

Progress against Medium-Term Management Plan 2023

for 2nd Quarter of Fiscal Year Ending March 31, 2023

November 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.

In the first half of the fiscal year under review, net sales rose slightly, operating profit declined, and ordinary profit and profit attributable to owners of parent stayed flat year on year. Construction orders received increased from the previous year, reflecting an order received for subway construction in the Philippines and an increase in orders received in the domestic building business. Materials prices rose more than expected, reflecting changes in the market environment, and construction costs increased. Meanwhile, real estate sales were strong. Net sales and gross profit in the domestic civil engineering business stayed flat from the previous year, reflecting progress in projects carried over being as planned, final decisions regarding design changes and other factors.

In the domestic building business, orders received climbed year on year, but gross profit declined significantly year on year due to rises in materials prices and a fall in net sales. We recognize that our challenges are improving the profitability of the construction work backlog and how we assess risks when orders are received. We will negotiate with clients, aiming to achieve a price point that accommodates both clients and our business.

Although the business environment was severe, we increased capital in Nishimatsu Real Estate & Development (USA) Inc., the management company for our development and real estate business in the U.S. in October 2022. The purpose is our participation in rental housing development projects in Florida.

We will continue to implement initiatives under Medium-Term Management Plan 2023 to create value together with our stakeholders.

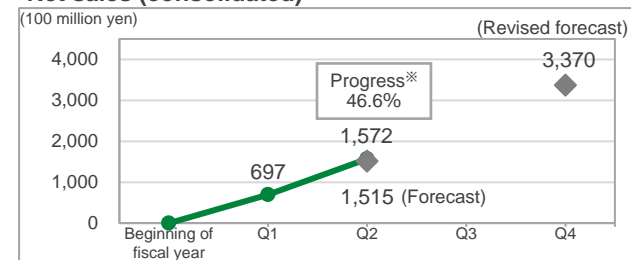
Nobutoshi Takase,
Representative Director and President

Consolidated Results

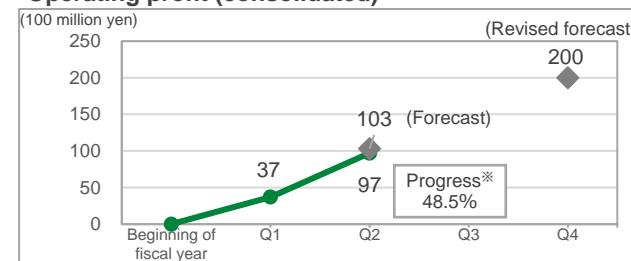
(Presented in 100 million yen)

Indicator	FY2021		FY2022			Full Year Revised Forecast
	Q1	Full Year	Q2		% Change (percentage points)	
			Amount	Change		
Construction orders received	888	3,339	1,497	609	68.6%	3,800
Net sales	1,529	3,237	1,572	43	2.8%	3,370
Gross profit (gross profit margin)	195 (12.8%)	437 (13.5%)	199 (12.7%)	3	1.8% (▲0.1pt)	410 (12.2%)
Operating profit (operating profit margin)	101 (6.6%)	235 (7.3%)	97 (6.2%)	▲4	▲4.2% (▲0.4pt)	200 (5.9%)
Ordinary profit (ordinary profit margin)	105 (6.9%)	234 (7.3%)	105 (6.7%)	▲0	▲0.2% (▲0.2pt)	200 (5.9%)
Profit attributable to owners of parent (ratio of profit attributable to owners of parent to net sales)	73 (4.8%)	151 (4.7%)	73 (4.7%)	▲0	▲0.4% (▲0.1pt)	135 (4.0%)

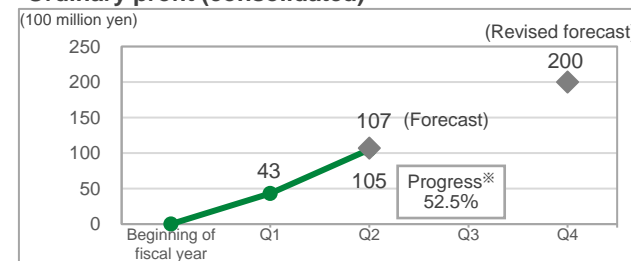
Net sales (consolidated)



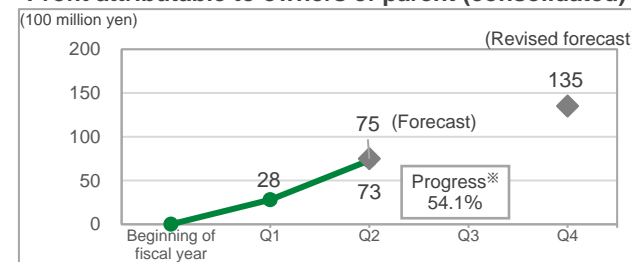
Operating profit (consolidated)



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 Q2	FY2022 Q2	Changes	% Change (percentage points)	Descriptions	
Construction Business	Civil engineering	Domestic	Orders received	289	216	▲72	▲25.1%	<ul style="list-style-type: none"> Orders received decreased year on year. Net sales remained flat year on year. Gross profit was up slightly year on year. Profit rose due to design changes and other factors. An order was received for subway construction (ODA) in the Philippines. Net sales remained flat year on year. Progress was made as planned in projects carried over. Gross profit was down slightly year on year due to the effects of rises in electric power charges and material prices in certain construction projects.
			Net sales	504	497	▲6	▲1.3%	
			Gross profit (gross profit margin)	86 (17.2%)	91 (18.5%)	5	6.2% (1.3pt)	
		Overseas	Orders received	1	413	412	—	
			Net sales	60	67	7	12.2%	
			Gross profit (gross profit margin)	1 (2.6%)	0 (1.1%)	▲0	▲53.9% (▲1.5pt)	
	Building	Domestic	Orders received	551	770	218	39.7%	<ul style="list-style-type: none"> Orders received increased year on year. Net sales fell year on year. Gross profit was down year on year reflecting increases in materials prices and a decline in net sales. [Thailand and Vietnam] Orders received increased year on year. Orders received in Thailand recovered. Net sales and gross profit stayed flat year on year reflecting orders received in Thailand in the fiscal year under review and the good progress made in projects carried over in Vietnam.
			Net sales	844	753	▲91	▲10.8%	
			Gross profit (gross profit margin)	81 (9.7%)	35 (4.8%)	▲45	▲56.2% (▲4.9pt)	
		Overseas	Orders received	45	96	50	110.9%	
			Net sales	42	40	▲1	▲3.7%	
			Gross profit (gross profit margin)	0 (0.9%)	1 (4.8%)	1	399.6% (3.9pt)	
Urban Development and Real Estate Business and Others	Leasing (domestic)	Net sales	50	50	0	1.4%	<ul style="list-style-type: none"> In the leasing business, progress was made as planned, and net sales and gross profit stood at the same level as in the same period in the preceding fiscal year. In the sales business, net sales and gross profit rose significantly year on year, reflecting the formation of the private placement fund and the property sell-off. 	
		Gross profit (gross profit margin)	19 (39.0%)	19 (37.5%)	▲0	▲2.5% (▲1.5pt)		
	Sales (domestic)	Net sales	13	140	126	910.4%		
		Gross profit (gross profit margin)	4 (30.4%)	43 (31.3%)	39	942.0% (0.9pt)		
	Others	Net sales	14	22	7	56.6%		
		Gross profit (gross profit margin)	1 (13.2%)	5 (26.7%)	4	216.8% (13.5pt)		
Total	Net sales	1,529	1,572	43	2.8%			
	Gross profit (gross profit margin)	195 (12.8%)	199 (12.7%)	3	1.8% (▲0.1pt)			

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"> ■ A demonstration experiment to verify the feasibility of unmanned mining tunnel construction will be completed in FY2023. Field trials of all of the elemental technologies are being conducted for practical application in FY2027.
	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"> ■ Building information modeling (BIM) was increasingly applied to steel-framed logistical facilities and reinforced concrete multi-unit residential buildings. ■ 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 ■ A construction method for medium-to-high-rise wooden buildings was developed (the method will be certified) and will be used in actual projects.
Urban Development and Real Estate Business and Others	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 <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center;">5 Key Assets</p> <ul style="list-style-type: none"> ● Working space (e.g. Office) ● Residential facilities (e.g. Student dormitories) ● Tourist & Amusement facilities (e.g. Hotels) ● Life-support & healthcare facilities (e.g. Retail facilities) ● Data centers </div>	<ul style="list-style-type: none"> ● New investments were made mainly in key assets. (Six projects in the April-September period) ● Preparations for new projects (Ten projects from April-September period) ● The corporate real estate business commenced operation. (One project in the April-September period) ■ Assets were sold (Six projects in the April-September period) ■ Private placement funds: The second fund was formed and the sale of the assets were completed. Private placement REIT: Preparations for obtaining authorization
	Environment and Energy	<ul style="list-style-type: none"> ● Decarbonization ● Smart city and community development 	<ul style="list-style-type: none"> ■ Planning to build a microgrid connected to public facilities with the municipal government of Oki-machi, Fukuoka Pref. (under a comprehensive partnership agreement). ■ Preparing to acquire a geothermal power plant (a binary cycle power generation system using hot springs) in Kyushu. <p>(Note) Binary cycle power generation: generating power by rotating a turbine using the vapor of a medium liquid whose boiling point is lower than that of water that is vaporized when heat is exchanged between it and the low-to-medium-temperature hot water whose temperature is around 150 °C or lower. In a binary cycle power generation system using hot springs, the hot water is used in baths when its temperature falls after generating power.</p>

Notice: Integrated Report 2022 Published

We have published the Integrated Report 2022 to ask stakeholders to deepen their understanding of the possibility of enhancing corporate value through the creation of value together with them and our initiatives to address material issues and live up to our corporate philosophy, "To help establish a sustainable society and environment where people can live with peace of mind." We would appreciate it if you, the stakeholders, read the report.

Integrated Report 2022

URL
<https://www.nishimatsu.co.jp/eng/csr/report/>

