

Progress against Medium-Term Management Plan 2023

for the Fiscal Year Ending March 31, 2022

May 11, 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.

In the fiscal year under review, net sales decreased year on year. Operating profit and ordinary profit increased, but net profit decreased. Although construction orders received increased year on year, both the domestic civil engineering and building businesses were unable to reach their targets. In overseas business, we received an order for Underground Railway project in Singapore in November. In terms of net sales, we were unable to achieve our target due to the impact of low orders. Gross profit exceeded the initial target as a whole to cover the inability to achieve the target due to a decrease in net sales in the domestic building business by improving profits chiefly through steady progress in construction and design changes in the domestic civil engineering business, and mainly through selling assets accompanying the launch of a cyclic reinvestment model in the urban development and real estate business. As a result, we were able to achieve our operating profit target.

FY2021 was the first year of the Medium-Term Management Plan 2023, and we took a major step forward in one of our basic policies: **cooperating with partners in different industries**. In December 2021, **we formed a capital and business alliance agreement with ITOCHU Corporation**. By connecting the networks of the two companies, we have launched initiatives for PFI and construction projects. In FY2022, we will work with a sense of urgency in new business domains such as the urban development and real estate business and the environment and energy business, while advancing the use of digital technology and aiming for further advancement of the construction business.

As disclosed on February 4, 2022, we recorded an additional extraordinary loss in the third quarter with regard to construction defects in properties constructed by us. In response to this, we intend to further enhance our construction management and design supervision capabilities.

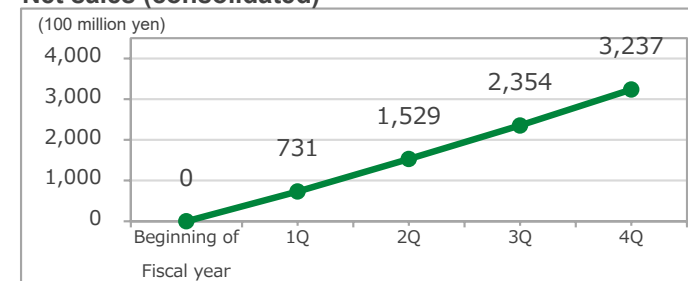
Nobutoshi Takase,
Representative Director and President

Consolidated Results

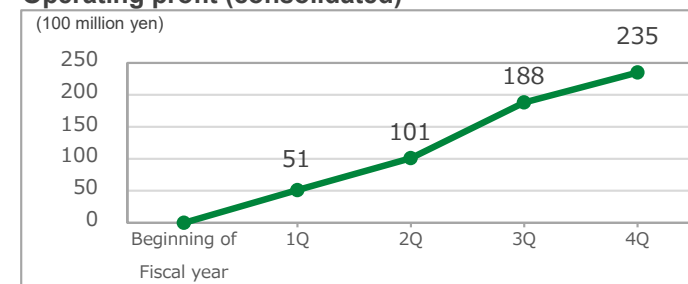
(Presented in 100 million yen)

Indicator	FY2020	FY2021			Forecast
	Full Year	Amount	Change	% Change (percentage points)	
Construction orders received	3,134	3,339	205	6.6%	3,400
Net sales	3,362	3,237	▲124	▲3.7%	3,195
Gross profit (gross profit margin)	397 (11.8%)	437 (13.5%)	40	10.1% (1.6pt)	439 (13.7%)
Operating profit (operating profit margin)	209 (6.2%)	235 (7.3%)	25	12.4% (1.0pt)	235 (7.4%)
Ordinary profit (ordinary profit margin)	215 (6.4%)	234 (7.3%)	19	9.0% (0.8pt)	230 (7.2%)
Profit attributable to owners of parent (ratio of profit attributable to owners of parent to net sales)	171 (5.1%)	151 (4.7%)	▲20	▲12.0% (▲0.4pt)	143 (4.5%)

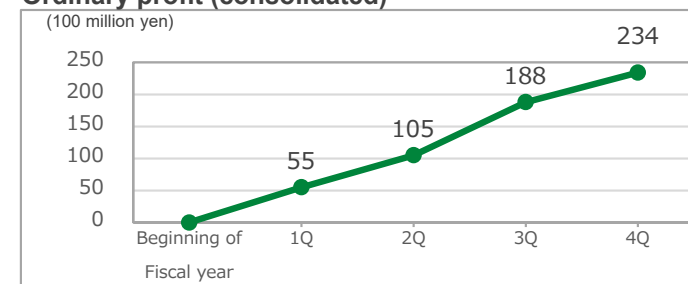
Net sales (consolidated)



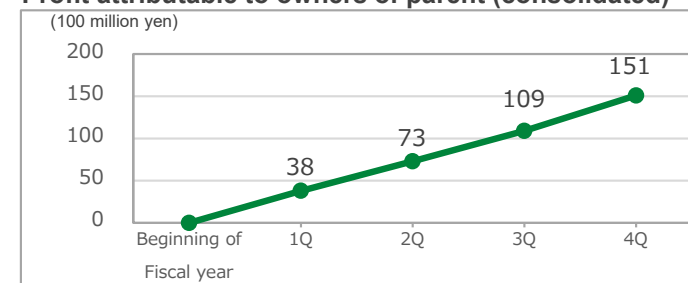
Operating profit (consolidated)



Ordinary profit (consolidated)



Profit attributable to owners of parent (consolidated)



Results by segment (non-consolidated)

(Presented in 100 million yen)

Segment		Indicator	FY2020 Q4	FY2021 Q4	Change	% Change (percentage points)	Descriptions		
Construction Business	Civil engineering	Japan	Orders received	1,452	1,024	▲428	▲29.5%	<ul style="list-style-type: none"> Orders decreased year on year, while orders for NEXCO renovation projects remained strong, with eight in the current fiscal year, there were few new orders for tunnel construction Net sales decreased year on year due to the lower number of new orders Gross profit margin improved year on year and exceeded our target, chiefly due to the steady progress of large-scale construction projects and design changes 	
			Net sales	1,154	1,084	▲70	▲6.1%		
			Gross profit (gross profit margin)	155 (13.4%)	188 (17.4%)	33	21.7% (4.0pt)		
		Overseas	Orders received	20	421	401	—		<ul style="list-style-type: none"> An order received for Underground Railway project in Singapore in November 2021. Net sales and gross profit were almost in line with the initial plan. Minor effects of COVID-19 on progress in construction in Singapore
			Net sales	98	124	25	25.7%		
			Gross profit (gross profit margin)	▲0 (▲0.1%)	7 (6.3%)	7	— (6.4pt)		
	Building	Japan	Orders received	1,649	1,833	184	11.2%	<ul style="list-style-type: none"> Orders increased year on year, but our target was not achieved due to intensifying competition for orders Net sales decreased year on year due to the lower number of orders Gross profit margin remained at the same level as the previous fiscal year, but our gross profit target was not achieved due to lower net sales 	
			Net sales	1,875	1,720	▲155	▲8.3%		
			Gross profit (gross profit margin)	179 (9.6%)	163 (9.5%)	▲16	▲9.1% (▲0.1pt)		
		Overseas	Orders received	0	1	0	104.7%		<ul style="list-style-type: none"> Net sales and gross profit were almost in line with the initial plan
			Net sales	17	67	50	286.1%		
			Gross profit (gross profit margin)	0 (4.1%)	0 (1.5%)	0	39.1% (▲2.6pt)		
Urban Development and Real Estate Business and Other Business	Net sales	135	180	44	33.2%	Urban Development and Real Estate Business <ul style="list-style-type: none"> Net sales and gross profit increased year on year due to sale of properties. We exceeded our target 			
	Gross profit (gross profit margin)	46 (34.0%)	69 (38.5%)	23	50.5% (4.5pt)				

Segment		Priority measures in Medium-Term Management Plan 2023	Actions
Construction Business	Civil engineering	<ul style="list-style-type: none"> ● Large-scale government projects ● Renovations and land readjustment projects ■ Development of automation technologies for tunneling projects 	<ul style="list-style-type: none"> ■ In order to advance the shift toward unmanned tunnel excavation and labor saving in shield drilling, four new technologies were developed this fiscal year. <ul style="list-style-type: none"> - Three tunnel technologies (remote operation of wheel loader, automated tunnel lining form, measurement cart) - One shield technology (direction control) ■ NEXCO renovation projects: 13 ongoing construction projects (10 seismic reinforcement projects, two flooring slab replacement projects, one tunnel reinforcement project)
	Building	<ul style="list-style-type: none"> ● Logistics facilities (ambient temperature warehouses and seismically isolated warehouses) ■ Application of building information modeling (BIM) to front-loading and standardization of structural members ■ Establishment of environmental design technologies 	<ul style="list-style-type: none"> ■ Logistics facilities: Amount of ongoing projects approx. 119 billion yen, orders received approx. 56 billion yen against 75 billion yen in target ■ Began use of BIM covering the entire process from design to construction at steel-framed logistics facilities Demonstration trials are underway at some sites ■ 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
Urban Development and Real Estate Business and Other Business	Urban Development and Real Estate	<ul style="list-style-type: none"> ● Asset strategies focused on growth fields ■ Evolution into a cyclic reinvestment model ● Urban redevelopment projects and land readjustment projects 	<ul style="list-style-type: none"> ● Acquisition of key assets, mainly 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, four projects in October to December, and three projects in January to March) ● Hotel JAL City Toyama opened in March 2022 ● Grand Nikko Bangkok Sathorn announced plans to open in 2025 ■ Completed establishment of first private placement fund project (Chiyoda City office). We are preparing an application for permission to establish a private REIT.
	Environment and Energy	<ul style="list-style-type: none"> ● Decarbonization ● Smart city and community development 	<ul style="list-style-type: none"> ■ Formed a Comprehensive Partnership Agreement for the Realization of a Decarbonized Society with the town of Oki, Fukuoka (April 2022) ■ Preparations underway for wood biomass power generation (one project) ■ Invested in a start-up company that possesses methane fermentation biogas power generation technology ■ In February 2022, we launched a PPA* business with rooftop solar power plants (at logistics facilities we designed and constructed) <p>*PPA: Power Purchase Agreement</p> <p>Companies (PPA operators) which own and manage photovoltaic (PV) power generation facilities install their PV power generation equipment in spaces such as rooftops and other areas of premises provided by facility owners Electricity generated there is supplied to power users at the facility for a fee</p>

Environment

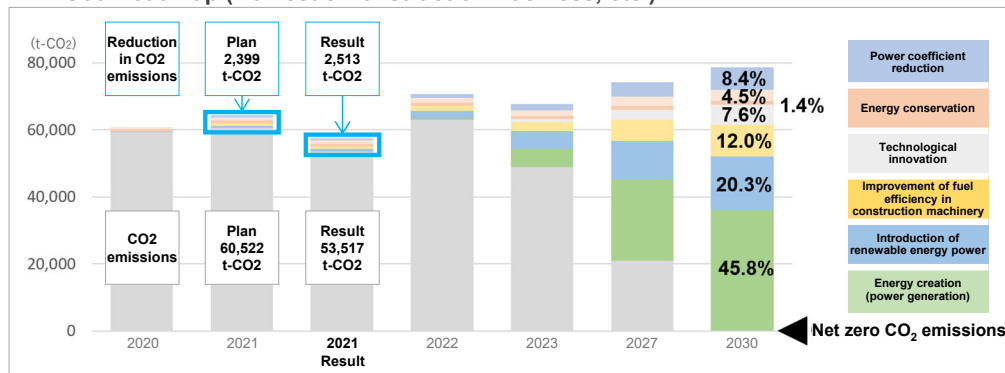
Decarbonization "ZERO30"^{*1} Initiatives

ZERO30 Roadmap Progress

For CO2 reduction in the domestic construction business in 2021, the first year of ZERO30, we achieved a reduction of 2,513 t-CO2 against our target of 2,399 t-CO2. In 2021, use of K-S1^{*2} accounted for roughly half of the actual results, followed by contributions from the new measure, introduction of renewable energy electricity.

In 2022, we will strive to reduce CO2 emissions through the full-scale introduction of renewable energy power, while at the same time advancing R&D efforts into the utilization of hydrogen technologies in the operation of construction machinery and the introduction of new technologies such as HiBD: a next-generation biodiesel fuel. We will also implement effective measures such as the active rollout of energy creation business operations (renewable energy power generation business) and aim to achieve zero net emissions.

ZERO30 Roadmap (Domestic Construction Business, etc.)



State of Implementation of Environmental Measures

Measures		Year (January to December)	2021 plan	2021 results
		Amount	341.5 billion yen	290.2 billion yen
Energy conservation	Use of K-S1 ^{*2}	Introduction rate	30%	49.60%
	Use of BDFs ^{*3}	Volume introduced	200,000ℓ	64,000ℓ
	Introduction of N-TEMS ^{*4}	Number of sites	4 sites	5 sites
Renewable energy	Introduction of renewable energy power (construction activities)	Introduction rate	2%	2.00%
	Introduction of renewable energy power (non-construction activities)	Introduction rate	15%	16.84%
Technological innovations (expected value)			0 t-CO2	0 t-CO2
CO2 emissions			60,522 t-CO2	53,517 t-CO2
Energy creation (power generation)		Power generation capacity	0.0 MWh	0.0 MWh
CO2 emissions (net)			60,522 t-CO2	53,517 t-CO2

^{*1} ZERO30: An initiative in which we will aim to achieve zero net emissions by 2030 through energy conservation, renewable energy use and the introduction of CO2 reduction technologies in our business activities, and by offsetting the CO2 emissions generated by our business activities with environmental contributions from our energy creation business.

^{*2} K-S1: A fuel additive that improves the fuel efficiency of construction machinery, etc.

^{*3} BDF: Biodiesel fuel, a fuel for diesel engines made from vegetable oil.

^{*4} N-TEMS: An energy management system developed by Nishimatsu to reduce the amount of electricity used by construction machinery and equipment while maintaining an optimal underground environment during mountain tunnel construction.

Social

Health & Productivity Management

- Selected under the "White 500" 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (five successive years)
- WELL^{*5} Platinum (highest level) and Health-Safety Rating^{*6} acquired for head office (Toranomon Hills Business Tower)

^{*5} WELL Certification

The system for evaluating the environmental performance of buildings and city blocks focused on people's health and wellness.

^{*6} Health-Safety Rating

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



Head office acquired Platinum WELL certification

Governance

Enhancing the supervisory function of the Board of Directors

- Increased the number of independent external directors (from three to four).



Training successors to the Chief Executive Officer

- Implementation of the next generation management development program

Establishment of incentive plans aimed at sustainable improvement of corporate value

- Introduction of a performance-linked stock compensation system for directors and executive officers

Enhancement of screening and monitoring systems

- Launch of the Investment Committee

In view of the fact that the construction defects announced on April 19, 2021 were due to insufficient confirmation processes in quality control operations, we are currently taking the following steps to improve our quality control processes.

Initiatives to Improve Construction Quality

1. Restructuring of quality control system

We are striving to ensure consistent quality control from the start of construction to completion after clarifying the roles and responsibilities of the supervisory engineers and engineers in charge of specific areas, and also ensuring rigorous quality control checks through various review meetings and quality patrols by head office and branch office personnel.

2. Re-training for staff and guidance for specialized contractors

In addition to re-training all staff working on site about quality control check items that have been implemented until now, we are working to improve construction quality by spreading quality control points across the organization, to specialized contractors at general briefings in which all involved personnel participate.

3. Third-party audits

In the construction of residential complexes designed and constructed by Nishimatsu Construction, in addition to the inspections conducted by our own internal design supervisors until now, we are also confirming the validity of quality control through audits of quality control records and quality control status conducted by external third-party organizations.

4. After-sales service

We have established the Regular Defect Response Liaison Meeting for the purpose of grasping and understanding points raised by property owners and residents at an early stage and responding appropriately. In the event of any problems, we promptly consider how to respond and disseminate this information across all divisions of the company. As an organization, we are also working to improve after-sales service from a customer viewpoint.