

# Progress against Medium-Term Management Plan 2023

for 2<sup>nd</sup> Quarter of Fiscal Year Ending March 31, 2022

November 5, 2021

The forecasts included in this material are based on information available on the day that this material is published. Actual results may differ from forecasts due to a range of factors.

For the period under review, income rose year on year. The rise in income was driven by early decisions on design changes in domestic civil engineering. Projects carried over in domestic building made steady progress.

For sustainable business growth, we see our global challenges as **climate change, the achievement of the SDGs and digitalization**, the last of which has accelerated amid COVID-19. In Japan, we consider that **building national resilience** remains a priority to prepare for natural disasters.

At COP26, specific measures to further reduce greenhouse gas emissions are being discussed. Decarbonization is an urgent priority in the construction industry. To achieve **ZERO30\***, we are **entering the environment and energy business in earnest, facilitating organic links within the company and cooperating with partners in different industries**. For environmental technology, Zero Energy Building (ZEB) demonstration facilities will open at the Aikawa Technical Research Institute (Kanagawa) in April 2022. Meanwhile, we are accelerating a shift to renewable energy power in business activities nationwide.

In an age of drastic change, we will enhance technology with an enterprising spirit and provide buildings and services that exceed the expectations of customers and society.

\* ZERO30: A pledge in our Eco First Mission. We pledge to achieve net zero CO<sub>2</sub> emissions in our business activities in FY2030.

変化に挑む

Nobutoshi Takase,

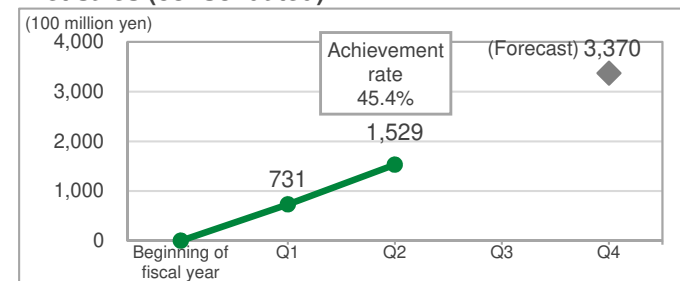
Representative Director and President

Consolidated Results

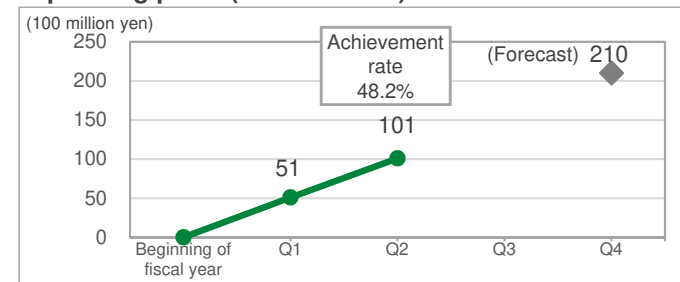
(Presented in 100 million yen)

| Indicator  | FY2020         |                | FY2021         |        |                                 |                |
|--|----------------|----------------|----------------|--------|---------------------------------|----------------|
|  | Q2             | Full Year      | Q2             |        |                                 | Full Year      |
|  |                |                | Amount         | Change | % Change<br>(percentage points) | Forecast       |
| Construction orders received   | 556            | 3,134          | 888            | 331    | 59.5%                           | 3,615          |
| Net sales  | 1,617          | 3,362          | 1,529          | ▲87    | ▲5.4%                           | 3,370          |
| Gross profit<br>(gross profit margin)  | 166<br>(10.3%) | 397<br>(11.8%) | 195<br>(12.8%) | 29     | 17.4%<br>(2.5pt)                | 416<br>(12.3%) |
| Operating profit<br>(operating profit margin)  | 76<br>(4.8%)   | 209<br>(6.2%)  | 101<br>(6.6%)  | 24     | 31.8%<br>(1.8pt)                | 210<br>(6.2%)  |
| Ordinary profit<br>(ordinary profit margin)  | 79<br>(4.9%)   | 215<br>(6.4%)  | 105<br>(6.9%)  | 25     | 32.6%<br>(2.0pt)                | 212<br>(6.3%)  |
| Profit attributable to owners of parent<br>(ratio of profit attributable to owners of parent to net sales) | 50<br>(3.1%)   | 171<br>(5.1%)  | 73<br>(4.8%)   | 23     | 47.5%<br>(1.7pt)                | 143<br>(4.2%)  |

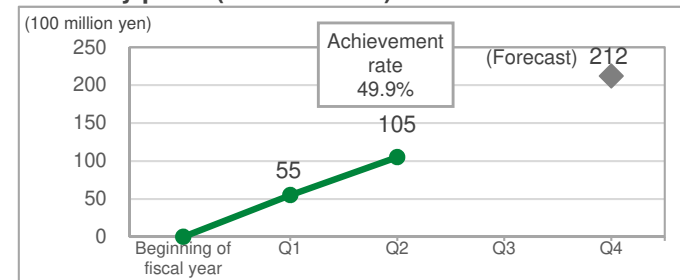
Net sales (consolidated)



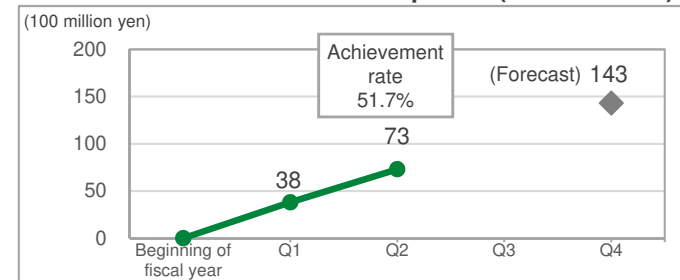
Operating profit (consolidated)



Ordinary profit (consolidated)



Profit attributable to owners of parent (consolidated)



## Results by segment (non-consolidated)

(Presented in 100 million yen)

| Segment   |                                       | Indicator     | FY2020 Q2                             | FY2021 Q2     | Change            | % Change<br>(percentage points)   | Descriptions     |   |
|---|---------------------------------------|---------------|---------------------------------------|---------------|-------------------|---|------------------|---|
| Construction Business   | Civil engineering                     | Japan         | Orders received                       | 260           | 289               | 29  | 11.2%            | <ul style="list-style-type: none"> <li>Two renovation projects received from NEXCO in a strategic field in addition to two received in the first quarter</li> <li>Sales as planned due to smooth work progress</li> <li>A high profit margin maintained due to design changes in large projects and other factors</li> <li>Two land readjustment projects underway (in Sendai, Miyagi and in Tokai, Aichi)</li> </ul> |
|   |                                       |               | Net sales                             | 546           | 504               | ▲42   | ▲7.7%            |   |
|   |                                       |               | Gross profit<br>(gross profit margin) | 61<br>(11.2%) | 86<br>(17.2%)     | 25  | 40.9%<br>(6.0pt) |   |
|   |                                       | Overseas      | Orders received                       | 3             | 1                 | ▲2  | ▲72.2%           |   |
|   |                                       |               | Net sales                             | 38            | 60                | 22  | 58.0%            |   |
|   |                                       |               | Gross profit<br>(gross profit margin) | 0<br>(2.1%)   | 1<br>(2.6%)       | 0   | 95.6%<br>(0.5pt) |   |
|   | Building                              | Japan         | Orders received                       | 291           | 551               | 260   | 89.2%            | <ul style="list-style-type: none"> <li>Orders up year on year with orders received for logistics facilities projects and others; the circumstances surrounding them remaining adverse</li> <li>Projects carried over with good progress; profit margins improving</li> <li>Three urban redevelopment projects underway (in Nakano, Tokyo, in Sakata, Yamagata and in Takamatsu, Kagawa)</li> </ul>                    |
|   |                                       |               | Net sales                             | 913           | 844               | ▲69   | ▲7.6%            |   |
|   |                                       |               | Gross profit<br>(gross profit margin) | 75<br>(8.2%)  | 81<br>(9.7%)      | 6   | 8.9%<br>(1.5pt)  |   |
|   |                                       | Overseas      | Orders received                       | ▲1            | 0                 | 2   | *                |   |
|   |                                       |               | Net sales                             | 7             | 25                | 17  | 230.5%           |   |
|   |                                       |               | Gross profit<br>(gross profit margin) | 0<br>(1.8%)   | ▲0<br>(▲1.9%)     | ▲0  | *<br>(▲3.7pt)    |   |
| Urban Development and Real Estate Business and Other Business | Net sales                             | 54            | 70                                    | 15            | 28.4%             | Urban Development and Real Estate Business <ul style="list-style-type: none"> <li>Net sales and gross profit up year on year due to the sale of properties</li> </ul> |                  |   |
|   | Gross profit<br>(gross profit margin) | 21<br>(38.8%) | 23<br>(33.4%)                         | 2             | 10.7%<br>(▲5.4pt) |   |                  |   |

| Segment   |                                   | Priority measures in Medium-Term Management Plan 2023  | Actions   |
|---|-----------------------------------|--|---|
| Construction Business   | Civil engineering                 | <ul style="list-style-type: none"> <li>● Large-scale government projects</li> <li>● Renovations and land readjustment projects</li> <li>■ Development of automation technologies for tunneling projects</li> </ul>   | <ul style="list-style-type: none"> <li>■ Development of Tunnel RemOS., robotic technology for work in the tunnel<br/>Completion of development of guidance systems for machines. Remote control trials, one by one</li> <li>■ Work underway on seven seismic reinforcement projects, while preparations in progress for two road slab replacement projects, all for NEXCO</li> <li>■ A trial demonstrated for the development of technologies for recycling tunnel lining on the Hokuriku Expressway</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>■ Optimization of design and construction through enhancements to specifications of logistics facilities</li> <li>■ Development of operational procedures for BIM integrated with design and build for steel-framed logistics facilities, and then demonstration</li> <li>■ Preparations underway for a demonstration facility for air conditioning and lighting at the Aikawa Technical Research Institute with a view toward the establishment of a ZEB technology (The facility will open in April 2022)</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 <i>Cyclic Reinvestment Model</i></li> <li>● Urban redevelopment projects and land readjustment projects</li> </ul>  | <ul style="list-style-type: none"> <li>● Acquisition of key assets, including residential facilities (student dormitory, company housing), tourist and amusement facilities (hotels), life-support facilities and healthcare facilities (retail facilities) and data centers (Four projects in April to June, and five projects in July to September)</li> <li>■ Commencement of asset management business on October 1, 2021 (Nishimatsu Asset Management Co., Ltd.)</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>■ Profitability at biomass power generation facilities (three projects) being examined</li> <li>■ Commencement of examination of entry to the zero carbon grid business</li> </ul>   |

## ESG Initiatives

### Environment

- Development of environmental technology
  - Development of fluidized treatment soil mixing paper sludge
- Efforts to promote a shift to renewable energy power in business activities
  - Participation in the RE100 initiative
  - A shift to renewable energy power and installation of solar power generation facilities at business sites nationwide

### Social

- Achievement of a WELL Health-Safety Rating\* at the head office (Toranomon Hills Business Tower)
- \* Objective evaluation of policy, including policy on infectious disease control in the building against the backdrop of the COVID-19 pandemic and business continuity in case of emergency, such as earthquakes, fires, and terrorism, and the facilities in terms of safety and security in the use of the facilities

### Governance

- Commencement of a next-generation executives nurture program
- Publishing Integrated Report 2021

The Company acquired 80% of the shares of ITOPIA Asset Management Co., Ltd., an asset management company in which ITOCHU Corporation held a 100% stake, on October 1, 2021. The trade name of the acquired company has changed to Nishimatsu Asset Management Co., Ltd. Nishimatsu Asset Management has started a real asset management business.

Based on the policy of making active investments under the asset strategy in Medium-Term Management Plan 2023, the Company will achieve a *Cyclical Reinvestment Model* and will actively strengthen and expand its asset management business (non-asset business).

The Company has launched a private REIT (unlisted, open-ended real estate investment corporation) with Mizuho Group companies. The Company aims for assets under management of 100 billion yen at the end of FY2027.

|                               |   |
|-------------------------------|---|
| <b>Trade name</b>             | <b>Nishimatsu Asset Management Co., Ltd.</b>  |
| <b>Established</b>            | March 10, 2011  |
| <b>Location</b>               | 1-16-17 Toranomom, Minato-ku, Tokyo   |
| <b>Representative</b>         | Representative Director and President, Koji Hashimoto   |
| <b>Capital</b>                | 125,000,000 yen   |
| <b>Shareholders</b>           | Nishimatsu Construction Co, Ltd. (80%)<br>ITOCHU Corporation (20%)  |
| <b>Registration, License*</b> | Financial Instrument Business Operator, Director-General of Kanto Local Finance Bureau (Kinsho) No. 2576<br>Comprehensive Real Estate Investment Advisor, Minister of Land, Infrastructure, Transport and Tourism Sogo No. 125<br>Real Estate Dealer, governor of Tokyo (3) No. 92997 |
| <b>Business</b>               | Type II Financial Instruments Business, investment advisory and agency business, investment management business   |

\* Notices or applications for changes, including a change in trade name, have been submitted.

Scheme

