

# Progress against Medium-Term Management Plan 2023

for 1<sup>st</sup> Quarter of Fiscal Year Ending March 31, 2023

August 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, net sales, profit figures and construction orders received all declined year on year.

In the domestic civil engineering and the overseas construction business, projects carried over progressed as planned. Net sales and gross profit were at the same levels as in the same period a year earlier. In the urban development and real estate business, leasing and sales both progressed as planned.

In the domestic building business, net sales declined due to limited projects carried over that proceeded in the quarter under review. Profit also fell after the completion of large and highly profitable projects in the previous fiscal year, net sales declined and there was a deterioration in the profitability of some projects due to increasing materials prices. We will negotiate with clients with regard to the soaring prices, aiming to achieve a price point that both clients and our business accommodate.

Under these severe business circumstances, we signed a **Comprehensive Partnership Agreement for Realizing a Decarbonized Society with the Municipal Government of Oki-town in Fukuoka Prefecture** in April in the environment and energy business. In the domain of DX, we formulated the **Nishimatsu DX Vision: Innovate Spaces by Digital Technologies** in June. We will continue carrying out measures under the Medium-Term Management Plan 2023.

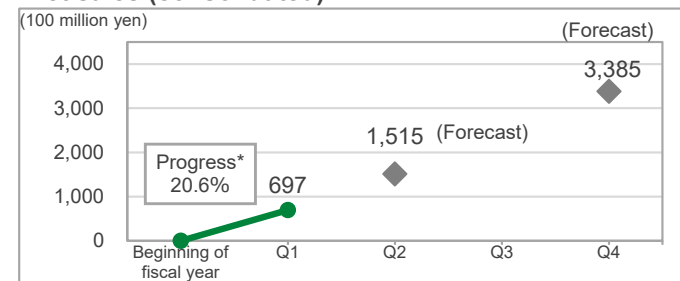
**Nobutoshi Takase,**  
**Representative Director and President**

**Consolidated Results**

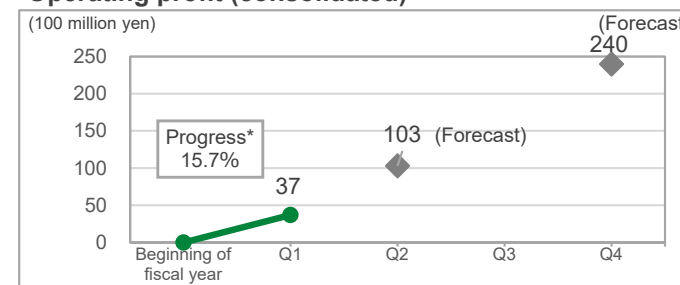
(Presented in 100 million yen)

Indicator	FY2021		FY2022			
	Q1	Full Year	Amount	Q1		Full Year
				Change	% Change (percentage points)	Forecast
Construction orders received	497	3,339	398	▲98	▲19.9%	3,800
Net sales	731	3,237	697	▲34	▲4.7%	3,385
Gross profit (gross profit margin)	96 (13.2%)	437 (13.5%)	88 (12.7%)	▲8	▲8.8% (▲0.5pt)	450 (13.3%)
Operating profit (operating profit margin)	51 (7.0%)	235 (7.3%)	37 (5.4%)	▲13	▲26.0% (▲1.6pt)	240 (7.1%)
Ordinary profit (ordinary profit margin)	55 (7.6%)	234 (7.3%)	43 (6.2%)	▲12	▲22.8% (▲1.4pt)	240 (7.1%)
Profit attributable to owners of parent (ratio of profit attributable to owners of parent to net sales)	38 (5.3%)	151 (4.7%)	28 (4.0%)	▲10	▲27.7% (▲1.3pt)	160 (4.7%)

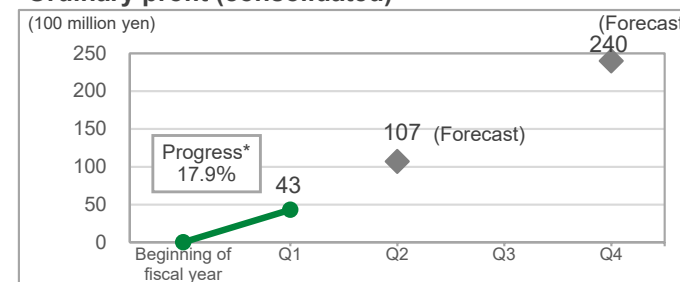
**Net sales (consolidated)**



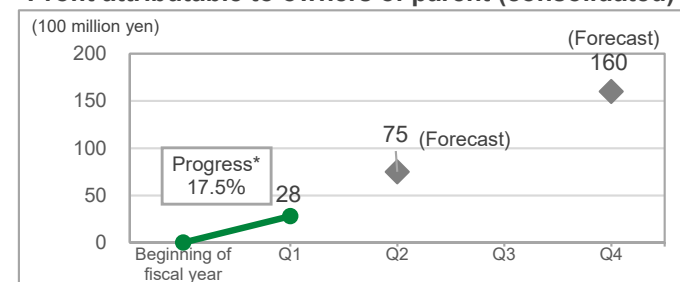
**Operating profit (consolidated)**



**Ordinary profit (consolidated)**



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



\* The progress is calculated from figures in integer yen.

# Results by Segments (consolidated)

(Presented in 100 million yen)

Segment		Indicator	FY2021 Q1	FY2022 Q1	Change	% Change (percentage points)	Descriptions	
Construction Business	Civil engineering	Domestic	Orders received	173	102	▲71	▲41.0%	<ul style="list-style-type: none"> <li>Orders received fell year on year, although government projects were won from the Ministry of Land, Transport, Infrastructure and Tourism, the Ministry of the Environment and local governments.</li> <li>Net sales and gross profit stayed flat year on year, reflecting the progress of projects carried over as planned.</li> <li>Net sales and gross profit reflected the progress of projects carried over as planned.</li> <li>In Singapore, negotiations are underway after rises in electric power charges and material prices.</li> </ul>
			Net sales	244	243	▲1	▲0.6%	
			Gross profit (gross profit margin)	43 (17.8%)	42 (17.5%)	▲0	▲1.9% (▲0.3pt)	
		Overseas	Orders received	▲0	53	54	—	
			Net sales	31	37	6	19.4%	
			Gross profit (gross profit margin)	0 (2.8%)	3 (10.6%)	3	347.3% (7.8pt)	
	Building	Domestic	Orders received	300	183	▲116	▲38.9%	<ul style="list-style-type: none"> <li>Orders received decreased year on year.</li> <li>Net sales were down year on year due to limited projects carried over that proceeded in the quarter under review.</li> <li>Gross profit was down year on year, reflecting the completion of a highly profitable project, a sales contraction and hikes in materials prices.</li> </ul>
			Net sales	394	322	▲71	▲18.2%	
			Gross profit (gross profit margin)	36 (9.2%)	16 (5.1%)	▲19	▲54.4% (▲4.1pt)	
		Overseas	Orders received	24	59	34	143.7%	
			Net sales	16	14	▲2	▲15.1%	
			Gross profit (gross profit margin)	0 (3.8%)	1 (7.4%)	0	64.9% (3.6pt)	
Urban Development and Real Estate Business and Others	Leasing (domestic)	Net sales	24	25	1	5.6%	<ul style="list-style-type: none"> <li>Net sales and gross profit rose year on year after the formation of the first private placement fund and property sell-off.</li> </ul>	
		Gross profit (gross profit margin)	9 (40.6%)	10 (40.7%)	0	6.1% (0.1pt)		
	Sales (domestic)	Net sales	13	40	26	192.8%		
		Gross profit (gross profit margin)	4 (30.7%)	9 (24.4%)	5	132.2% (▲6.3pt)		
	Others	Net sales	6	13	7	119.3%		
		Gross profit (gross profit margin)	1 (24.0%)	3 (28.4%)	2	159.2% (4.4pt)		
	Total	Net sales	731	697	▲34	▲4.7%		
		Gross profit (gross profit margin)	96 (13.2%)	88 (12.7%)	▲8	▲8.8% (▲0.5pt)		

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>■ Remote operation systems for various construction machines were tested on site with a view towards unmanned tunnel excavation. (drill jumbo, breakers, multi-measurement trolleys, sprayed concrete machines and roadheaders)</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>■ Building information modeling (BIM) was increasingly applied to steel-framed logistics facilities and reinforced concrete multi-unit residential buildings.</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> <li>● In hotel development, construction of Grand Nikko Bangkok Sathorn commenced in Thailand. (It is scheduled to be inaugurated in 2025.)</li> </ul>
Urban Development and Real Estate Business and Others	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> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center;"><b>5 Key Assets</b></p> <ul style="list-style-type: none"> <li>● Working space (e.g. Office)</li> <li>● Residential facilities (e.g. Student dormitories)</li> <li>● Tourist &amp; Amusement facilities (e.g. Hotels)</li> <li>● Life-support &amp; healthcare facilities (e.g. Retail facilities)</li> <li>● Data centers</li> </ul> </div>	<ul style="list-style-type: none"> <li>● New investments were made mainly in key assets. (Three projects in the April-June period)</li> <li>● Project preparations were commenced mainly for key assets. (Four projects in the April-June period)</li> <li>● The corporate real estate business commenced operation. (One project in the April-June period)</li> <li>■ Assets were sold (Three projects in the April-June period)</li> <li>■ Private placement funds: Procedures for forming a second fund began.</li> <li>■ Private placement REIT: Preparations for obtaining authorization</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>■ <b>Formed a Comprehensive Partnership Agreement for the Realization of a Decarbonized Society with the Municipal Government of Oki-town, Fukuoka Pref.</b></li> <li>■ <b>Wood biomass power generation business: Sanyo-Onoda Green Energy Co., Ltd. was established.</b></li> </ul>

## Environment

- Information disclosure and acquisition of certification related to the environment
  - Disclosure of climate information in accordance with the TCFD recommendations  
**Nishimatsu Climate Information 2022**  
[https://www.nishimatsu.co.jp/eng/csr/tcfid\\_202206.pdf](https://www.nishimatsu.co.jp/eng/csr/tcfid_202206.pdf)
  - SBT\*1 certification obtained
  - Affiliated with the 30by30\*2 Alliance

## Social

- Thailand Training Center inaugurated  
Offering training with a focus on watching, touching and memorizing to improve the technical skills and knowledges, and safety awareness of local staffs and sub-contractors



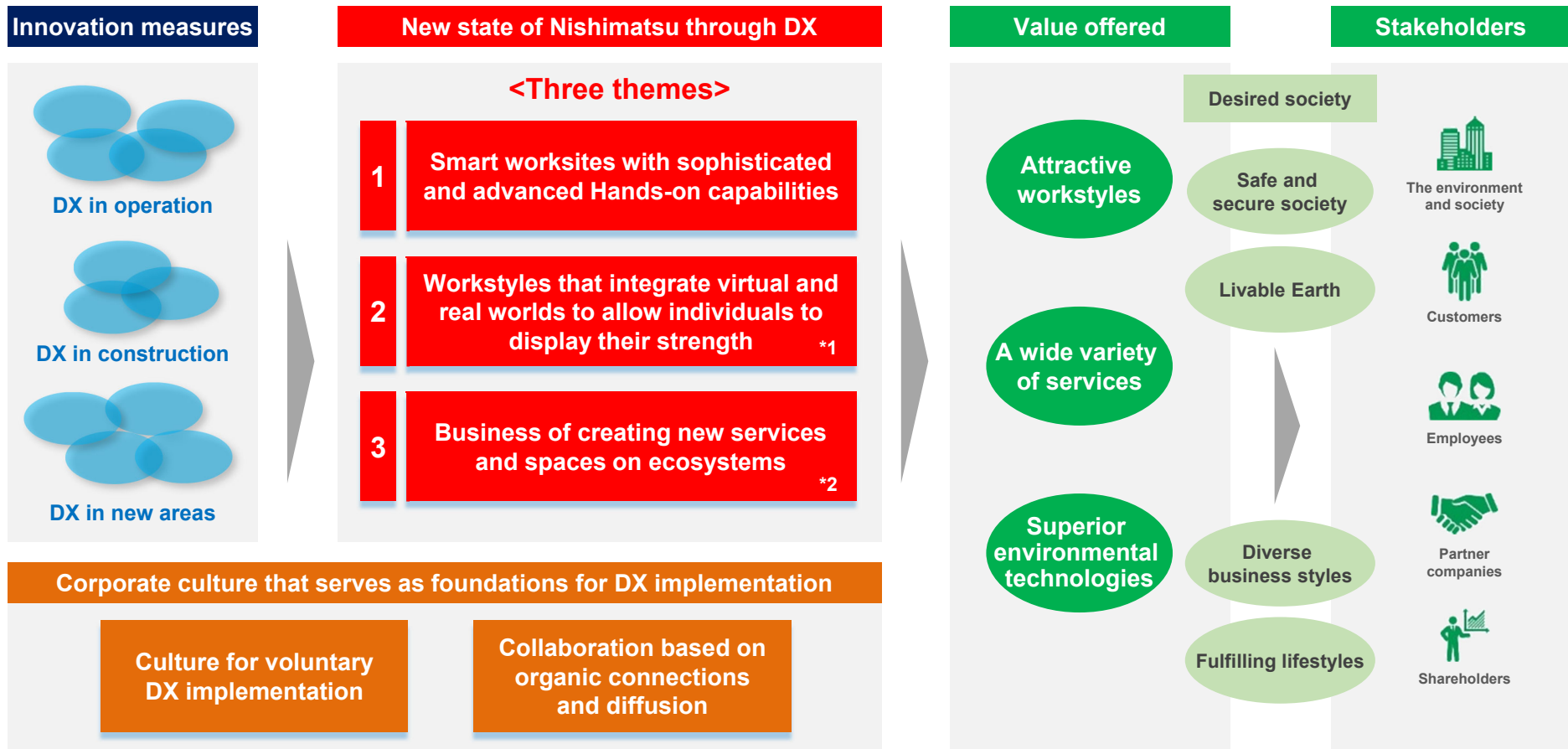
\*1 SBT (Science Based Targets)  
Greenhouse gas emissions reduction targets to be attained in the five to 15 years set by businesses to meet the standards required by the Paris Agreement, which aims to limit global warming to to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels

\*2 30by30  
A target of effectively conserving at least 30% of the land and ocean as vital eco-systems by 2030 with a view to halting and reversing biodiversity loss (nature positive) by 2030

Nishimatsu formulated its DX Vision in June 2022 and was recognized as a DX-certified operator in the following month.  
Nishimatsu is now on the start line for DX implementation.

<Nishimatsu DX Vision>

<Nishimatsu-Vision2027>



\*1 Integration of virtual and real worlds: A state in which spaces constructed on the network and reality are shared

\*2 Ecosystems: New business mechanisms in which value can be created through collaboration between different types of business

## We will innovate spaces by means of Digital Technologies.

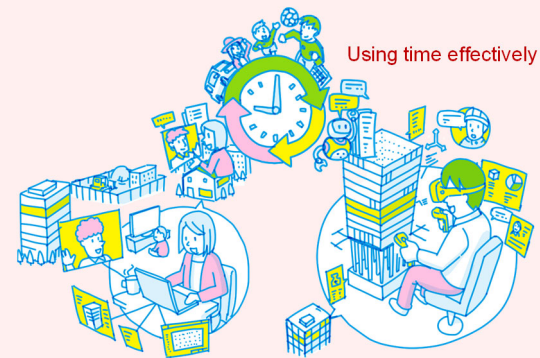
We will make spaces in worksites, spaces in workstyles, and spaces in the business of buildings, real estate and energy creation and consumption into unprecedented spaces.

We will offer these spaces to employees, partner companies and customers. We will also offer spaces to society, regions, local communities and new customers together with service providers with whom we create value.

### Workstyles that integrate virtual and real worlds to allow individuals to display their strength

Individuals will achieve fulfillment with jobs by exerting good performance while creating a work-life balance in workstyles that integrate virtual and real worlds.

\* Integration of virtual and real worlds: A state in which spaces constructed on the network and reality are shared



Online-offline integration

Workstyles for high performance in a digital twin or in a metaverse

### Smart worksites with sophisticated and advanced Hands-on capabilities

Smart worksites will be created for accurately identifying the past and present statuses with data and technologies for forecasting (and advancing) the future will be developed by continuously improving (sophisticating) capabilities that have been nurtured through digital transformation.

Shifting to remote and automated construction

Forecasting the future in a virtual space

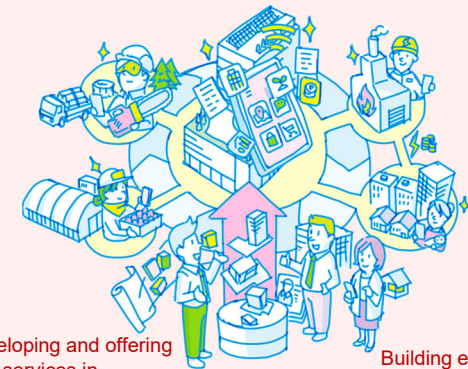


Proposals in anticipation of the future

### Business of creating new services and spaces on ecosystems

A new business of providing unprecedented ideal spaces for customers and society will be created by forming ecosystems in which data on construction, energy, real estate and others are circulated.

\* Ecosystems: New business mechanisms in which value can be created through collaboration between different types of business



Developing and offering new services in collaboration with partners and with the use of data

Building ecosystems to offer ideal spaces

### Culture for voluntary DX implementation

Voluntary DX actions will be implemented after building up innovation skills on the basis of individuals' mindsets and endeavors towards innovation.

Vision disseminated from the management team to the whole company

Employees' endeavors to make DX proposals by themselves

Free collaboration inside and outside the company



### Collaboration based on organic connections and diffusion

Information linkage beyond organizations will lead to discovery of new opportunities for attempts. Cross-organizational actions will accelerate network expansion.