

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

**Annual Report 2006**

Year Ended March 31, 2006



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## PROFILE

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

With its headquarters in Tokyo, Nishimatsu has a network of 11 branches and 48 sales offices around Japan, as well as overseas offices in 13 countries. The Company is well-known for its expertise in planning, design and construction in a wide variety of fields such as marine and harbor projects, airport projects, dams, tunnels, railways, high-rise buildings and power plants.

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

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

## ON THE COVER

### Urban redevelopment project in front of Kita-Noda Station in Osaka (Area B, Type 1 project)

The basic concept behind this redevelopment project is to create an area comprising residences, commercial facilities, and cultural facilities, providing the essential foundation of a lively local community. Besides creating a pleasant living environment suitable to a city center, the project will also help reinvigorate communication among local residents through its concentration of shops, restaurants and so on, as well as its public cultural facilities such as libraries and concert halls. When completed, this will be a bustling center of urban living. (The project is scheduled to be completed in fiscal 2007.)



# FINANCIAL HIGHLIGHTS

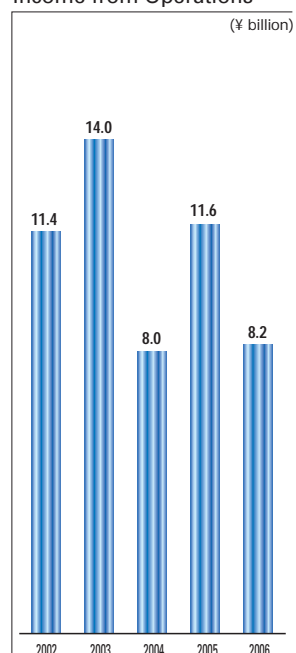
	Consolidated			Non-Consolidated		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006	2005	2006	2006
<b>For the year:</b>						
Orders received	¥ —	¥ —	\$ —	¥453,174	¥425,889	\$3,625,511
Net sales	449,927	449,061	3,822,771	444,056	446,047	3,797,118
Income before income taxes	8,284	10,836	92,241	7,373	9,636	82,028
Net income	3,098	4,184	35,621	2,603	3,521	29,977
<b>At year-end:</b>						
Total assets	¥719,797	¥724,745	\$6,169,614	¥703,430	¥709,393	\$6,038,931
Shareholders' equity	185,664	204,751	1,743,005	180,704	199,123	1,695,095
Common stock	23,514	23,514	200,167	23,514	23,514	200,167
<b>Per share of common stock:</b>						
(in yen and dollars)						
Net income	¥ 11.02	¥ 15.02	\$ 0.128	¥ 9.28	¥ 12.69	\$ 0.108
Cash dividends applicable to the year	9.00	9.00	0.077	9.00	9.00	0.077

Note 1: Figures in US\$ in this annual report are converted from yen at the rate of ¥117.47=US\$1.00, the rate prevailing on March 31, 2006, for the readers' convenience only.

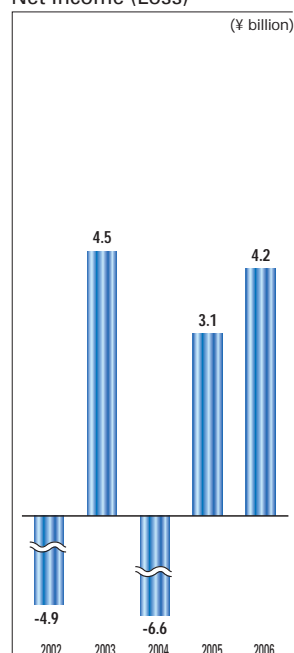
Note 2: Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year.

Consolidated

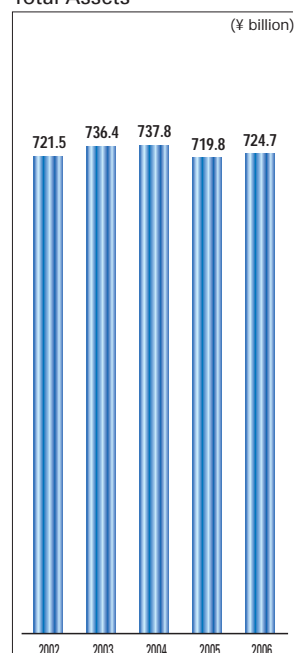
## Income from Operations



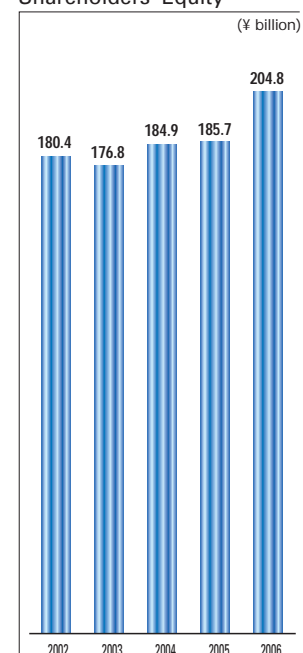
## Net Income (Loss)



## Total Assets



## Shareholders' Equity



## Business Results

During the period under review, progress in inventory adjustment and a pickup in exports and production underpinned the recovery trend in corporate earnings performances, and the economy remained firmly on a recovery track. Consumer spending showed a firm trend, also reflecting improvement in the employment and income environment.

In the construction industry, despite a continuing upward trend in private-sector investment, investment by the public sector failed to recover, and the business environment as a whole remained a challenging one. This period was also marked by a scandal within the industry involving one architect's falsification of earthquake-resistant structural data for condominiums and hotels, which not only caused a loss of trust among the general public, but has also created a serious social problem.

Under these conditions, all employees made utmost efforts to improve the Company's earnings performance.

Despite aggressive efforts to increase the balance of orders, on a value basis, orders received fell below the previous year's level.

Despite a strong performance in the real estate business, orders for domestic and overseas construction projects fell below previous-year levels, resulting in total orders received at ¥425.9 billion (US\$3,626 million), down 6.0% year on year.

In a breakdown by segment, construction orders decreased 8.9% to ¥402.7 billion (US\$3,428 million), which includes ¥36.0 billion (down 25.3% year on year) in overseas construction orders. Real estate orders totaled ¥23.2 billion (compared with ¥11.3 billion the previous year). Construction orders were divided into civil engineering orders, which decreased 21.2%, to ¥116.0 billion, and orders from the building sector, which declined 2.7% to ¥286.7 billion.

By client sector, orders from the public sector fell 23.1%, to ¥95.0 billion, and those from the private sector totaled approximately ¥307.7 billion, down 3.4%.



**Mikio Kunisawa**

*President and Representative Director*

Net sales increased by 0.4% to ¥446.0 billion (US\$3,797 million) on a non-consolidated basis, nearly on par with the previous year.

By segment, construction accounted for ¥422.8 billion, a year-on-year decrease of 2.3%, of which overseas construction sales came to approximately ¥66.0 billion, up 8.9%. Revenues from real estate operations totaled ¥23.2 billion (this is exactly the same figure as for orders). Civil engineering work accounted for ¥164.2 billion, a decrease of 3.3%, and building construction accounted for ¥258.6 billion, down 1.6%.

By client, the public sector accounted for ¥161.6 billion, up 9.5%, and the private sector for ¥261.2 billion, an 8.4% decrease.

As a result, the balance of orders carried forward amounted to about ¥678.2 billion, a 3.5% decrease.

Turning to earnings, gross profit on sales totaled ¥27.8 billion, down 16.4%, income from operations dropped 33.7% to ¥6.8 billion, and net income totaled ¥3.5 billion, up 35.3%.

On a consolidated basis, sales declined 0.2% to ¥449.1 billion, and net income totaled ¥4.2 billion, up 35.1%. The Company declared a total annual dividend of ¥9 (US\$0.077) per share.

## Outlook

Although the Japanese economy is expected to continue showing steady growth, as indicated by a solid corporate earnings performance and the upward trend in consumer spending, crude oil remained at a high level, and there is an increasing possibility of an interest rate rise in the wake of the Bank of Japan's discontinuation of its quantitative easing policy. These developments have not only put pressure on corporate earnings, but also made the future outlook less clear and prompted concerns about the possibility of an economic deceleration.

In the construction industry, amid expectations that strong corporate earnings performances will fuel the growing trend in capital investment, the overall declining trend in public sector construction investment is set to remain on a downward trend. Meanwhile, price competition is becoming increasingly severe, as competition within the industry continues to intensify.

Under these conditions, the Company remains committed to fulfilling its responsibilities as a member of society. With the aim of accelerating our response to changes in a challenging operating environment and further strengthening corporate governance, we have introduced an executive officer system. We will concentrate on maintaining present levels of orders and sales and increasing profit margins in the construction business.

We will further strengthen and develop our business in the fields of ongoing urban redevelopment, PFIs (Private Finance Initiatives), technology proposals and renovation work. Additionally, we will reinforce our technology proposal capabilities for the new bidding system under which technological capabilities are taken into greater consideration, further bolster our information-gathering capacity, and expand our activities into areas peripheral to construction, such as environment-related businesses, and health and welfare-related businesses. This will enable us to strengthen our marketing activities, consolidate orders and develop our range of business by

aggressively cultivating first-rate new corporate customers in these sectors.

In addition, we are working to raise our technological level in project implementation operations, establish a more precise cost estimation system, and increase our competitiveness. To these ends, we will further reduce costs through measures such as the rationalization of project implementation (reviewing costs, on-site support frameworks, technological development and IT promotion), appropriate deployment of personnel, and reducing fixed costs by streamlining management through measures such as networked administration.

We will revise our system for managing overseas projects, to take precautions against all types of risk in the order-taking and implementation stages with the aim of achieving a steady improvement in our earnings performance.

Regarding our business tie-up with Toda Corporation, we have been steadily producing solid results in the area of research and development, and we plan to widen the scope of our alliance. We aim to improve the efficiency of our technological development and management processes, through continuing shared use of facilities and equipment and the pooling of the two companies' expertise in project implementation. We are also planning to increase the number of employees taking part in the mutual dispatch program.

We have long given high management priority to environmental issues. Through our Comprehensive Environment Committee, we will address such issues even more actively and use our product quality management and environmental systems to operate in a way that emphasizes product quality and preservation of the environment. We will also work to introduce environmental accounting and develop our environmental preservation business.



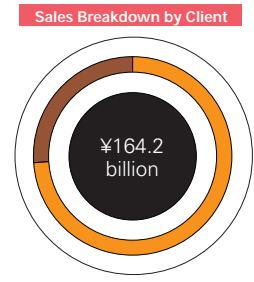
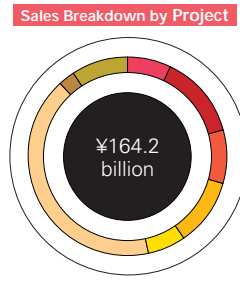
Mikio Kunisawa  
President and Representative Director

# REVIEW OF OPERATIONS

## CIVIL ENGINEERING

Revenue from civil engineering operations for the year came to ¥164.2 billion (US\$1,397.8 million), a drop of 3.3% from the previous year. And the harsh business climate is expected to continue.

We will utilize our full PFI know-how accumulated over many years, regardless of whether inside or outside the country, and promise thorough ongoing support to PFI enterprises from the initial examination stage to the final stage.



Sales Breakdown by Project	
Dams & Hydroelectric Facilities	7.1%
Railways	13.6%
Water & Sewage Works	8.7%
Site Formation	11.0%
Harbors, Wharfs & Airports	6.2%
Road Construction	41.5%
Cable Tunnels	2.7%
Others	9.2%
Sales Breakdown by Client	
Public Sector	73.9%
Private Sector	26.1%



Seto-Akazu Interchange Construction, Tokai Ring Road



Ishii Concrete Gravity Dam

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

	Name of Project	¥ million
1	Moriyoshiyama Concrete Gravity Dam Construction	5,867
2	Civil Work for Sakai LNG Center	5,079
3	Fujikawa East Tunnel (Phase 3) Construction, 2nd Tomei Expressway	4,107
4	Hida Tunnel (Phase 3) Construction, Tokai-Hokuriku Expressway	3,658
5	No.3 Construction Section for Fukudai Tunnel, Fukuoka Outer Loop Road	3,018



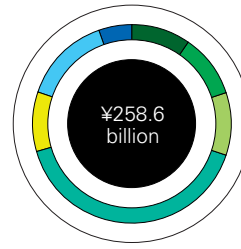
Masudagawa Concrete Gravity Dam

# BUILDINGS

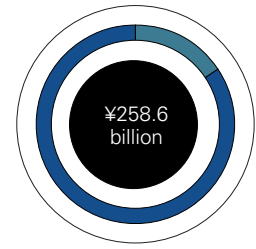
Revenue from building construction for the year came to ¥258.6 billion (US\$2,201.4 million), a drop of 1.6% from the previous year. Continued fierce price competition is anticipated in view of the growing trend in capital investment.

Having already gained an impressive track record all over the country, we will utilize our abundant know-how, good financial management, and high technical expertise to tackle redevelopment projects positively. We are taking on large-scale redevelopment projects, and intend to continue contributing toward this construction sector that the whole country has waited for.

Sales Breakdown by Project



Sales Breakdown by Client



Sales Breakdown by Project

Office & Government Buildings	9.6%
Shopping Centers	10.3%
Factories & Power Stations	10.2%
Residential Buildings	40.4%
Educational, Research & Cultural Facilities	9.7%
Hospital & Welfare Facilities	14.4%
Others	5.4%

Sales Breakdown by Client

Public Sector	15.6%
Private Sector	84.4%



Laurel Coat Shin-senri Higashimachi Akashyanooka Residential Building



No.1 Area Redevelopment Plan in front of Mita Station Commercial Building



Honda Development Wako Office Building

## Top 5 Domestic Building Projects (Completed)

	Name of Project	¥ million
1	River Garden Fukushima Residential Building Construction	6,800
2	Lions Plaza Tama Center Building Complex Construction	4,601
3	Laurel Coat Shin-senri Higashimachi Akashyanooka Residential Building Construction	3,976
4	No.1 Area Redevelopment Plan in front of Mita Station Commercial Building Construction	3,934
5	Environmentology Research Center Facilities Redevelopment	3,886

# OVERSEAS ACTIVITIES

## Hong Kong

In fiscal year 2005, Nishimatsu continued to bid successfully, and was awarded two new contracts by the Hong Kong Housing Authority for the construction of three public housing blocks with a total of 2,634 apartment units, a market complex and other ancillary buildings. For civil works, our previous success in the East Rail Extension project has built up confidence in Kowloon-Canton Railway Corporation, resulting in the further award of a new contract for the fast-track construction of a covered public transport interchange at Tsim Sha Tsui East.

For ongoing projects, we have completed the construction of Shatin Area 4C & 38A Phase 1 & 2, comprising four public housing blocks and a modern commercial center. Also, we have completed a multi-purpose recreational complex for the Architectural Services Department, the success of which has resulted in our promotion to confirmed-C status of the Building Works Category of the Environment Transport and Works Bureau, which enables us to undertake building contracts of any number or size for the Hong Kong Government. This sets a solid foundation for Nishimatsu to participate in future tenders for major design & build projects, which is the area of our strength and is currently the popular mode of procurement for complex and technically challenging major projects in Hong Kong.

We continue to maintain our excellence in quality, safety and environmental performance, with industry recognition by the receipt of a number of awards,

including the Considerate Contractors Site Awards for the third consecutive year, the Green Contractor Award, the Quality Public Housing Award and the Construction Industry Safety Award. As part of our process for continuous improvement, we have pioneered a new Crisis Management System which is now implemented in current housing projects.

In Taiwan, we have successfully completed all TBM tunnel works for Red Line Contract CR2 of the Kaohsiung Metropolitan Mass Rapid Transit System, while the tunnel work for Tsengwen Reservoir Transbasin project is still in progress.

## Thailand

Thai Nishimatsu construction (TNC) commenced the 2005–2006 period with confidence, a full order book, a heavy work load and the prospect of many new projects. However, the situation at year-end is somewhat different from our expectations, particularly for Nishimatsu's Bangkok Office, and Nishimatsu now faces a challenge to maintain the business levels of previous years.

The primary factor affecting business confidence is the continuing general political instability in Thailand, including an inconclusive general election and the resulting postponement of government decisions regarding infrastructure and development projects. In light of this uncertain situation, the forecast indicator for economic



Shatin Area 4C&38A Residential Building, Hong Kong



Marubeni-Itochu Steel Guangzhou Factory, China



Airside Road Tunnel of Landside Road System, Second Bangkok International Airport, Thailand



growth in Thailand has been revised downward. A further effect has been a downturn in business confidence within the private sector, reducing planned investments in the industrial and real estate sectors.

Notwithstanding this situation, Thai Nishimatsu has maintained steady growth. Several major new projects have been acquired, including Bridgestone Tire Manufacturing (Thailand) Phase 3 (\$23.8 million) and Honda Automobile (Thailand) EGAS Factory Extension (\$2.6 million), while other projects have been successfully completed, most notably the Kao Factory Project (\$8.6 million), the Honda Automobile (Thailand) PO Factory, and the Extension of Power Train Factory (\$13.3 million).

For the Nishimatsu Construction Co., Ltd. Bangkok Office (NCC), the business outlook has been further complicated by the decision of the Thai Government to procure major infrastructure developments by the process of forming Mega Projects, combining all the infrastructure schemes within each sector such as Transport, Communications, Water Resources and so on, and seeking all-encompassing proposals from the market. In response to the magnitude of these Mega Projects, which include financing requirements, Nishimatsu is participating in the formation of several large consortiums and contracting groups to be able to address the complexity inherent in the Mega Project approach. Consequently, the anticipated tender call for the mass transit extensions and new rail networks within Bangkok has been further postponed. In the face of an ever-worsening traffic problem in Bangkok, it is hoped that a resolution of the political impasse will

see the speedy commencement of the mass transit projects.

Official contract commencement for the Nam Theun 2 Hydropower Project in Laos was finally achieved in May 2005, and, as a result of a concerted expansion of the resources commitment by Nishimatsu and its joint venture partner, significant works progress has been made during the past year, overcoming the slow start to the project and the unusually severe rainy season in 2005. This has set the basis for completion of the project on schedule in 2008. The two Nishimatsu contracts on the New Bangkok Airport (Airside Road Tunnel and Duct Bank Network) were completed within the revised schedule, with the overall airport opening set for September 2006. Two other projects in progress, the Industrial Ring Road (IRR) Cable Stayed Bridges and Approaches across the Chao Phraya River and the BMA Flood Protection Tunnel will be completed this coming year.

Despite the difficult outlook, the management and staff of TNC and NCC continue to strive to improve and develop the management systems necessary to meet the oncoming challenge.



Jalan Rumbia Condominium, Singapore



National Library, Singapore



The Kaohsiung Metropolitan Mass Rapid Transit System, Red and Orange Lines, CR2 Construction Section, Taiwan

## Singapore

The New National Library, which was completed in March 2005, was officially opened by the President of the Republic of Singapore in November 2005. To date, the project has won two awards from the Building and Construction Authority (BCA). For the BCA Green Mark 2005, the project received the platinum award, the highest honor. The institutional category of the BCA Best Buildable Design 2006 certificate of merit was the other award.

Work at the condominium project at Paya Lebar Crescent (developer: Fraser Centrepoint Properties Pte. Ltd.), comprising 125 apartment units, is progressing as scheduled with completion targeted in 2007.

“The Imperial” project at Jalan Rumbia (developer: CapitaLand Residential Limited) is in the final stages of completion and is scheduled to be completed in 2006. Handover of the individual units to the respective apartment owners is expected to commence in the second quarter of 2006.

The redesign work at C823 of the MRT Circle Line 2 has been completed, and work at the site restarted in February 2006 with a ceremony conducted jointly with the developer and the Land Transport Authority (LTA).

A breaking ceremony was held at C828 (renamed by LTA; previously known as C824) in November 2005 to mark the commencement of the realignment work on the tunnels and station.

Both C823 and C828 are scheduled to be completed in the last quarter of 2009. Most of our resources

are now channeled to these two projects to ensure that they proceed in a safe manner, and to achieve a timely completion.

## Other Countries

Nishimatsu was also active elsewhere in the world. In Palau, we received an order for the Project for Improvement of Interislands Access Road.

Among completed projects in Angola was the project for improvement of Josina Machel Hospital, and completed projects in Vietnam were Phase II of the Project for the Improvement of Rural Living Conditions in the Nam Dan District of Nghe An Province.

Nishimatsu is transforming itself into an even more efficient and competitive organization that can secure sustained growth over the long term, making full use of its many years' experience and fully leveraging its capabilities in technical-based marketing, project control, and rigorous low-cost operations. At the same time, management is carefully evaluating the Company's range of operations with a view to divesting unprofitable business and focusing on areas of core competence. Management of Nishimatsu is taking a fresh look at the Company's overall activities, and is determined not to be restricted by narrow and outmoded concepts as it presses on with innovative marketing initiatives with the goal of improving business performance.



Josina Machel Hospital, Angola



Improvement of Interisland Access Road, Palau

## Environment and Safety Division

In relation to our environmental preservation activities, too, we must ensure that information is shared across the whole Company without regard for ranks or job titles. We are now working to establish a rigorously organized system for our branches and staff working at construction sites, and also to ensure swift disclosure of essential corporate information to all our stakeholders.

Japan's legal regulations regarding the disposal and processing of waste are being constantly revised, and restrictions on business operations that generate waste substances are becoming tighter all the time. At Nishimatsu, we put top priority on compliance with the law, and are devoting considerable time and thought to ensuring that our waste disposal methods are fully compliant. As part of this effort, to prepare for the possibility that one of the companies we subcontract with to dispose of our industrial waste may break the law, we operate risk management based on industrial waste management systems, utilizing our in-house computer network. We are promoting the so-called "3 Rs" concept, i.e. "reduce" (the volume of waste), "reuse" (waste material wherever possible), and "recycle" (used products or equipment as far as is feasible). Our ultimate goal is to reduce our emissions of industrial waste to zero, and we are aggressively investigating and promoting applications

for industrial byproducts of the construction business, as well as "green" procurement.

In addition to the foregoing, we are also actively involved in a wide variety of environmental protection-related businesses, including soil purification, removal of pollutants from gases to be released into the atmosphere, and the design and installation of environmentally-friendly facilities, including the greening of rooftops. Over the broad range of these activities, we have already achieved a fair degree of success.

Nishimatsu Construction's corporate goal is to offer services that are better, more reasonably priced, and more quickly completed than those of our competitors. In addition, we hope from here on to make a valuable contribution to the creation of the infrastructure needed to support the society of the future. By strictly observing legal compliance and working to bring a recycling-based society into existence, we will fulfill our corporate social responsibilities.



# RESEARCH AND DEVELOPMENT

At Nishimatsu Construction, we are undertaking development of technologies to raise the quality and efficiency of the construction process, as well as various environment-related technologies. We are also putting top priority on the development of renovation technologies for the refurbishment of social infrastructure. To respond to diverse needs, we are actively undertaking joint research with other technical laboratories, including the research institutions of universities, and also companies in both our and other industries, as well as public institutions and research laboratories.

## Process for dismantling an incinerator chimney

Our engineering method for dismantling incinerator chimneys features the use of a compact “elevator-style” crane and scaffolding (a general-purpose item). The actual dismantling process is conducted using a pneumatic breaker which hangs down from the bottom of the crane, rendering unnecessary the use of conventional large-scale mobile cranes. Our method can be utilized at defunct incinerator sites where the construction of new homes obstructs access for conventional cranes, and also enables large reductions in equipment costs.

Under this method, the work site for demolition operations is sealed, in that sheets and panels are placed

on the outside of the scaffolding in an easy and effective manner. This process offers an extremely reliable means for preventing the scattering of dust and debris. In addition, as this process renders unnecessary the setting up of special equipment for the actual dismantling of the chimney, it affords higher levels of safety, especially in demolition of old and fragile chimneys. We have already successfully completed demolition of two chimneys using this process, and have several more chimney-dismantling projects in the planning stages. We expect to expand the scope of application for this engineering procedure in the future.



Existing condition



Erection of scaffolding for dismantling



Self Jack-up & down tower crane

# FINANCIAL SECTION 2006

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Figures in US\$ in this annual report are converted from yen at the rate of ¥117.47=US\$1.00, the rate prevailing on March 31, 2006, for the readers' convenience only.

# CONSOLIDATED BALANCE SHEETS

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits .....	¥107,601	¥ 87,766	\$ 747,133
Notes and accounts receivable, trade:			
Notes .....	15,724	10,146	86,370
Accounts .....	95,878	101,327	862,579
Allowance for doubtful accounts .....	(1,778)	(4,413)	(37,563)
Inventories .....	258,069	253,434	2,157,433
Deferred income taxes .....	6,492	17,185	146,290
Other current assets .....	37,001	50,001	425,648
Total current assets .....	518,987	515,446	4,387,890
<b>Investments and other assets:</b>			
Investment securities .....	67,358	100,888	858,842
Investments in subsidiaries and affiliates .....	790	789	6,719
Long-term deferred income taxes .....	25	9	74
Others .....	56,976	41,399	352,420
Allowance for doubtful accounts .....	(5,862)	(7,277)	(61,950)
Total investments and other assets .....	119,287	135,808	1,156,105
<b>Property and equipment:</b>			
Land .....	42,878	40,570	345,367
Buildings .....	67,303	61,861	526,609
Machinery and equipment .....	14,405	13,414	114,191
Accumulated depreciation .....	(43,063)	(42,354)	(360,548)
Total property and equipment .....	81,523	73,491	625,619
Total Assets .....	¥719,797	¥724,745	\$6,169,614

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
<b>Liabilities, Minority Interests and Shareholders' Equity</b>			
<b>Current liabilities:</b>			
Short-term loans from banks .....	¥ 25,743	¥ 26,968	\$ 229,572
Current portion of long-term debt .....	38,820	3,785	32,221
Notes and accounts payable, trade:			
Notes .....	28,473	28,114	239,329
Accounts .....	102,345	115,413	982,486
Advances received on uncompleted contracts .....	168,894	158,252	1,347,170
Accrued expenses .....	4,446	26,894	228,946
Accrued income taxes .....	5,412	12,941	110,163
Employees' saving deposits .....	10,411	9,861	83,944
Other current liabilities .....	39,928	34,136	290,593
Total current liabilities .....	424,472	416,364	3,544,424
<b>Long-term liabilities:</b>			
Long-term debt .....	79,065	71,610	609,602
Accrued retirement benefits .....	13,282	72	616
Long-term deferred income taxes .....	9,929	24,991	212,744
Other long-term liabilities .....	7,379	6,951	59,168
Total long-term liabilities .....	109,655	103,624	882,130
Total liabilities .....	534,127	519,988	4,426,554
<b>Minority interests</b> .....			
	6	6	55
<b>Shareholders' equity:</b>			
Common stock:			
Authorized – 400,000,000 shares			
Issued and outstanding –			
277,957,513 shares (March 31, 2005) .....	23,514	—	—
277,957,513 shares (March 31, 2006) .....	—	23,514	200,167
Capital surplus .....	20,780	20,780	176,900
Retained earnings .....	118,852	120,499	1,025,785
Unrealized gain on marketable and investment securities held for sale .....	22,645	40,113	341,476
Total .....	185,791	204,906	1,744,328
Treasury stock, at cost .....	(127)	(155)	(1,323)
Total shareholders' equity .....	185,664	204,751	1,743,005
Total Liabilities, Minority Interests and Shareholders' Equity .....	¥719,797	¥724,745	\$6,169,614

# CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2005 and 2006

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
<b>Net sales:</b>			
Contracts completed .....	¥432,749	¥421,051	\$3,584,328
Sales of real estate .....	17,178	28,010	238,443
	449,927	449,061	3,822,771
<b>Cost of sales:</b>			
Cost of construction .....	401,487	399,652	3,402,166
Cost of real estate .....	14,319	20,694	176,160
	415,806	420,346	3,578,326
Gross profit .....	34,121	28,715	244,445
<b>Selling, general and administrative expenses</b> .....	22,554	20,512	174,611
Income from operations .....	11,567	8,203	69,834
<b>Other income (expenses):</b>			
Interest and dividend income .....	2,033	1,649	14,034
Interest expenses .....	(1,180)	(1,077)	(9,168)
Profit on sales of investment securities .....	4,270	158	1,346
Profit on sales of properties .....	805	23,893	203,399
Bad debts loss .....	(2,825)	—	—
Provision for allowance for loss on construction projects .....	(2,318)	(23,507)	(200,113)
Provision for allowance for doubtful accounts .....	(1,377)	(4,818)	(41,019)
Other – net .....	(2,691)	6,335	53,928
	(3,283)	2,633	22,407
<b>Income before income taxes and minority interests</b> .....	8,284	10,836	92,241
<b>Income taxes:</b>			
Current .....	4,563	13,688	116,526
Deferred .....	622	(7,037)	(59,910)
Income before minority interests .....	3,099	4,185	35,626
<b>Minority interests</b> .....	1	1	5
<b>Net income</b> .....	¥ 3,098	¥ 4,184	\$ 35,621
	Yen		U.S. dollars
<b>Per share of common stock:</b>			
Net income .....	¥11.02	¥15.02	\$0.128
Cash dividends applicable to the year .....	9.00	9.00	0.077
<b>Per share of common stock assuming full dilution:</b>			
Net income .....	9.58	12.11	0.103



# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2005 and 2006

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests .....	¥ 8,284	¥ 10,836	\$ 92,241
Adjustment for:			
Depreciation and amortization .....	2,691	2,344	19,958
Profit on sales of properties .....	(805)	(23,604)	(200,936)
Interest and dividend income .....	(1,148)	(1,171)	(9,969)
Interest expenses .....	1,180	1,077	9,168
Decrease (increase) in notes and accounts receivable .....	(13,587)	128	1,097
Increase in inventory .....	30,330	2,875	24,474
Increase (decrease) in notes and accounts payable .....	(921)	12,709	108,190
Decrease in advance received on uncompleted contracts .....	(39,009)	(10,642)	(90,597)
Bonus for directors .....	(11)	(39)	(329)
Others .....	(6,071)	11,986	102,034
Sub-total .....	(19,067)	6,499	55,331
Interest and dividend received .....	1,194	1,174	9,997
Interest paid .....	(1,182)	(1,142)	(9,723)
Income taxes paid .....	(3,472)	(6,262)	(53,312)
Net cash provided by (used in) operating activities .....	(22,527)	269	2,293
<b>Cash flows from investing activities:</b>			
Payment for purchases of marketable and investment securities .....	(863)	(6,841)	(58,240)
Proceeds from sales of marketable and investment securities .....	5,976	277	2,355
Acquisition of property and equipment .....	(919)	(2,113)	(17,988)
Proceeds from sales of property and equipment .....	96	30,859	262,696
Disbursements for loans .....	(5,979)	(10,359)	(88,181)
Proceeds from collection of loans .....	2,428	3,548	30,206
Others .....	17,517	13,499	114,919
Net cash provided by investing activities .....	18,256	28,870	245,767
<b>Cash flows from financing activities:</b>			
Net increase in short-term loans .....	714	1,225	10,429
Borrowing of long-term debt .....	580	6,330	53,886
Repayment of long-term debt .....	(2,180)	(8,820)	(75,083)
Redemption of corporate bonds .....	—	(10,000)	(85,128)
Redemption of convertible bonds .....	—	(30,000)	(255,384)
Repayment of other interest-bearing debt .....	—	(5,000)	(42,564)
Proceeds from issuance of bonds .....	24,929	—	—
Cash dividends paid .....	(2,499)	(2,498)	(21,269)
Others .....	(480)	(579)	(4,928)
Net cash provided by (used in) financing activities .....	21,064	(49,342)	(420,041)
Effect of exchange rate changes on cash and cash equivalents .....	(115)	368	3,125
Increase (decrease) of cash and cash equivalents .....	16,678	(19,835)	(168,856)
Cash and cash equivalents at beginning of year .....	90,923	107,601	915,989
Cash and cash equivalents at end of year .....	¥107,601	¥ 87,766	\$747,133

## NON-CONSOLIDATED FIVE-YEAR SUMMARY

	Millions of yen				
	2002	2003	2004	2005	2006
Orders received .....	¥505,382	¥439,233	¥392,041	¥453,174	¥425,889
Orders received from overseas* .....	75,986	66,376	63,942	48,137	35,958
Percentage of orders received from overseas* .....	15.0%	15.1%	16.3%	10.6%	8.4%
Net sales .....	513,528	503,065	441,636	444,056	446,047
Cost of sales .....	474,446	463,407	409,771	410,765	418,213
Selling, general and administrative expenses .....	28,438	26,760	25,014	23,020	21,022
Income (loss) before income taxes .....	(6,062)	10,267	(5,590)	7,373	9,636
Net income (loss).....	(5,004)	4,229	(6,594)	2,603	3,521
Percentage of net income (loss) against net sales .....	(1.0%)	0.8%	(1.5%)	0.6%	0.8%
Total assets .....	707,056	721,051	720,724	703,430	709,393
Shareholders' equity .....	176,260	172,384	180,427	180,704	199,123
Percentage of shareholders' equity against total assets .....	24.9%	23.9%	25.0%	25.7%	28.1%
Common stock .....	23,514	23,514	23,514	23,514	23,514
Per share of common stock (in yen):					
Net income (loss)** .....	¥(18.01)	¥15.13	¥(23.75)	¥9.28	¥12.69
Cash dividends applicable to the year .....	9.00	9.00	9.00	9.00	9.00
Shareholders' equity .....	634	620	650	651	717
Number of shareholders .....	29,040	27,161	26,072	23,537	21,400
Number of employees .....	4,633	4,453	4,113	4,002	3,853

## Notes:

\* Includes real estate and other orders.

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

## NON-CONSOLIDATED BALANCE SHEETS

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits .....	¥107,348	¥ 87,497	\$ 744,847
Notes and accounts receivable, trade:			
Notes .....	15,693	10,114	86,100
Accounts .....	95,831	101,575	864,688
Allowance for doubtful accounts .....	(1,796)	(4,425)	(37,671)
Inventories .....	253,432	249,668	2,125,373
Short-term loans to subsidiaries and affiliates .....	2,980	2,967	25,260
Deferred income taxes .....	5,735	16,209	137,982
Other current assets .....	34,587	47,313	402,773
Total current assets .....	513,810	510,918	4,349,352
<b>Investments and other assets:</b>			
Investment securities .....	67,288	100,790	858,004
Investments in subsidiaries and affiliates .....	1,165	1,164	9,912
Other .....	57,793	42,469	361,530
Allowance for doubtful accounts .....	(5,863)	(7,277)	(61,950)
Total investments and other assets .....	120,383	137,146	1,167,496
<b>Property and equipment:</b>			
Land .....	35,155	32,979	280,740
Buildings .....	57,052	51,364	437,254
Machinery and equipment .....	14,301	13,310	113,307
Accumulated depreciation .....	(37,271)	(36,324)	(309,218)
Total property and equipment .....	69,237	61,329	522,083
Total Assets .....	¥703,430	¥709,393	\$6,038,931

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities:</b>			
Short-term loans from banks .....	¥ 24,243	¥ 23,868	\$ 203,182
Current portion of long-term debt .....	33,130	2,200	18,728
Notes and accounts payable, trade:			
Notes .....	28,472	28,114	239,329
Accounts .....	101,114	114,276	972,814
Advances received on uncompleted contracts .....	168,811	158,217	1,346,872
Accrued expenses .....	4,425	26,878	228,808
Accrued income taxes .....	5,230	12,390	105,473
Employees' saving deposits .....	10,363	9,827	83,659
Other current liabilities .....	39,615	33,755	287,343
Total current liabilities .....	415,403	409,525	3,486,208
<b>Long-term liabilities:</b>			
Long-term debt .....	77,580	69,410	590,874
Accrued retirement benefits .....	13,209	—	—
Long-term deferred income taxes .....	10,385	25,439	216,558
Other long-term liabilities .....	6,149	5,896	50,196
Total long-term liabilities .....	107,323	100,745	857,628
Total liabilities .....	522,726	510,270	4,343,836
<b>Shareholders' equity:</b>			
Common stock:			
Authorized — 400,000,000 shares			
Issued and outstanding —			
277,957,513 shares (March 31, 2005) .....	23,514	—	—
277,957,513 shares (March 31, 2006) .....	—	23,514	200,167
Capital surplus .....	20,780	20,780	176,900
Legal reserve .....	5,878	5,878	50,041
Retained earnings .....	108,035	109,031	928,164
Unrealized gain on marketable and investment securities held for sale .....	22,624	40,075	341,146
Total.....	180,831	199,278	1,696,418
Treasury stock, at cost .....	(127)	(155)	(1,323)
Total shareholders' equity .....	180,704	199,123	1,695,095
Total Liabilities and Shareholders' Equity .....	¥703,430	¥709,393	\$6,038,931

## NON-CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2005 and 2006

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
<b>Net sales:</b>			
Contracts completed .....	¥432,760	¥422,836	\$3,599,522
Sales of real estate .....	11,296	23,211	197,596
	444,056	446,047	3,797,118
<b>Cost of sales:</b>			
Cost of construction .....	401,498	401,391	3,416,971
Cost of real estate .....	9,267	16,822	143,206
	410,765	418,213	3,560,177
Gross profit .....	33,291	27,834	236,941
<b>Selling, general and administrative expenses</b> .....	23,020	21,022	178,955
Income from operations .....	10,271	6,812	57,986
<b>Other income (expenses):</b>			
Interest and dividend income .....	2,110	1,727	14,705
Interest expenses .....	(1,079)	(992)	(8,449)
Profit on sales of investment securities .....	4,270	158	1,346
Profit on sales of properties .....	11	23,638	201,228
Bad debts loss .....	(2,825)	—	—
Provision for allowance for loss on construction projects .....	(2,318)	(23,507)	(200,113)
Provision for allowance for doubtful accounts .....	(1,367)	(4,818)	(41,019)
Other – net .....	(1,700)	6,618	56,344
	(2,898)	2,824	24,042
<b>Income before income taxes</b> .....	7,373	9,636	82,028
<b>Income taxes:</b>			
Current .....	4,164	12,947	110,211
Deferred .....	606	(6,832)	(58,160)
	4,770	6,115	52,051
<b>Net income</b> .....	¥ 2,603	¥ 3,521	\$ 29,977
	Yen		U.S. dollars
<b>Per share of common stock:</b>			
Net income .....	¥9.28	¥12.69	\$0.108
Cash dividends applicable to the year .....	9.00	9.00	0.077
<b>Per share of common stock assuming full dilution:</b>			
Net income .....	8.09	10.22	0.087

## NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended March 31, 2005 and 2006

	Number of shares of common stock (in thousands)	Millions of yen			
		Common stock	Capital surplus	Legal reserve	Retained earnings
<b>Balance at March 31, 2004</b> .....	277,958	¥23,514	¥20,780	¥5,878	¥107,930
Net income for the year .....	—	—	—	—	2,603
Cash dividends .....	—	—	—	—	(2,498)
Bonuses to directors .....	—	—	—	—	—
<b>Balance at March 31, 2005</b> .....	277,958	¥23,514	¥20,780	¥5,878	¥108,035
Net income for the year .....	—	—	—	—	3,521
Cash dividends .....	—	—	—	—	(2,498)
Bonuses to directors .....	—	—	—	—	(27)
<b>Balance at March 31, 2006</b> .....	277,958	¥23,514	¥20,780	¥5,878	¥109,031

	Thousands of U.S. dollars			
	Common stock	Capital surplus	Legal reserve	Retained earnings
<b>Balance at March 31, 2005</b> .....	\$200,167	\$176,900	\$50,041	\$919,682
Net income for the year .....	—	—	—	29,977
Cash dividends .....	—	—	—	(21,265)
Bonuses to directors .....	—	—	—	(230)
<b>Balance at March 31, 2006</b> .....	\$200,167	\$176,900	\$50,041	\$928,164

# CORPORATE DIRECTORY

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## BRANCH OFFICES

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## OVERSEAS OFFICE

### — Hong Kong —

#### Hong Kong Office

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

#### GNJV/KCRC 300 & 302 Office

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#### Fan Ling Machine & Mechanical Centre

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#### Hong Kong Island Project Office

P.O. Box 98612, Tsim Sha Tsui Post Office  
Phone: 852-2569-2311 Fax: 852-2569-6640

#### Housing Authority Aldrich Bay Project Office

P.O.Box 98612, Tsim Sha Tsui Post Office,  
Phone: 852-2513-0600 Fax: 852-2513-0976

#### Housing Authority Tin Shui Wai Project Office

P.O.Box 98612, Tsim Sha Tsui Post Office,  
Phone: 852-2617-7131 Fax: 852-2617-7093

#### Housing Authority Shek Lei Project Office

P.O. Box 98612, Tsim Sha Tsui Post Office  
Phone: 852-2410-0501 Fax: 852-2410-1604

### — The People's Republic of China —

#### Nishimatsu (Guangzhou) Construction Co., Ltd.

Room 1205, East Tower Yangcheng International Commercial Centre, No. 122 Tiyu Dong Road, Guangzhou, Postcode: 510620  
Phone: 86-20-3873-2812 Fax: 86-20-3873-2682

#### Suzhou Project Office

No. 611, Xingang Mansion  
88 Jinshan Road, New District  
Suzhou, P.R. China 215011  
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### — Thailand —

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Klongtoey-nua, Wattana, Bangkok 10110  
Phone: 662-258-9590-7 Fax: 662-258-9599  
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nccinnet@thainishimatsu.co.th

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

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Phone: 662-258-9590-7 Fax: 662-258-9599  
E-mail: tncinnet@loxinfo.co.th  
tncinnet@thainishimatsu.co.th

#### BLCP Power Limited

#### 2x700 MW Coal Power Project

Map Ta Phut Industrial Estate  
Rayong  
Phone: 66-38-684-904-6 Fax: 66-38-684-363

#### BMA Flood Protection Tunnel Project, Water Drainage Tunnel from Klong San Saeb and Klong Ladprao to Chao Phraya River

c/o BMA Pumping Station (Phrakanong)  
Sukhumvit Soi 48/1, Bangkok  
Phone: 662-332-5981-5 Fax: 662-332-5981-5 Ext.114

#### Bridgestone Tire Manufacturing (Thailand) Co., Ltd.

BTMT Phase 3 Project  
Amata Nakorn Industrial Estate, Chonburi  
700/622 Moo 4 Tambol Bankao, Amphur Panthong, Chonburi 20160  
Phone: 66-38-452-574-6 Fax: 66-38-452-573

#### Honda Automobile (Thailand) Co., Ltd. APM Project

Reman Factory Renovation  
EGAS Extension 2 Project  
Engine Examination Building  
Rojana Industrial Park, Ayutthaya  
49 Moo 9, Tambol Thanu, Amphur Uthai, Ayutthaya 13210  
Phone: 66-35-226-689, 66-35-330-758  
Fax: 66-35-226-694

#### Fuji Xerox Eco-Manufacturing Co., Ltd. FXEM Extension Factory No. 2

Chonburi Industrial Estate (Bo-Win)  
41/1 Moo 8, T. Bo-Win, A. Sriracha, Chonburi 20230  
Phone: 66-38-345-620 Fax: 66-38-345-620

#### Mitsui Hygiene Materials (Thailand) Co., Ltd. Mitsui Hygiene Materials Project Office

Land Plot I-21, Eastern Seaboard Industrial Estate  
Rayong  
Phone: 66-38-656-380 Fax: 66-38-656-381

#### OSG Manufacturing (Thailand) Co., Ltd. OSG New Factory

Wellgrow Industrial Estate, Chachoengsao  
46/45 Moo 9, Teparak Road Bangpla,  
Amphur Bangplee, Samutprakarn 10540  
Phone: 661-860-4406 Fax: 669-896-7008

#### Rangsit Machine & Material Center

Tambol Baan Klang  
Amphur Muang, Pathumthani  
Phone: 662-581-6783 Fax: 662-598-0115

#### SKJ Metal Industries Co., Ltd. Renovate Fence, RC Ramp, Re-Painting & Car Parking

Bangpoo Industrial Estate  
621 Moo 4 Soi 8, Sukhumvit Road, Tambol Preaksa  
Amphur Muang Samutprakarn 10280  
Phone: 661-984-2852 Fax: 661-753-8798

#### Thai Honda Manufacturing Co., Ltd. Conveyor House From New Painting To LP1

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### — Singapore —

#### Singapore Office

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#### LTA Circle Line Stage 1 C828 Project Office

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Phone: 65-6333-0812 Fax: 65-6333-0815

#### LTA Circle Line Stage 2 C823 Project Office

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Fax: 632-892-6638

#### Kamanava Project Office

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### — The United Kingdom —

#### London Office

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### — Malaysia —

#### Malaysia Office

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#### Ho Chi Minh Office

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#### HCMC Water Environment Improvement Project Package-E Project Office

c/o N.E.S. JOINT VENTURE  
3F, Unit 1&2, Broadway Office Park, 100 Nguyen Luong Bang, District 7, Ho Chi Minh City, Vietnam  
Phone: 84-8-413-5092-4 Fax: 84-8-413-5095

#### HCMC Water Environment Improvement Project Package-C Project Office

c/o N. E. S. JOINT VENTURE  
101, Trang Hung Dao, District 1, Ho Chi Minh City, Vietnam  
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### — Ireland —

#### Dublin Port Tunnel Project Office

Collins Avenue, Whitehall, Dublin 9, Ireland  
Phone: 353-1-806-5000 Fax: 353-1-806-5037

### — Taiwan —

#### Kaohsiung MRT Project Office

CR2 Project Office, No. 1 Jung-An Road, Chianjien Chiu, Kaohsiung 806, Taiwan, R.O.C.  
Phone: 886-7-7932950 Fax: 886-7-7932952

### — Palau —

#### Palau Project Office

2nd Floor, PDC Building, Madalalai, Koror, Republic of Palau, 96940 P.O. Box 6037  
Phone: 680-488-4413 Fax: 680-488-4714

#### Palau Airport Project Office

Temporary Terminal Building, Palau International Airport, Ngerusar, Airai, Republic of Palau, 96940 P.O.Box 6037  
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### — Laos PDR —

#### Laos Project Office

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E-mail: masatoshi\_ichi@nishimatsu.co.jp

# INVESTOR INFORMATION

## Board of Directors and Statutory Auditors

<i>President and Representative Director</i>	Mikio Kunisawa
<i>Director and Board Advisor</i>	Yoshiharu Kanayama
<i>Representative Directors</i>	Tadashi Ishibashi Keiji Fujimaki Kunihiko Yoshikawa
<i>Directors</i>	Tsutomu Touda Naonobu Inoue Tadashi Takeya
<i>Statutory Auditors</i>	Masato Tsuji Akihiro Kawabata Ko Suzuki Toru Hashimoto

## Executive officers

<i>President and Chief Executive Officer</i>	Mikio Kunisawa	<i>Executive Officers</i>	Yasuyuki Numajiri Toshiyuki Fujii Toshioki Takeda Takashi Suzuki Toshio Furuya Akira Maeda Shuichi Abe Koji Yamamoto Harusada Kondo Eiji Hirata Toshio Abe Uichi Mizuguchi Shuzo Kato Tadashi Sasaki
<i>Executive Vice Presidents</i>	Tadashi Ishibashi Shigeomi Kato Keiji Fujimaki Kunihiko Yoshikawa		
<i>Senior Managing Officers</i>	Tsutomu Touda Naonobu Inoue Atsushi Oikawa Seishi Sato Naoki Aihara Yoshinobu Saito		
<i>Managing Officers</i>	Koichiro Katsuragi Nobuyoshi Sakino Masatsune Katsuki Yutaka Nakamura Hidenori Tsuji Minoru Hirano Ryuya Ariyoshi Hiroyuki Matsuda Shigeki Nagaoka Tadashi Takeya		

(As of June 29, 2006)

## Established

September 1937

## Authorized Number of Shares

400,000,000 shares

## Issued and Outstanding Number of Shares

277,957,513 shares

## Paid-in Capital

¥23,513 million

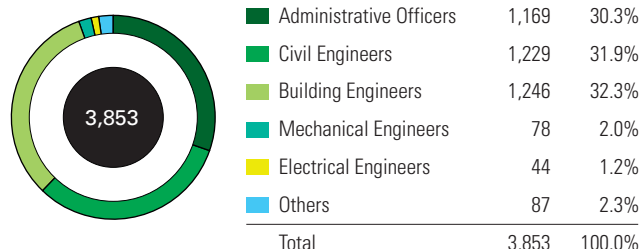
## Number of Shareholders

21,400

## Major Shareholders

	Thousands of Shares	Percentage of Total Shares
The Master Trust Bank of Japan, Ltd. (trust account).....	26,056	9.37%
Japan Trustee Services Bank, Ltd. (trust account).....	23,129	8.32%
Japan Trustee Services Bank, Ltd. (trust account No. 4).....	13,519	4.86%
National Mutual Insurance Federation of Agricultural Cooperatives .....	8,262	2.97%
The Chase Manhattan Bank N.A. London .....	5,905	2.12%
State Street Bank & Trust Company.....	5,483	1.97%
Mizuho Corporate Bank, Ltd. ....	5,400	1.94%
Meiji Yasuda Life Insurance Company .....	5,063	1.82%
Mizuho Trust and Banking Co., Ltd. ....	5,050	1.82%
Morgan Stanley & Company Inc. ....	4,332	1.56%

## Employees



## Stock Listing

Tokyo Stock Exchange (First Section) (August 1963)

## Independent Certified Accountants

M. Serizawa & Co.

## Administrator of shareholders' register

Mizuho Trust & Banking Co., Ltd.

## Other Publications in English

Nishimatsu Corporate Guide  
Major Projects

(As of March 31, 2006)





**Nishimatsu Construction Co., Ltd.**

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