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Liabilities and Net assets</b>			
<b>Current liabilities:</b>			
Short-term debt from banks (Note 13).....	¥ 16,209	¥ 58,909	\$ 530,760
Current portion of long-term debt.....	—	100	901
Notes and accounts payable, trade:			
Notes (Note 13).....	29,455	5,580	50,278
Accounts (Note 13).....	46,970	100,165	902,467
Advances received on uncompleted contracts (Note 13).....	11,589	8,555	77,079
Provision for warranties for completed construction (Notes 2 and 12).....	2,261	763	6,875
Provision for bonuses (Notes 2 and 12).....	3,122	3,578	32,239
Provision for loss on construction contracts (Notes 2 and 12).....	673	1,002	9,028
Accrued income taxes.....	4,029	4,261	38,391
Employees' deposits.....	8,072	8,932	80,475
Provision for loss on real estate business and other (Notes 2 and 12).....	1	24	216
Deposits received.....	21,779	23,101	208,131
Other current liabilities.....	4,265	2,631	23,702
Total current liabilities.....	148,425	217,601	1,960,542
<b>Long-term liabilities:</b>			
Long-term debt.....	25,100	25,000	225,246
Accrued retirement benefits.....	8,670	7,781	70,104
Deferred income taxes (Notes 2 and 7).....	4,511	5,406	48,704
Provision for environmental measures (Notes 2 and 12).....	309	246	2,217
Asset retirement obligations.....	370	415	3,744
Other long-term liabilities.....	3,477	2,920	26,311
Total long-term liabilities.....	42,436	41,768	376,326
Total liabilities.....	190,861	259,369	2,336,868
<b>Net assets:</b>			
Common stock:			
Authorized - 160,000,000 shares			
Issued and outstanding - 55,591,502 shares.....	23,514	23,514	211,854
Capital surplus.....	20,780	20,780	187,228
Legal reserve.....	5,878	5,878	52,962
Retained earnings.....	105,625	119,054	1,072,657
Treasury stock, at cost.....	(2,170)	(2,172)	(19,571)
Unrealized gain on available-for-sale securities.....	24,777	25,791	232,367
Total net assets.....	178,404	192,845	1,737,497
Total liabilities and net assets.....	¥369,265	¥452,214	\$4,074,365

## Non-Consolidated Statement of Income

Nishimatsu Construction Co., Ltd.  
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Net sales</b> (Note 2):			
Completed construction contract.....	¥267,673	<b>¥327,515</b>	<b>\$2,950,853</b>
Real estate business and other.....	8,484	<b>9,338</b>	<b>84,140</b>
	276,157	<b>336,853</b>	<b>3,034,993</b>
<b>Cost of sales</b> (Notes 2 and 14):			
Cost of completed construction contract.....	230,902	<b>287,886</b>	<b>2,593,805</b>
Cost of real estate business and other.....	5,601	<b>6,742</b>	<b>60,746</b>
	236,503	<b>294,628</b>	<b>2,654,551</b>
Gross profit.....	39,654	<b>42,225</b>	<b>380,442</b>
<b>Selling, general and administrative expenses</b> .....	16,842	<b>17,688</b>	<b>159,367</b>
Income from operations.....	22,812	<b>24,537</b>	<b>221,075</b>
<b>Other income (expenses):</b>			
Interest and dividend income.....	974	<b>1,194</b>	<b>10,761</b>
Interest expenses.....	(415)	<b>(439)</b>	<b>(3,952)</b>
Financing expenses.....	(30)	<b>(72)</b>	<b>(646)</b>
Gain on sales of investment securities.....	1,328	<b>1,208</b>	<b>10,886</b>
Gain on investments in silent partnerships.....	62	<b>254</b>	<b>2,292</b>
Loss on retirement of non-current assets.....	(7)	<b>(31)</b>	<b>(282)</b>
Loss of rebuilding.....	(91)	<b>(51)</b>	<b>(461)</b>
Loss on liquidation of subsidiaries.....	—	<b>(21)</b>	<b>(193)</b>
Gain on sales of fixed assets.....	19	—	—
Loss on valuation of investment securities.....	(1)	—	—
Foreign currency exchange gain (loss).....	(84)	<b>53</b>	<b>480</b>
Compensation income.....	60	<b>15</b>	<b>135</b>
Settlement package.....	(65)	<b>(7)</b>	<b>(61)</b>
Other-net.....	252	<b>19</b>	<b>161</b>
	2,002	<b>2,122</b>	<b>19,120</b>
<b>Profit before income taxes</b> .....	24,814	<b>26,659</b>	<b>240,195</b>
<b>Income taxes</b> (Note 2):			
Current.....	7,631	<b>7,586</b>	<b>68,348</b>
Deferred.....	57	<b>448</b>	<b>4,034</b>
	7,688	<b>8,034</b>	<b>72,382</b>
<b>Profit</b> .....	¥ 17,126	<b>¥ 18,625</b>	<b>\$ 167,813</b>
	Yen		U.S. dollars
<b>Per share of common stock</b>			
Net income (loss).....	¥312.39	<b>¥340.48</b>	<b>\$3.07</b>
Cash dividends applicable to the year.....	95.00	<b>105.00</b>	<b>0.95</b>

The accompanying notes are an integral part of this statement.

## Non-Consolidated Statement of Changes in Net Assets

Nishimatsu Construction Co., Ltd.  
For the years ended March 31, 2018 and 2019

	Millions of yen						Total net assets
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	
<b>Balance at April 1, 2017</b> .....	¥23,514	¥20,780	¥5,878	¥ 94,262	¥(1,578)	¥20,708	¥163,564
Dividends declared.....				(5,763)			(5,763)
Profit.....				17,126			17,126
Purchase of treasury stock.....					(592)		(592)
Net changes of items other than shareholder's equity.....						4,069	4,069
<b>Balance at April 1, 2018</b> .....	¥23,514	¥20,780	¥5,878	¥105,625	¥(2,170)	¥24,777	¥178,404
Dividends declared.....				(5,196)			(5,196)
Profit.....				18,625			18,625
Purchase of treasury stock.....					(2)		(2)
Net changes of items other than shareholder's equity.....						1,014	1,014
<b>Balance at March 31, 2019</b> .....	<b>¥23,514</b>	<b>¥20,780</b>	<b>¥5,878</b>	<b>¥119,054</b>	<b>¥(2,172)</b>	<b>¥25,791</b>	<b>¥192,845</b>
	Thousands of U.S. dollars						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Treasury stock, at cost	Unrealized gain on available-for-sale securities	Total net assets
<b>Balance at April 1, 2018</b> .....	\$211,854	\$187,228	\$52,962	\$ 951,666	\$(19,552)	\$223,225	\$1,607,383
Dividends declared.....				(46,822)			(46,822)
Profit.....				167,813			167,813
Purchase of treasury stock.....					(19)		(19)
Net changes of items other than shareholder's equity.....						9,142	9,142
<b>Balance at March 31, 2019</b> .....	<b>\$211,854</b>	<b>\$187,228</b>	<b>\$52,962</b>	<b>\$1,072,657</b>	<b>\$(19,571)</b>	<b>\$232,367</b>	<b>\$1,737,497</b>

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

## 2. Summary of significant accounting policies

### (a) Foreign currency transactions

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

### (b) Investments in securities

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

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

### (d) Depreciation and amortization

Property and equipment (excluding lease assets):

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

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

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

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

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

Intangible assets (excluding lease assets):

Intangible assets are carried at cost.

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

Lease assets:

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

Long-term prepaid expenses

The straight-line method is applied.

### (e) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost.

### (f) Accrued retirement benefits

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

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 is ¥321,654 million (\$2,898,043 thousand).

### (h) Income taxes

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

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

### (i) Hedge accounting

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

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

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

### (j) Appropriations of retained earnings

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

### (k) Accounting for net sales of estate business

Net sales of real estate business are posted on delivery basis. For large-scale contracts with deferred payment terms, however, the Company applies the deferred payment standard under which the amount of net sales deferred and the corresponding deferred cost of sales are posted at every contracted collection date.

### (l) Provision for warranties for completed construction

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

### (m) Allowance for doubtful accounts

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

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

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

### (o) Provision for bonuses

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

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

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

### (q) Provision for environmental measures

It is calculated based on a rational estimate and the Company recognized ¥246 million (\$2,217 thousand) subjected to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

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

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

## 3. Changes in presentation

Notes to non-consolidated statement of income

"Gain on investments in silent partnerships" which was included in "Other-net" under "Other income (expenses)" in the previous fiscal year, is separately listed from the fiscal year ended March 31, 2019, because of more quantitative materiality.

The non-consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation. As a result, ¥314 million presented in "Other-net" under "Other income (expenses)" in the non-consolidated statement of income of the previous fiscal year has been reclassified as ¥62 million of "Gain on investments in silent partnerships" and ¥252 million of "Other-net."

Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards have been applied from the beginning of the fiscal year ended March 31, 2019, whereby deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under long-term liabilities.

As a result, on the non-consolidated balance sheet for the prior fiscal year, ¥2,796 million previously presented as "Deferred tax assets" under "Current assets" is now included in ¥5,405 million of "Deferred tax liabilities" under "Long-term liabilities."

## 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 ¥110.99 = US\$1, which was the exchange rate prevailing as of March 31, 2019.

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
	2018	2019	2019
Costs on uncompleted construction contracts .....	¥2,026	¥ 6,209	\$ 55,946
Real estate for sale .....	5,722	4,742	42,722
Raw materials and supplies .....	423	212	1,914
Total .....	¥8,171	¥11,163	\$100,582

## 6. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Stocks of subsidiaries .....	¥3,175	¥4,226	\$38,078
Stocks of affiliates .....	144	121	1,090
Total .....	¥3,319	¥4,347	\$39,168

## 7. Income taxes

Composition of deferred tax assets and liabilities

### (a) Deferred tax assets and liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Accrued retirement obligations	¥ 4,070	¥ 3,758	\$ 33,858
Impairment loss of long-lived assets	2,511	2,478	22,329
Provision for allowance for loss on construction projects	206	307	2,763
Allowance for doubtful accounts	1,406	1,406	12,665
Provision for bonuses	955	1,095	9,865
Provision for warranties for completed construction	692	234	2,104
Valuation loss on investment securities	195	189	1,707
Loss on valuation of real estate	316	261	2,352
Other	2,105	2,071	18,667
Subtotal deferred tax assets	¥ 12,456	¥ 11,799	\$ 106,310
Valuation allowance	(5,441)	(5,295)	(47,711)
Gross deferred tax assets	¥ 7,015	¥ 6,504	\$ 58,599
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥(10,924)	¥(11,372)	\$(102,456)
Resignation payment trust	(57)	0	0
Reserve for reduction entry of replaced property	(487)	(485)	(4,370)
Others	(57)	(53)	(477)
Gross deferred tax liabilities	¥(11,525)	¥(11,910)	\$(107,303)
Net deferred tax assets (liabilities)	¥(4,510)	¥ (5,406)	\$ (48,704)

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

	2018	2019
Statutory tax rate	30.9%	30.6%
(Adjustment)		
Permanent non-deductible items	2.1%	1.6%
Permanent non-taxable items	(0.3)%	(0.8)%
Inhabitant taxes on per capita levy	0.6%	0.5%
Valuation allowance	(1.0)%	(0.5)%
Tax credit	(2.7)%	(1.4)%
Other	1.4%	0.1%
Effective tax rate	31.0%	30.1%

## 8. Notes to non-consolidated balance sheet

Collateral assets and secured liabilities

### (a) Pledged assets for construction contracts, loans on subsidiaries, affiliates and other obligations as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Pledged assets:			
Buildings	¥827	¥ —	\$ —
Structures	5	—	—
Land	95	—	—
Total	¥927	¥ —	\$ —
Secured liabilities:			
Other long-term liabilities	¥390	¥ —	\$ —
Total	¥390	¥ —	\$ —
Pledged assets for loans on subsidiaries and affiliates:			
Buildings	¥296	¥285	\$2,572
Land	37	37	331
Investment securities	179	91	818
Total	¥512	¥413	\$3,721
Pledged assets for housing latent defects:			
Marketable securities	¥ 6	¥128	\$1,158
Investment securities	127	—	—
Total	¥133	¥128	\$1,158

## (b) Contingent Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
	¥38	¥24	\$214

### (c) Matured notes are settled on the bank clearance date.

Since March 31, 2018 and March 31, 2019 were a holiday for financial institutions, the following matured notes due on that date are included in the non-consolidated balance sheet as of March 31, 2018 and March 31, 2019.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes-receivable	¥275	¥712	\$6,416

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Total amount of loan commitment	¥25,000	¥35,000	\$315,344
Loans outstanding	3,000	35,000	315,344

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥ 480	¥—	\$—
Structures	4	—	—
Land	1,288	—	—
Total	¥1,772	¥—	\$—

## 9. Notes to non-consolidated statement of income

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥13	¥—	\$—
Machinery	6	0	3
Others	1	—	—
Total	¥20	¥ 0	\$ 3

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥0	¥94	\$843
Machinery	0	0	0
Land	0	0	3
Total	¥0	¥94	\$846

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥4	¥26	\$232
Machinery	1	1	10
Fixtures	0	1	12
Other	1	3	28
Total	¥6	¥31	\$282

## 10. Details on securities

### (a) Stock

Investment Securities—Available-for-sale securities

Issuer	Number of shares	Millions of yen	Thousands of U.S. dollars
		Balance as of March 31, 2019 on balance sheets	Balance as of March 31, 2019 on balance sheets
SUMITOMO REALTY & DEVELOPMENT CO., LTD.	5,000,000	¥22,930	\$206,595
SHOCHIKU CO., LTD.	328,800	4,077	36,734
CENTRAL JAPAN RAILWAY COMPANY	137,500	3,535	31,851
MITSUI FUDOSAN CO., LTD.	1,098,354	3,056	27,536
TOKYO TATEMONO CO., LTD.	2,037,699	2,765	24,914
TEIKOKU SEN-I CO., LTD.	800,000	2,187	19,706
ASAHI KASEI CORPORATION	1,557,759	1,779	16,028
EAST JAPAN RAILWAY COMPANY	150,000	1,602	14,434
KEIKYU CORPORATION	342,169	1,593	14,351
HULIC CO., LTD.	1,405,500	1,526	13,752
KEIHAN ELECTRIC RAILWAY CO., LTD.	799,187	1,501	13,523
HANKYU HANSHIN HOLDINGS, INC.	334,994	1,390	12,526
MIZUHO FINANCIAL GROUP, INC.	7,055,481	1,209	10,889
TSURUYA DEPARTMENT STORE INC.	12,000	1,104	9,947
KOBE STEEL, LTD.	1,224,125	1,017	9,165
KYUSHU RAILWAY COMPANY	271,100	987	8,891
SAPPORO HOLDINGS LIMITED	373,774	903	8,140
KYUSHU FINANCIAL GROUP, INC.	1,983,999	893	8,044
FUKUYAMA TRANSPORTING CO., LTD.	200,000	852	7,676
SHIKOKU ELECTRIC POWER CO., INC	625,055	843	7,591
WEST JAPAN RAILWAY COMPANY	100,000	834	7,513
TOKYO ELECTRIC POWER COMPANY	1,159,375	812	7,312
KANSAI ELECTRIC POWER CO., INC.	467,107	762	6,868
JFE HOLDINGS, INC.	375,786	706	6,360
JAPAN NUCLEAR FUEL LIMITED	66,664	667	6,006
ELECTRIC POWER DEVELOPMENT CO., LTD.	236,000	636	5,733
KYUSHU ELECTRIC POWER COMPANY, INC.	437,788	572	5,155
FUJI KYUKO CO., LTD.	125,000	520	4,685
TAIHEIYO CEMENT CORPORATION	133,562	493	4,440
CHUBU ELECTRIC POWER COMPANY, INC.	243,154	420	3,787
DAIWA HOUSE INDUSTRY CO., LTD.	118,595	417	3,760
MITSUBOSHI BELTING LTD.	200,000	394	3,548
TOKYO MARINE HOLDINGS, INC.	69,000	370	3,333
KUBOTA CORPORATION	200,000	320	2,882
KANSAI INTERNATIONAL AIRPORT LAND COMPANY, LTD.	6,300	315	2,838
OKAMOTO INDUSTRIES, INC.	56,080	313	2,824
NANKAI ELECTRIC RAILWAY CO., LTD.	100,000	306	2,753
THE CHUGOKU ELECTRIC POWER COMPANY, INC.	217,898	301	2,711
METROPOLITAN INTERCITY RAILWAY COMPANY	6,000	300	2,703
AEON CO., LTD.	105,650	245	2,205
OTHER (112 ISSUES)	5,159,002	5,181	46,678
Total	35,320,457	¥70,633	\$636,387

### (b) Bonds

Securities—Held-to-maturity securities

Issuer	Millions of yen		Thousands of U.S. dollars	
	Total face value	Figure on balance sheet	Total face value	Figure on balance sheet
Government bond (2 issues)	¥130	\$1,171	¥128	\$1,158
Total	¥130	\$1,171	¥128	\$1,158

### (c) Other

Investment Securities—Available-for-sale securities

Type and issue	Number of investment units, etc.	Millions of yen	Thousands of U.S. dollars
		Figure on balance sheet	Figure on balance sheet
Investment in anonymous association (Toranomon Ichigo Godokaiha)	—	¥ 750	\$ 6,757
Mitsui Fudosan Private REIT Inc.	300	300	2,703
Investment in limited investment association (one issue)	3	268	2,413
Investment in anonymous association (one issue)	—	0	0
Total	303	¥1,318	\$11,873

## 11. Details of fixed assets

Type of assets	Millions of yen						
	Balance at April 1, 2018	Increase during the year	Decrease during the year	Balance at March 31, 2019	Accumulated depreciation or accumulated amortization at March 31, 2018	Depreciation for the year	Net balance at March 31, 2019
<b>Tangible assets</b>							
Buildings.....	¥ 50,475	¥ 4,488	¥ 436	¥ 54,527	¥26,316	¥1,351	¥ 28,211
Structures.....	2,744	211	17	2,938	1,759	66	1,179
Machinery and equipment.....	6,957	494	34	7,417	6,199	391	1,218
Vehicles.....	294	117	4	407	301	53	106
Tools, furniture, and supplies.....	1,592	135	74	1,653	1,410	96	243
Land.....	52,604	3,840	172	56,272	—	—	56,272
Lease assets.....	390	14	6	398	351	34	47
Construction in progress.....	13,699	14,040	3,317	24,422	—	—	24,422
<b>Total tangible assets.....</b>	<b>¥128,755</b>	<b>¥23,339</b>	<b>¥4,060</b>	<b>¥148,034</b>	<b>¥36,336</b>	<b>¥1,991</b>	<b>¥111,698</b>
<b>Intangible assets</b>							
Software.....	—	—	—	2,778	2,262	170	516
Others.....	—	—	—	459	272	1	187
<b>Total intangible assets.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,237</b>	<b>2,534</b>	<b>171</b>	<b>703</b>
Long-term prepaid expenses.....	23	17	9	31	14	5	17
Deferred assets.....	—	—	—	—	—	—	—
<b>Total deferred assets.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

Type of assets	Thousands of U.S. dollars						
	Balance at April 1, 2018	Increase during the year	Decrease during the year	Balance at March 31, 2019	Accumulated depreciation or accumulated amortization at March 31, 2018	Depreciation for the year	Net balance at March 31, 2019
<b>Tangible assets</b>							
Buildings.....	\$ 454,774	\$ 40,433	\$ 3,926	\$ 491,281	\$237,103	\$12,170	\$ 254,178
Structures.....	24,721	1,899	149	26,471	15,849	591	10,622
Machinery and equipment.....	62,683	4,453	313	66,823	55,849	3,519	10,974
Vehicles.....	2,650	1,053	36	3,667	2,716	482	951
Tools, furniture, and supplies.....	14,345	1,218	671	14,892	12,705	861	2,187
Land.....	473,952	34,602	1,558	506,996	—	—	506,996
Lease assets.....	3,511	128	49	3,590	3,157	311	433
Construction in progress.....	123,423	126,500	29,888	220,035	—	—	220,035
<b>Total tangible assets.....</b>	<b>\$1,160,059</b>	<b>\$210,286</b>	<b>\$36,590</b>	<b>\$1,333,755</b>	<b>\$327,379</b>	<b>\$17,934</b>	<b>\$1,006,376</b>
<b>Intangible assets</b>							
Software.....	—	—	—	25,029	20,380	1,534	4,649
Others.....	—	—	—	4,138	2,451	12	1,687
<b>Total intangible assets.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>29,167</b>	<b>22,831</b>	<b>1,546</b>	<b>6,336</b>
Long-term prepaid expenses.....	207	150	80	277	127	45	150
Deferred assets.....	—	—	—	—	—	—	—
<b>Total deferred assets.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

### (a) Major increase during the year

Type of asset	Location	Purpose	Millions of yen	Thousands of U.S. dollars
Buildings	Minato-ku, Tokyo	For rent	¥ 1,875	\$ 16,895
Land	Toyama-shi, Toyama	For rent	1,394	12,562
Land	Choufu-shi, Tokyo	For rent	1,179	10,624
Construction in progress	Minato-ku, Tokyo	For rent	11,595	104,468

(b) 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.

## 12. Details on provisions

	Millions of yen				
	Balance at April 1, 2018	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2019
Allowance for doubtful accounts.....	¥ 253	¥ 28	¥ 2	¥ 25	¥ 254
Provision for warranties for completed construction.....	2,261	629	1,973	154	763
Provision for bonus.....	3,122	3,578	3,122	—	3,578
Provision for loss on construction contracts.....	673	331	—	2	1,002
Provision for loss on real estate business and other.....	1	24	1	—	24
Provision for environmental measures.....	309	0	63	—	246

	Thousands of U.S. dollars				
	Balance at April 1, 2018	Increase during the year	Decrease during the year (used for purpose)	Decrease during the year (other)	Balance at March 31, 2019
Allowance for doubtful accounts.....	\$ 2,283	\$ 249	\$ 22	\$ 224	\$ 2,286
Provision for warranties for completed construction.....	20,372	5,666	17,777	1,386	6,875
Provision for bonus.....	28,130	32,239	28,130	—	32,239
Provision for loss on construction contracts.....	6,064	2,982	—	18	9,028
Provision for loss on real estate business and other.....	9	216	9	—	216
Provision for environmental measures.....	2,787	2	572	—	2,217

(a) "Decrease during the year (Other)" for allowance for doubtful accounts represents the reversal amount based on the actual ratio of bad debts in the past for general accounts receivables of 16 million yen and collect of loans receivable of 8 million yen.

(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 deposits

Cash and deposits	Millions of yen	Thousands of U.S. dollars
Cash.....	¥ 36	\$ 322
Deposits		
Current deposits.....	10,067	90,701
Saving deposits.....	14,292	128,771
Time deposits.....	229	2,059
<b>Total.....</b>	<b>¥24,624</b>	<b>\$221,853</b>

#### 2. Notes receivable

##### (a) Breakdown by payer

Payer	Millions of yen	Thousands of U.S. dollars
AEON MALL Co., Ltd.....	¥ 4,317	\$38,893
KATO WORKS CO., LTD.....	2,014	18,142
NIPRO CORPORATION.....	1,221	11,003
NIPPON KOSHUHA STEEL CO., LTD.....	338	3,046
TEIKOKU SEN-I CO., LTD.....	271	2,442
Others.....	1,840	16,582
<b>Total.....</b>	<b>¥10,001</b>	<b>\$90,108</b>

##### (b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2019, April.....	¥ 3,076	\$27,713
May.....	3,596	32,400
June.....	1,280	11,534
July.....	1,797	16,193
August.....	154	1,390
September.....	46	412
October and beyond.....	52	466
<b>Total.....</b>	<b>¥10,001</b>	<b>\$90,108</b>

The figure for April includes items unsettled as of March 30 (worth ¥712 million) as March 31, 2019 was a bank holiday.

The figure for May includes items unsettled as of April 30 (worth ¥592 million) as April 30, 2019 was a bank holiday.

The figure for July includes items unsettled as of June 31 (worth ¥22 million) as June 31, 2019 was a bank holiday.

The figure for September includes items unsettled as of August 31 (worth ¥12 million) as August 31, 2019 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.....	¥ 22,566	\$ 203,319
Sumitomo Realty & Development Co., Ltd.....	21,913	197,435
Central Nippon Expressway Company Limited.....	12,137	109,353
Urban Renaissance Agency.....	8,715	78,522
Aeon Mall Co., Ltd.....	6,678	60,166
Others.....	113,049	1,018,547
<b>Total.....</b>	<b>¥185,058</b>	<b>\$1,667,342</b>

## (b) Stagnation

	Millions of yen	Thousands of U.S. dollars
Posted in fiscal year 2019 .....	<b>¥181,823</b>	<b>\$1,638,195</b>
Posted in fiscal year 2018 or before .....	<b>3,235</b>	<b>29,147</b>
Total .....	<b>¥185,058</b>	<b>\$1,667,342</b>

## 4. Real estate for sale

Item	Millions of yen	Thousands of U.S. dollars
Land for sale .....	<b>¥1,345</b>	<b>\$12,117</b>
Building for sale .....	<b>48</b>	<b>432</b>
Total .....	<b>¥1,393</b>	<b>\$12,549</b>

Breakdown of land is as follows:

Region	Square meters	Millions of yen	Thousands of U.S. dollars
Tohoku region .....	38,690.34	<b>¥1,325</b>	<b>\$11,937</b>
Other region .....	1,394.00	<b>20</b>	<b>180</b>
Total .....	40,084.34	<b>¥1,345</b>	<b>\$12,117</b>

## 5. Cost on uncompleted construction contract

	Millions of yen			
	Balance at April 1, 2018	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2019
Work in progress .....	<b>¥2,026</b>	<b>¥292,069</b>	<b>¥287,886</b>	<b>¥6,209</b>

	Thousands of U.S. dollars			
	Balance at April 1, 2018	Cost for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2019
Work in progress .....	<b>\$18,252</b>	<b>\$2,631,499</b>	<b>\$2,593,805</b>	<b>\$55,946</b>

Breakdown of the balance at March 31, 2019 is as follows:

Item	Millions of yen	Thousands of U.S. dollars
Materials cost .....	<b>¥4,167</b>	<b>\$37,541</b>
Labor cost .....	<b>8</b>	<b>75</b>
Subcontracts cost .....	<b>1,414</b>	<b>12,743</b>
Other region .....	<b>620</b>	<b>5,587</b>
Total .....	<b>¥6,209</b>	<b>\$55,946</b>

## 6. Payment on estate trade

Item	Millions of yen	Thousands of U.S. dollars
Operation cost payment .....	<b>¥1,238</b>	<b>\$11,155</b>
Other part-time business disbursements .....	<b>1,430</b>	<b>12,882</b>
Others .....	<b>681</b>	<b>6,136</b>
Total .....	<b>¥3,349</b>	<b>\$30,173</b>

## 7. Raw materials & supplies

Item	Millions of yen	Thousands of U.S. dollars
Materials for sale .....	<b>¥132</b>	<b>\$1,188</b>
Raw materials & supplies .....	<b>58</b>	<b>518</b>
Others .....	<b>22</b>	<b>208</b>
Total .....	<b>¥212</b>	<b>\$1,914</b>

## 8. Advance paid

Item	Millions of yen	Thousands of U.S. dollars
JV, such as advances paid .....	<b>¥17,173</b>	<b>\$154,722</b>
Others .....	<b>378</b>	<b>3,412</b>
Total .....	<b>¥17,551</b>	<b>\$158,134</b>

## (Liabilities)

### 1. Notes payable

#### (a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
WAJIKI INDUSTRY CO., LTD. ....	<b>¥ 412</b>	<b>\$ 3,716</b>
JR Kyushu Trading Co., Ltd. ....	<b>264</b>	<b>2,380</b>
Makino Densetsu Co., Ltd. ....	<b>200</b>	<b>1,801</b>
Fuji Passc Co., Ltd. ....	<b>183</b>	<b>1,651</b>
Onizuka Electric Works Co., Ltd. ....	<b>181</b>	<b>1,634</b>
Others .....	<b>4,340</b>	<b>39,096</b>
Total .....	<b>¥5,580</b>	<b>\$50,278</b>

#### (b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2019, April .....	<b>¥1,229</b>	<b>\$11,071</b>
May .....	<b>1,376</b>	<b>12,395</b>
June .....	<b>1,306</b>	<b>11,769</b>
July .....	<b>1,669</b>	<b>15,043</b>
Total .....	<b>¥5,580</b>	<b>\$50,278</b>

## 2. Electronically recorded obligation

#### (a) Breakdown by recipient

Recipient	Millions of yen	Thousands of U.S. dollars
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION .....	<b>¥ 2,617</b>	<b>\$ 23,581</b>
Kinden Corporation .....	<b>1,865</b>	<b>16,807</b>
Itochu-Marubeni-Sumisho Techno Steel Inc. ....	<b>1,174</b>	<b>10,581</b>
Marubeni Construction Material Lease Co., Ltd. ....	<b>1,029</b>	<b>9,274</b>
S. C. CEMENT Co., Ltd. ....	<b>927</b>	<b>8,354</b>
Others .....	<b>33,990</b>	<b>306,233</b>
Total .....	<b>¥41,602</b>	<b>\$374,830</b>

#### (b) Breakdown by settlement month

Settlement month	Millions of yen	Thousands of U.S. dollars
2019, April .....	<b>¥11,281</b>	<b>\$101,639</b>
May .....	<b>10,622</b>	<b>95,706</b>
June .....	<b>8,386</b>	<b>75,558</b>
July .....	<b>11,313</b>	<b>101,927</b>
Total .....	<b>¥41,602</b>	<b>\$374,830</b>

## 3. Accounts payable for construction

Recipient	Millions of yen	Thousands of U.S. dollars
TOKYO SANGYO CO., LTD. ....	<b>¥ 2,824</b>	<b>\$ 25,441</b>
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION .....	<b>1,536</b>	<b>13,839</b>
Hibiya Engineering, Ltd. ....	<b>1,209</b>	<b>10,888</b>
HANWA Co., Ltd. ....	<b>1,200</b>	<b>10,812</b>
KINDEN CORPORATION .....	<b>1,123</b>	<b>10,119</b>
Others .....	<b>50,670</b>	<b>456,538</b>
Total .....	<b>¥58,562</b>	<b>\$527,637</b>

## 4. Short-term debt

Lender	Millions of yen	Thousands of U.S. dollars
Mizuho Bank, Ltd. ....	<b>¥28,000</b>	<b>\$252,275</b>
Sumitomo Mitsui Banking Corporation .....	<b>6,350</b>	<b>57,212</b>
Resona Bank, Ltd. ....	<b>5,858</b>	<b>52,780</b>
Mizuho Trust & Banking Co., Ltd. ....	<b>4,367</b>	<b>39,346</b>
Higo Bank, Ltd. ....	<b>3,370</b>	<b>30,363</b>
The Norinchukin Bank .....	<b>2,000</b>	<b>18,020</b>
The Hyaku Jushi Bank, Ltd. ....	<b>1,500</b>	<b>13,515</b>
The Chiba Bank, Ltd. ....	<b>1,394</b>	<b>12,560</b>
Others .....	<b>6,070</b>	<b>54,689</b>
Long-term debt due within one year .....	<b>¥ 100</b>	<b>\$ 901</b>
Total .....	<b>¥59,009</b>	<b>\$531,661</b>

The above borrowing amount includes part of the balance of syndicated loans from 11 financial institutions.

## 5. Advances received on uncompleted construction

Millions of yen			
Balance at April 1, 2018	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2019
<b>¥11,589</b>	<b>¥155,017</b>	<b>¥158,051</b>	<b>¥8,555</b>

Thousands of U.S. dollars			
Balance at April 1, 2018	Amount received for the year	Amount transferred to cost of completed construction contract	Balance at March 31, 2019
<b>\$104,418</b>	<b>\$1,396,674</b>	<b>\$1,424,013</b>	<b>\$77,079</b>

The difference of ¥178,802 million between total sales of ¥336,853 million on the non-consolidated statement of income and the amount transferred to net sales of ¥158,051 million indicated above is equal to the sum of accounts receivable from completed construction contracts of ¥179,061 million for fiscal 2019 and the decrease of ¥259 million as a result of making adjustment to the contract value of prior-period settled construction contracts.

## 6. Deposits received

Classification	Millions of yen	Thousands of U.S. dollars
JV deposits .....	<b>¥12,724</b>	<b>\$114,639</b>
Deposit consumption tax .....	<b>9,647</b>	<b>86,919</b>
Others .....	<b>730</b>	<b>6,573</b>
Total .....	<b>¥23,101</b>	<b>\$208,131</b>

## 7. Corporate bonds

Issued by	Millions of yen	Thousands of U.S. dollars
Corporation (6th unsecured straight bond) .....	<b>¥15,000</b>	<b>\$135,147</b>
Corporation (7th unsecured straight bond) .....	<b>10,000</b>	<b>90,098</b>
Total .....	<b>¥25,000</b>	<b>\$225,245</b>

More details mentioned at FINANCIAL SECTION, 1 CONSOLIDATED FINANCIAL STATEMENTS ⑦ CONSOLIDATED FINANCIAL SPECIFICATIONS, "CORPORATE BOND SPECIFICATION"

## 14. Cost of completed construction

### 1. Cost of completed construction

Item	2018		2019		Thousands of U.S. dollars
	Millions of yen	% to Total	Millions of yen	% to Total	
Raw materials .....	¥ 41,084	17.8%	<b>¥ 57,854</b>	<b>20.1%</b>	<b>\$ 521,257</b>
Labor .....	11,538	5.0%	<b>12,755</b>	<b>4.4%</b>	<b>114,919</b>
(of which, outsourced labor cost) ..	(11,538)	(5.0)%	<b>(12,755)</b>	<b>(4.4)%</b>	<b>(114,919)</b>
Outsourcing cost .....	141,244	61.2%	<b>174,971</b>	<b>60.8%</b>	<b>1,576,455</b>
Expenses .....	37,036	16.0%	<b>42,306</b>	<b>14.7%</b>	<b>381,174</b>
(of which personnel expenses) ..	(13,636)	(5.9)%	<b>(16,391)</b>	<b>(5.7)%</b>	<b>(147,682)</b>
Total .....	¥230,902	100.0%	<b>¥287,886</b>	<b>100.0%</b>	<b>\$2,593,805</b>

Cost is calculated under the job-order cost method.

### 2. Cost of sales on estate business and other

Item	2018		2019		Thousands of U.S. dollars
	Millions of yen	% to Total	Millions of yen	% to Total	
Land .....	¥ 211	3.8%	<b>¥1,301</b>	<b>19.3%</b>	<b>\$11,722</b>
Buildings .....	578	10.3%	<b>485</b>	<b>7.2%</b>	<b>4,367</b>
Expenses .....	3,179	56.7%	<b>3,328</b>	<b>49.3%</b>	<b>29,983</b>
Sub-total .....	3,968	70.8%	<b>5,114</b>	<b>75.8%</b>	<b>46,072</b>
Other .....	1,633	29.2%	<b>1,628</b>	<b>24.2%</b>	<b>14,674</b>
Total .....	¥5,601	100.0%	<b>¥6,742</b>	<b>100.0%</b>	<b>\$60,746</b>

Cost is calculated under the job-order cost method.

## Independent Auditor's Report

### 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, 2019, 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, 2019, 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 Note4.

Tokyo, Japan  
June 27, 2019

*Gyosei & Co.*

**GYOSEI & Co.**  
Certified Public Accountants

## Corporate Outline (As of June 30, 2019)

Registered Name	Nishimatsu Construction Co., Ltd.	Founded	1874
Head Office	10th Floor Toranomon Hills Mori Tower, 23-1, Toranomon 1-chome, Minato-ku, Tokyo, 105-6310 Japan	Established	September 20, 1937
Representative	Nobutoshi Takase, Representative Director and President	Paid-up Capital	¥23,513,643,819
		Number of Employees	2,606 (As of March 31, 2019)

## Regional Headquarters & Branch Offices (As of June 30, 2019)

<b>Domestic Offices</b> <b>North Japan Regional Headquarters</b> 8-33, Omachi 2-chome, Aoba-ku, Sendai, 980-0804 Japan Phone: 81-22-261-8161 <b>Sapporo Branch</b> 20, 2-chome, Kita 7-jo Nishi, Kita-ku, Sapporo, 060-8575 Japan Phone: 81-11-728-0211 <b>Kanto Civil Engineering Regional Headquarters</b> 1-18, Toranomon 1-chome, Minato-ku, Tokyo, 105-0001 Japan Phone: 81-3-3502-7558 <b>Hokuriku Branch</b> 16-8, Kamitokorokami 1-chome, Chuo-ku, Niigata, 950-0992 Japan Phone: 81-25-285-0661 <b>Kanto Architectural Regional Headquarters</b> 17-21, Shinbashi 6-chome, Minato-ku, Tokyo, 105-0004 Japan Phone: 81-3-3502-0287 <b>West Japan Regional Headquarters</b> 4-7, Tsurigane-cho 2-chome, Chuo-ku, Osaka, 540-8515 Japan Phone: 81-6-6942-1173 <b>Chubu Branch</b> 27-14, Izumi 2-chome, Higashi-ku, Nagoya, 461-8558 Japan Phone: 81-52-931-8471 <b>Chugoku Branch</b> 2-28, Kokutajimachi 2-chome, Naka-ku, Hiroshima, 730-8589 Japan Phone: 81-82-247-9281	<b>Shikoku Branch</b> 8-11, Ban-cho 3-chome, Takamatsu, 760-8503 Japan Phone: 81-87-831-1471 <b>Kyushu Regional Headquarters</b> 14-5, Yakuin 1-chome, Chuo-ku, Fukuoka, 810-0022 Japan Phone: 81-92-771-3120	<b>Vietnam Offices</b> <b>Hanoi Office</b> 24th Floor, Ngoc Khanh Plaza, 1 Pham Huy Thong Street, Ngoc Khanh Ward, Ba Dinh District, Hanoi, Vietnam Phone: 84-24-3772-3034 <b>Ho Chi Minh Office</b> 8 Floor, Thien Phuoc 2 Building, 110 CMT 8 Street, Ward 7, District 3, Ho Chi Minh City, Vietnam Phone: 84-28-6263-8380 <b>Yangon Office</b> No. 70, Yaw Min Gyi Condominium Rm. 408, Yaw Min Gyi Street, Dagon Township, Yangon, Myanmar Phone: 95-1-379-697 <b>Thai Nishimatsu Construction Co., Ltd.</b> Note: Location and other information is the same as the Bangkok Office of Nishimatsu Construction Co., Ltd. <b>Lao Nishimatsu Construction Co., Ltd.</b> 1st Floor Savan-SENO Special Economic Zone, Authority's Office, No. 9 Phetsalad Road, Nakea Village, Kaysone Phomvihanh District, Savannakhet Province, Lao PDR, P.O. Box 200 Phone: 856-41-219-044 <b>Nishimatsu Vietnam Co., Ltd.</b> Note: Location and other information is the same as the Hanoi and Ho Chi Minh offices of Nishimatsu Construction Co., Ltd.
<b>Overseas Offices</b> <b>Hong Kong Branch</b> Room 508, Star House, Salisbury Road, Kowloon, Hong Kong Phone: 852-2736-6461 <b>Bangkok Office</b> <b>Great Mekong Sub-region Office</b> 19th Floor, Sino-Thai Tower 32/48 Sukhumvit 21 (Soi Asoke), Klongtoey-Nua, Wattana, Bangkok 10110 Thailand Phone: 66-2258-9590 <b>Singapore Office</b> 70 Bendemeer Road #05-04 Luzerne, Singapore 339940 Phone: 65-6298-0566 <b>Malaysia Office</b> Unit 23.02 Menara Haw Par, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia Phone: 60-3-2070-9911		

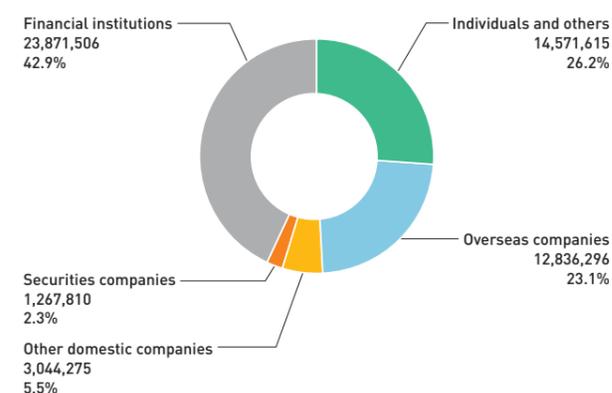
## Stock Status (As of March 31, 2019)

Total number of authorized shares: 160,000,000

Total number of issued shares: 55,951,502  
(including 888,562 shares of treasury stock)

Number of shareholders: 19,894

### Shareholder Distribution



### Major Shareholders

	Shares held (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan Ltd. (Trust account)	5,345	9.77
Japan Trustee Services Bank Ltd. (Trust account)	5,189	9.49
Japan Trustee Services Bank Ltd. (Trust account 4)	2,085	3.81
Japan Trustee Services Bank Ltd. (Trust account 9)	1,234	2.26
DFA INTL SMALL CAP VALUE PORTFOLIO	1,084	1.98
Japan Trustee Services Bank Ltd. (Trust account 5)	953	1.74
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	917	1.68
Meiji Yasuda Life Insurance Company	915	1.67
Trust & Custody Services Bank, Ltd. (Pension trust account)	864	1.58
STATE STREET BANK AND TRUST COMPANY 505103	863	1.58

Note: Our treasury stock of 888,562 shares is excluded from the above list.  
The shareholding ratio is calculated excluding treasury stock.



**Inquiries:**

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Certified as an  
Eco-First Company  
by the Minister of  
the Environment



Nishimatsu Construction  
supports COOL CHOICE