

# Progress against Medium-Term Management Plan 2023

for 1st Quarter of Fiscal Year Ending March 31, 2022

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August 6, 2021

For the period under review, sales fell and income rose year on year. In the construction business, orders received rose 97.1% year on year, after the receipt of a renovation project in domestic civil engineering and a logistical facility project in domestic building. Net sales were as planned through the smooth progress of projects carried over both in domestic civil engineering and in domestic building. Gross profit surged year on year, after profitability improved chiefly after design changes in large projects in domestic civil engineering and in domestic building.

Although orders received were brisk for the period under review, the circumstances surrounding them remain adverse both in Japan and overseas. For the short term, it is urgent that we revise regional strategies. For the medium and long terms, it will be essential to shift from simply undertaking commissioned projects to the provision of high value-added goods and services. To provide new value like this, We have laid out the Medium-Term Management Plan 2023 to push ahead with the organic linking of businesses. During the period under review, we reviewed the internal linking systems and process flows in urban redevelopment projects, land readjustment projects and similar projects. We believe that we have made our first step towards changing the awareness and behaviors of our order-winning departments. With a view towards the establishment of organization and personnel that are organically linked to create new value, we will work harder on the personnel strategy. We will effectively leverage personnel data and develop a personnel vision.

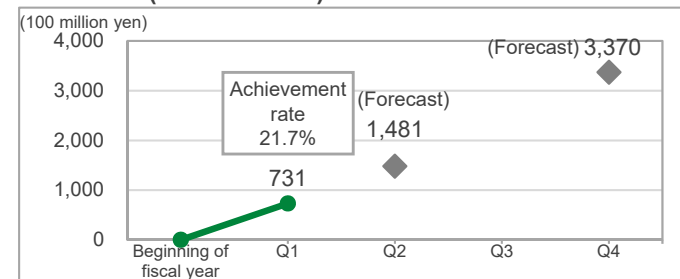
**Nobutoshi Takase, Representative Director and President**

**Consolidated Results**

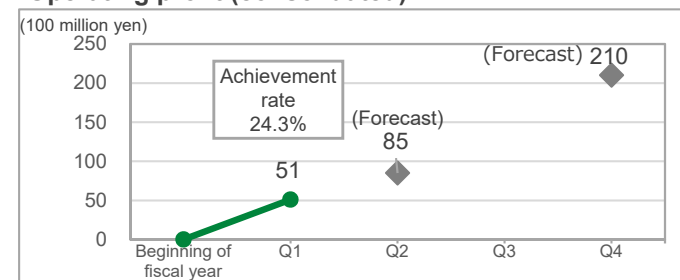
(Presented in 100 million yen)

Indicator	FY2020		FY2021			
	Q1	Full Year	Q1			Full Year
			Amount	Change	% Change (percentage points)	Forecast
Construction orders received	252	3,134	497	245	97.1%	3,615
Net sales	762	3,362	731	▲30	▲4.0%	3,370
Gross profit (gross profit margin)	70 (9.3%)	397 (11.8%)	96 (13.2%)	26	36.9% (3.9 pp)	416 (12.3%)
Operating profit (operating profit margin)	27 (3.6%)	209 (6.2%)	51 (7.0%)	24	88.7% (3.4 pp)	210 (6.2%)
Ordinary profit (ordinary profit margin)	30 (4.1%)	215 (6.4%)	55 (7.6%)	24	80.4% (3.5 pp)	212 (6.3%)
Profit attributable to owners of parent (ratio of profit attributable to owners of parent to net sales)	16 (2.2%)	171 (5.1%)	38 (5.3%)	22	132.6% (3.1 pp)	143 (4.2%)

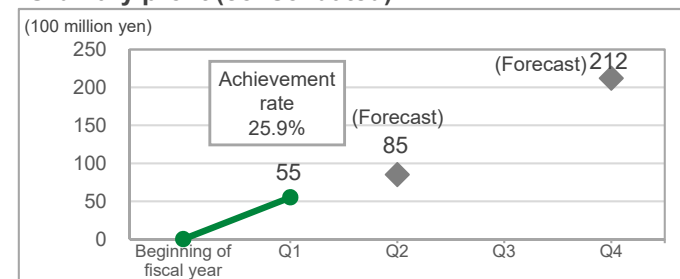
**Net sales (consolidated)**



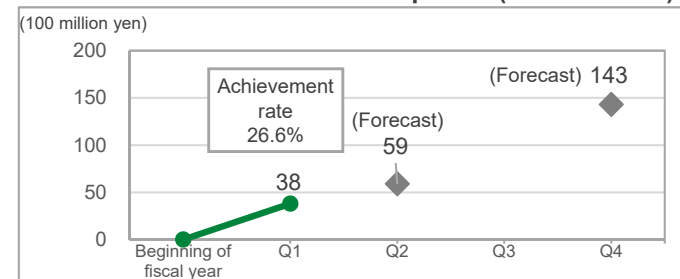
**Operating profit (consolidated)**



**Ordinary profit (consolidated)**



**Profit attributable to owners of parent (consolidated)**



# Results by segment (non-consolidated)

(Presented in 100 million yen)

Segment		Indicator	FY2020 Q1	FY2021 Q1	Change	% Change (percentage points)	Descriptions		
Construction Business	Civil engineering	Japan	Orders received	117	173	55	47.4%	<ul style="list-style-type: none"> <li>• Three renovation projects received from NEXCO companies in a strategic field</li> <li>• Sales from projects carried over as planned due to smooth work progress</li> <li>• Gross profit up year on year with design changes in large projects and other factors</li> <li>• Excavation of a large diameter shield tunnel resumed in July</li> <li>• Two land readjustment projects underway (in Sendai, Miyagi and in Tokai, Aichi)</li> </ul>	
			Net sales	255	244	▲10	▲4.0%		
			Gross profit (gross profit margin)	25 (10.0%)	43 (17.8%)	18	70.8% (7.8 pp)		
		Overseas	Orders received	2	▲0	▲3	▲113.2%		
			Net sales	11	31	19	167.4%		• Net sales and gross profit from projects carried over as planned
			Gross profit (gross profit margin)	0 (3.0%)	0 (2.8%)	0	153.5% (▲0.2 pp)		
	Building	Japan	Orders received	135	300	165	122.2%	<ul style="list-style-type: none"> <li>• Brisk orders received from logistics facilities in a strategic field</li> <li>• Sales from projects carried over as planned due to smooth work progress</li> <li>• Gross profit up year on year after design changes in large projects and other factors</li> <li>• Three urban redevelopment projects underway (in Nakano, Tokyo, in Sakata, Yamagata and in Takamatsu, Kagawa)</li> </ul>	
			Net sales	430	394	▲36	▲8.4%		
			Gross profit (gross profit margin)	30 (7.1%)	36 (9.2%)	5	18.5% (2.1 pp)		
		Overseas	Orders received	▲0	▲0	0	*		
			Net sales	4	9	4	116.8%		• Net sales and gross profit from projects carried over as planned
			Gross profit (gross profit margin)	0 (1.5%)	0 (2.4%)	0	24.7% (0.9 pp)		
Urban Development and Real Estate Business and Other Business	Net sales	28	40	12	42.2%	Urban Development and Real Estate Business <ul style="list-style-type: none"> <li>• In the sales business, net sales and gross profit rose year on year.</li> <li>• In the leasing business, net sales and gross profit were nearly the same as in the same period of the previous year.</li> </ul> Environment and Energy Business <ul style="list-style-type: none"> <li>• One contract received for installation of solar panels on a roof in the power purchase agreement (PPA) business</li> </ul>			
	Gross profit (gross profit margin)	11 (39.5%)	14 (35.9%)	3	29.4% (▲3.6 pp)				

Segment		Priority measures in Medium-Term Management Plan 2023 ● Strategic domain ■ Investments and measures to achieve growth	Actions
Construction Business	Civil engineering	<ul style="list-style-type: none"> <li>● Large-scale projects with high difficulty levels, centering on tunneling</li> <li>■ Develop labor-saving and automation technologies for tunneling projects</li> <li>● Field of renovation (of bridges and tunnels)</li> <li>■ Alliances and technology development in the field of renovation</li> </ul>	<ul style="list-style-type: none"> <li>■ Robotic measurement near the tunnel face in tunneling introduced Tunnel RemOS-Meas. developed</li> <li>■ Began collaboration with a bridge company for the replacement of road slab in expressways</li> <li>■ Contract received for the development of technologies for recycling tunnel lining on the Hokuriku Expressway and a demonstration trial has started</li> </ul>
	Building	<ul style="list-style-type: none"> <li>● Logistics facilities (ambient temperature warehouses and seismically isolated warehouses)</li> <li>■ Application of Building Information Modeling (BIM) to front-loading and standardization of structural members</li> <li>■ Establishment of environmental design technologies</li> </ul>	<ul style="list-style-type: none"> <li>■ Standardization of structural members for logistics facilities commenced</li> <li>■ An effort in progress to develop a system for front-loading based on design and build integrated BIM</li> <li>■ Preparations underway for a demonstration trial facility at the Aikawa Technical Research Institute with a view toward the establishment of a Net-Zero Energy Building (ZEB) technology</li> </ul>
Urban Development and Real Estate Business and Other Business	Urban Development and Real Estate	<ul style="list-style-type: none"> <li>● Asset strategies focused on growth fields</li> <li>■ Evolution into a "Cyclic Reinvestment Model"</li> <li>● Urban redevelopment projects and land readjustment projects</li> </ul>	<ul style="list-style-type: none"> <li>● Acquired data centers and other key assets</li> <li>■ Preparations commenced for the launch of an asset management company by the end of the fiscal year</li> </ul>
	Environment and Energy	<ul style="list-style-type: none"> <li>● Decarbonization</li> <li>● Smart city and community development</li> </ul>	<ul style="list-style-type: none"> <li>■ Studying the commercialization of renewable energy operations, such as photovoltaic power generation from panels installed on roofs, biomass power generation, biogas power generation and small-scale hydroelectric power generation</li> </ul>

## ESG Initiatives

### Environment

- Nishimatsu Construction is now part of the Japan Climate Leaders' Partnership (JCLP), which aims to aid the realization of a sustainable carbon-free society.
- Support expressed for a suggestion from the Task Force on Climate-Related Financial Disclosures (TCFD).

### Social

- Human Resources Strategy Development Office aided the development of an organization and personnel that create new value.

### Governance

- Performance-linked stock compensation program introduced
- Outside directors increased
- Establishment of the investment committee to enhance screening and monitoring operations.