

# Progress against Medium-Term Management Plan 2023

for 3<sup>rd</sup> Quarter of Fiscal Year Ending March 31, 2022

February 4, 2022

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 quarter under review, income rose year on year, as it did in the previous quarter. Results for the first three quarters of the current fiscal year reflect the steady progress in projects carried over and decisions on design changes in domestic civil engineering, among other factors.

As for orders received for large projects, we signed a contract for **Underground Railway project in Singapore**. It is a project to construct a large diameter tunnel, which requires sophisticated technological capabilities. We will ensure safe, high-quality construction with our technological and construction capabilities.

We are advancing Medium-Term Management Plan 2023, aiming to improve our corporate value sustainably by innovating business models. One of the basic policies for the plan is **cooperating with partners in different industries**. To advance this policy steadily and dynamically, we formed a **capital and business alliance with ITOCHU Corporation** in December last year. The purpose of this alliance is to pool management resources and the knowhow of the two companies in different industries, thus creating completely new synergies, and to maximize the corporate value of both companies.

We will establish a new role of the construction industry and provide infrastructure and services beyond the expectations of customers and society.

**Nobutoshi Takase,**

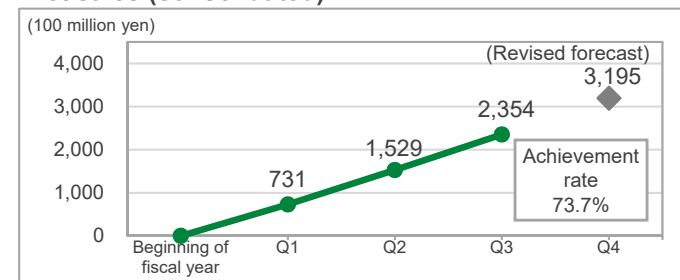
**Representative Director and President**

**Consolidated Results**

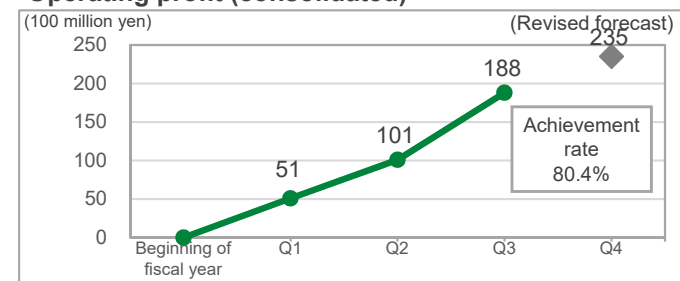
(Presented in 100 million yen)

Indicator	FY2020		FY2021			
	Q3	Full Year	Q3			Full Year
			Amount	Change	% Change (percentage points)	Forecast
Construction orders received	1,119	3,134	1,796	677	60.5%	3,400
Net sales	2,483	3,362	2,354	▲129	▲5.2%	3,195
Gross profit (gross profit margin)	270 (10.9%)	397 (11.8%)	332 (14.1%)	61	22.6% (3.2pt)	439 (13.7%)
Operating profit (operating profit margin)	134 (5.4%)	209 (6.2%)	188 (8.0%)	54	40.4% (2.6pt)	235 (7.4%)
Ordinary profit (ordinary profit margin)	140 (5.7%)	215 (6.4%)	188 (8.0%)	47	33.5% (2.3pt)	230 (7.2%)
Profit attributable to owners of parent (ratio of profit attributable to owners of parent to net sales)	100 (4.0%)	171 (5.1%)	109 (4.7%)	9	9.4% (0.7pt)	143 (4.5%)

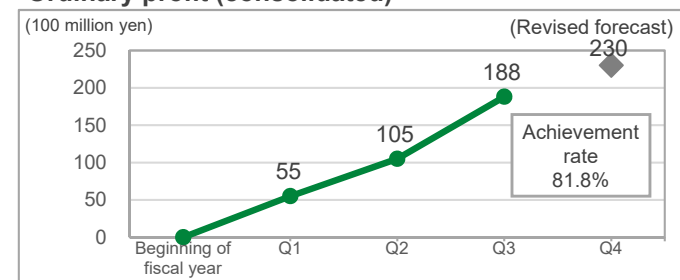
**Net sales (consolidated)**



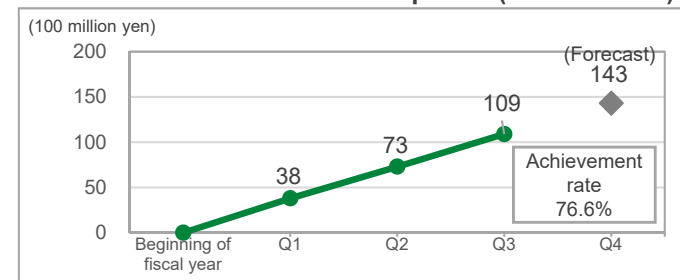
**Operating profit (consolidated)**



**Ordinary profit (consolidated)**



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



# Results by segment (non-consolidated)

(Presented in 100 million yen)

Segment			Indicator	FY2020 Q3	FY2021 Q3	Change	% Change (percentage points)	Descriptions	
Construction Business	Civil engineering	Japan	Orders received	575	648	72	12.7%	<ul style="list-style-type: none"> <li>Two renovation projects received from NEXCO in a strategic field in addition to four received in the first half</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> </ul>	
			Net sales	847	802	▲44	▲5.3%		
			Gross profit (gross profit margin)	100 (11.9%)	158 (19.7%)	57	57.5% (7.8pt)		
		Overseas	Orders received	1	384	382	—		<ul style="list-style-type: none"> <li>An order received for Underground Railway project (large diameter tunnel) in Singapore</li> <li>Minor effects of COVID-19 on progress in construction in Singapore</li> </ul>
			Net sales	63	90	27	42.7%		
			Gross profit (gross profit margin)	▲2 (▲4.2%)	3 (4.3%)	6	— (8.5pt)		
	Building	Japan	Orders received	541	711	169	31.3%	<ul style="list-style-type: none"> <li>Orders received increased year on year. Orders received in the Tokyo Metropolitan Area stagnated.</li> <li>Net sales decreased year on year mainly because orders received in the first half were fewer than expected.</li> </ul>	
			Net sales	1,400	1,264	▲136	▲9.8%		
			Gross profit (gross profit margin)	124 (8.9%)	125 (9.9%)	0	0.3% (1.0pt)		
		Overseas	Orders received	▲3	1	4	—		<ul style="list-style-type: none"> <li>Slow progress in design changes in certain projects, with negotiations continued from the first half</li> </ul>
			Net sales	11	46	34	309.6%		
			Gross profit (gross profit margin)	0 (1.8%)	▲0 (▲0.3%)	▲0	— (▲2.1pt)		
Urban Development and Real Estate Business and Other Business	Net sales	96	111	14	15.3%	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 (gross profit margin)	38 (40.3%)	40 (36.2%)	1	3.6% (▲4.1pt)				

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>■ First in Japan! Trials of remote control of a wheel loader compatible with local 5G in the tunnel</li> <li>■ Development of a CIM management system for shield tunnels (NS-ShiONS) Contributing to higher efficiency and safer construction with 3D geological models and unified management of tunneling data</li> <li>■ Nine seismic reinforcement projects for NEXCO under way, preparations underway for two road slab replacement projects</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>■ Commencement of utilization of BIM covering the entire process from design to construction at steel-framed logistics facilities, to be expanded to all sites nationwide</li> </ul>
Urban Development and Real Estate 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>● 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, five projects in July to September, and four projects in October to December)</li> <li>■ Formation of a private-placement fund started, with preparations for application for license for establishing a private-placement REIT</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>■ Power supply from a rooftop solar power plant started (at logistics facilities we designed and constructed)</li> <li>■ Preparations underway for wood biomass power generation (two projects)</li> <li>■ A zero-carbon grid project being planned with a local government</li> </ul>

## ESG Initiatives

### Environment

- Efforts to promote a shift to renewable energy power in business activities
  - A shift to renewable energy power and installation of solar power generation facilities at business sites nationwide (Aikawa Technical Research Institute, Hiratsuka Machinery Works, and West Japan Regional Headquarters)
- Rated as A- in environmental assessment by CDP

### Social

- Platinum level WELL Certification acquired at the head office (Toranomon Hills Business Tower) Acquisition of double certifications, with the WELL Health-Safety Rating\* achieved in July
- \* The WELL Certification is a system for evaluating the environmental performance of buildings and city blocks focused on people's health and wellness. It consists of ten concepts for supporting and improving people's health through better buildings (Air, Water, Nourishment, Light, Movement, Thermal Comfort, Sound, Materials, Mind, and Community).

### Governance

- A system for managing risks and opportunities conforming to the TCFD recommendations established, with its operation planned to be started in April 2022, for addressing environmental issues

In December last year, we formed a capital and business alliance with ITOCHU Corporation (hereinafter, "ITOCHU"). The purpose of this alliance is to pool management resources and the knowhow of the two companies in different industries, thus creating completely new synergies, and to maximize the corporate value of both companies.

Regarding this business alliance, the two companies are considering specific initiatives based on the following four basic policies.

Basic policies	Contents and statuses of initiatives
① <b>Building a construction partnership</b>	<ul style="list-style-type: none"> <li>● By establishment of a construction partnership with a leading corporate group in the construction industry, which has the technologies and construction methods to resolve frontline issues, the two companies will jointly promote human resource savings, efficiency improvement, and DX in the industry.</li> </ul>
② <b>Realizing a safe and secure, decarbonized society</b>	<ul style="list-style-type: none"> <li>● ITOCHU and Nishimatsu Construction see the social challenges of realizing a decarbonized society and national resilience as areas of growth and plan to expand their business domains through joint participation in PPPs for the delivery of public facilities and infrastructure and joint initiatives in the renewable energy business.</li> </ul> <p><b><u>Main initiatives</u></b></p> <ul style="list-style-type: none"> <li>➢ Joint participation in public offering projects for extending the service life of civil engineering infrastructure or maintenance/repair of such infrastructure by local governments</li> <li>➢ Joint operation of public gymnasium business</li> <li>➢ Joint consideration of wooden construction and zero carbon projects (such as ZEB and ZEH)</li> <li>➢ Joint operation of renewable energy projects, including ones on small hydraulic power and biomass</li> </ul>
③ <b>Collaborating over a recycling-oriented construction and real estate business model</b>	<ul style="list-style-type: none"> <li>● The two companies will promote recycling-oriented construction and real estate business through development and investment in income generating real estate, thereby establishing our basis for stable growth.</li> <li>● In ITOCHU's real estate development business, we will provide technological support related to construction.</li> </ul>
④ <b>Expanding the customer base and enhancing competitiveness</b>	<ul style="list-style-type: none"> <li>● ITOCHU and Nishimatsu Construction plan to strengthen the profitability, competitiveness and stability of their respective businesses by combining their networks of group companies and suppliers both in Japan and overseas, their material and equipment procurement capabilities and engineering capabilities, and their customer bases.</li> </ul>