

Progress against Medium-Term Management Plan 2025

for 2nd Quarter of Fiscal Year Ending March 31, 2024

November 7, 2023

NISHIMATSU
150th Anniversary



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.

- ◆ To Accomplish Medium-Term Management Plan 2025
- ◆ Revenue Improvement Plan (Building Business)
- ◆ Revenue Improvement Plan (International Business - Civil Engineering)
- ◆ Priority Measures in Medium-Term Management Plan 2025
- ◆ Summary of Performance for the Current Period
- ◆ Topics of the Current Period

To Accomplish Medium-Term Management Plan 2025

In February 2023, we adopted Medium-Term Management Plan 2025 (hereinafter, MTMP 2025) with FY2023 as its starting year.

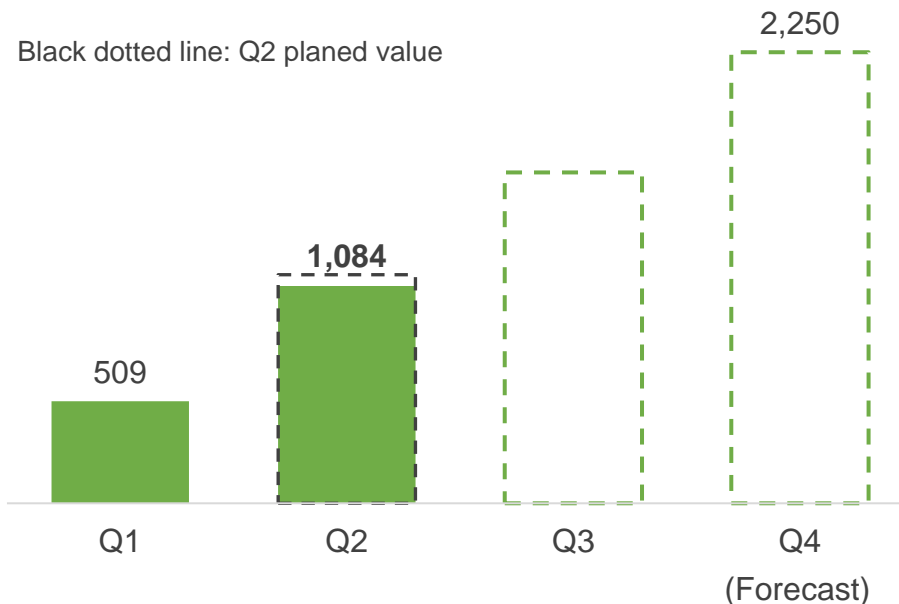
The main points of the plan are to improve earnings in the Domestic Building Business and the International Business, where performance was poor in FY2022, and to focus on medium-to-long-term initiatives aimed at achieving Nishimatsu-Vision 2030.

This document presents our progress against the MTMP 2025, with a focus on The Revenue Improvement Plan, Priority Measures and Performance mentioned in this plan.

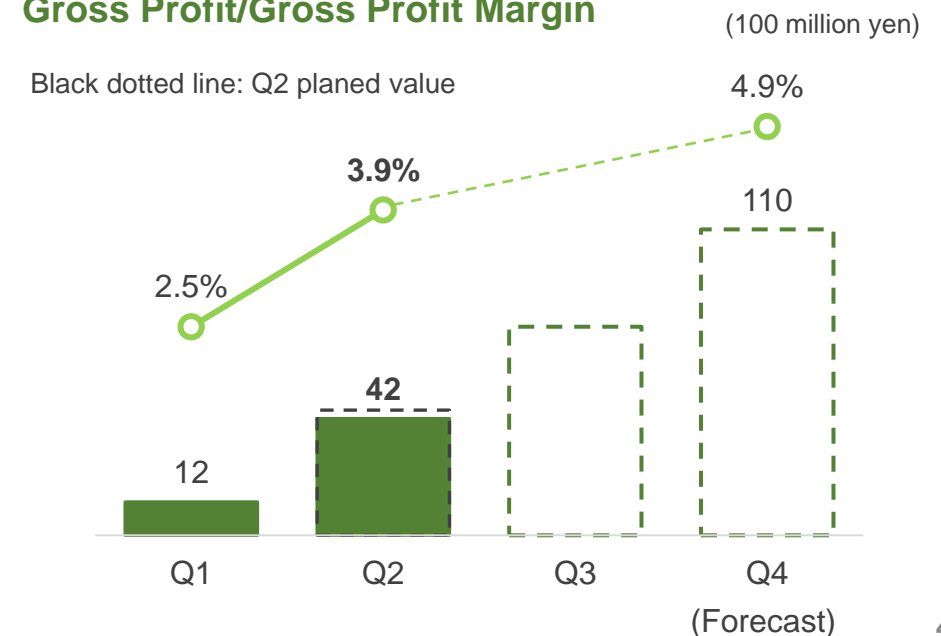
Building Business

- ✓ For the second quarter under review, net sales stood at **108,400** million yen (up **43.9%** year on year) and gross profit was **4,200** million yen (up **17.4%** year on year). The gross profit margin rose from Q1 after the improvement of the balance of some large construction projects while there was a lingering impact from the low profitability construction projects that were received in the previous and earlier periods.
- ✓ We managed to receive orders that properly reflected the prices of materials and labor. Therefore, the profit rate at the time orders received is expected to be as planned.

Net Sales



Gross Profit/Gross Profit Margin



(100 million yen)

Building Business

- ✓ Component ratio of net sales classified by the existence or absence of an impact from the rising prices of goods were roughly as planned.
- ✓ We will continuously work on activities for receiving orders that properly reflect the prices of materials and labor. Then, the net sales component ratios for the two following periods will be in line with the Revenue Improvement Plan.

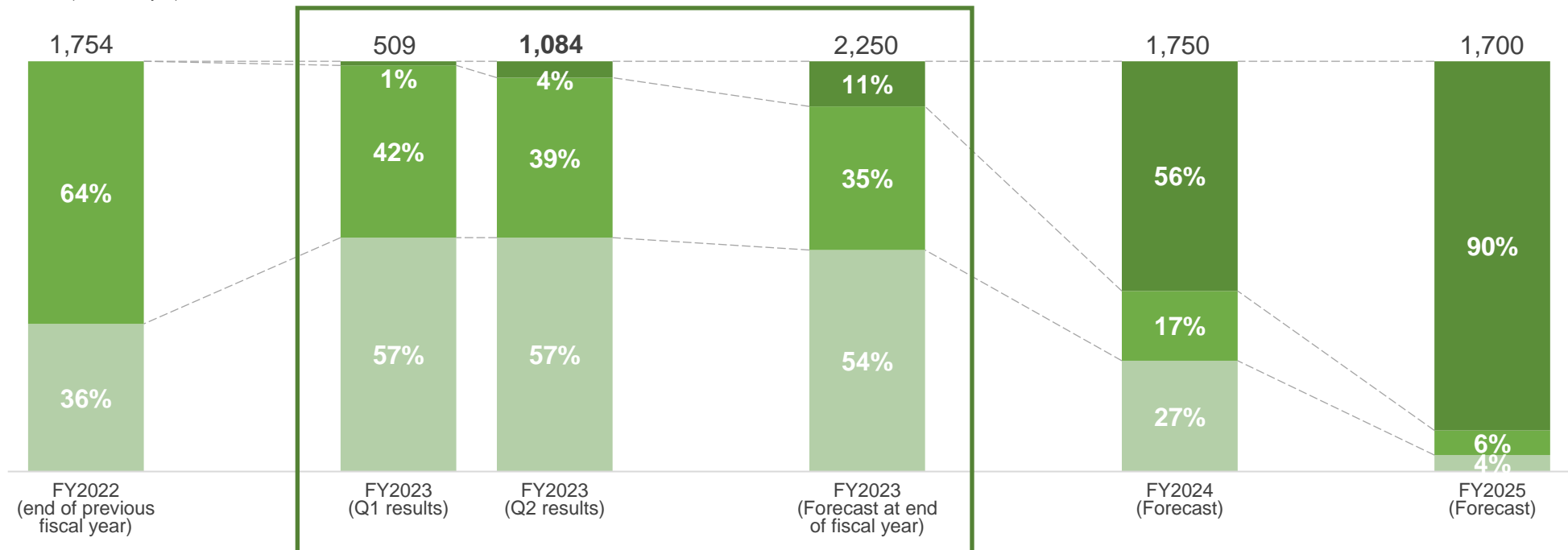
Net Sales Component Ratios

The figure at the top of each bar represents net sales (100 million yen)

Current Fiscal Year

- Impact due to rising prices of goods
- No impact due to rising prices of goods *
- New orders received for construction from FY2023 onwards

* Construction projects for which quotations properly reflect the prices of materials and labor



International Business(Civil Engineering)

- ✓ For the current period, net sales stood at **9,700** million yen (up **44.4%** year on year) and gross profit was **600** million yen (up **500** million yen year on year).
- ✓ Construction projects in Singapore and in the Philippines made progress roughly as planned. No changes have been made to the earnings forecasts. In different countries, the prices of materials and energy gradually settled, although they remained high.
- ✓ In terms of increasing the sophistication of the management in the field, we hold technical meetings before placing bids on projects, carrying out risk assessments together with specialist committees in Japan and making decisions on construction methods to improve quality management. For projects already ordered, we frequently share information with specialist committees in Japan and incorporate the information from the committees into construction plans.

Civil Engineering Business: Development of Tunnel Construction Technology

To accelerate the development of an unmanned automated mountain tunnel construction system (Tunnel RemOS), we created a **simulated tunnel**. In addition to demonstration experiments at mountain tunnel sites around the country, we will develop the ability to simultaneously and remotely control multiple construction machines, and automated and autonomous operation technologies with a view toward the completion and commercialization of an entire system in FY2027.

Overview of the simulated tunnel

- Location: Nasushiobara, Tochigi Prefecture
- Tunnel cross-section: Approx. 66 m²
- Tunnel length: Approx. 47 m

Features

- An experiment for the simultaneous remote control of three construction machines from a remote control room
- An unmanned construction experiment remotely controlling equipment from a remote location using satellite communication and other technology
- Remote operation training using virtual reality (VR)

Forward plans

- FY2025: Building of a system for simultaneously controlling multiple construction machines and development of a system for automated and autonomous control of wheel loaders and hydraulic shovels (partial introduction to the remote-control system)
- FY2027: Completion and commercialization of an entire system



Building Business: "Improvement of Planning and Proposal Capabilities"

Medium-to-large-sized wooden buildings has proceeded from the stage of technology development in the previous fiscal year to the stage of verification with tangible projects.

Up to the previous fiscal year

- In October 2022, a plan using the Panel & Unbonded Anchor (P&UA) construction method (unidirectional frame structure)*1 was evaluated.

Activities in the current period (first half)

- The first tangible project using this construction method was planned and construction commenced in November 2023.
- Joint technology development is under way for a P&UA construction method (bidirectional frame structure).

We aim to acquire an evaluation in October 2024 with a view towards development into an actual project.

Forward plans

- We will accumulate expertise through the implementation of actual projects with data collection with a view towards full-fledged business.



*1 P&UA construction method (unidirectional frame structure)
A construction method developed by the P&UA Construction Method Joint Technical Development Group for the wooden construction of unidirectional frame structures and loadbearing walls

Data collection to rationalize structural design

Data collection concerning habitability
(Sound insulation and psychological and ecological effects)

Data collection concerning durability

Practical study of details specific to wooden buildings

Study of construction methods specific to wooden buildings
(construction sequences, erection of a building and other matters)

Interpretation of laws specific to wooden buildings
(Fireproof coatings, heat insulation and other matters)

Accumulation of cost reduction expertise
(Supply chain, building information modeling (BIM) for the calculation and reduction of volume of structure, rationalization of details, development of experienced personnel and other matters)

Asset Value-Added Business: Evolution towards the Circular Reinvestment Model

In September 2023, we commenced the operation of Nishimatsu Private Reit, Inc. It is a non-listed open-end real estate investment corporation with Nishimatsu Asset Management Co., Ltd., a consolidated subsidiary, as asset management company.

Using this investment corporation, we will replace assets in a timely manner and take other actions to accelerate the development and enhancement of the circular reinvestment model with the goal of quickly reaching a balance of assets under management of **100** billion yen in the investment management business.



Toranomom Hills Business Tower



NCO Sapporo

Results of The 2nd Quarter

- ✓ Consolidated results for the current period were: net sales of **190,900** million yen (up **21.4%** year on year), operating income of **9,900** million yen (up **2.1%** year on year), ordinary income of **10,600** million yen (up **0.9%** year on year) and profit attributable to owners of parent of **7,100** million yen (down **2.9%** year on year).
- ✓ Operating income was higher than forecast at the beginning of fiscal year, mainly because of good progress in negotiations, which enabled the acquisition of design changes in civil engineering projects earlier than expected, together with the sale (recovery) of a real estate business in the first half that was expected in the second half.
- ✓ Consolidated orders received reached **118,100** million yen, down **21.1%** year on year. On a segment basis, the Domestic Civil Engineering Business received orders **43,800** million yen (up **102%** year on year) and the Domestic Building Business **65,900** million yen (down **16.4%** year on year). Results are progressing steadily on the whole in comparison with the plan for the current period.

Outlook for FY2023 (as of Q2)

- ✓ The Domestic Civil Engineering Business made brisk progress in general and is expected to achieve final results as planned.
- ✓ The Domestic Building Business will also achieve final results as planned by making good progress in projects ordered that involve measures to address the risk of the prices of goods rising towards the end of fiscal year. To achieve the plan, we will keep a close eye on risks that may impact our financial results, such as the prices of materials remaining high and a tight labor demand-supply situation.
- ✓ Although both the Rental Business and the Sales Business performed as planned, Real estate market conditions continue to be uncertain. We will invest prudently in consideration of efficiency.

Progress against Q2 & Q4 Plans

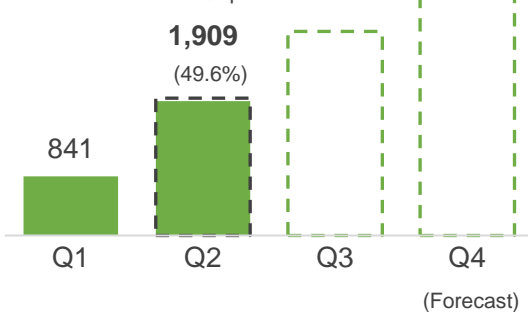
(100 million yen)

Consolidated	2023/09 (Q2)				2024/03 (Q4)	
	Initial Forecast ^①	Results ^②	Difference ^{② - ①}	Progress ^{② / ①}	Initial Forecast ^③	Progress ^{② / ③}
Orders received	—	1,181	—	—	3,250	36.3%
Net sales	1,950	1,909	▲40	97.9%	3,850	49.6%
Gross profit (ratio)	—	205 (10.8%)	—	—	370 (9.6%)	55.6%
Operating income (ratio)	70 (3.6%)	99 (5.2%)	29 (+1.6pt)	141.6%	150 (3.9%)	66.1%
Ordinary profit (ratio)	68 (3.5%)	106 (5.6%)	38 (+2.0pt)	156.7%	147 (3.8%)	72.5%
Net income (ratio)	44 (2.3%)	71 (3.7%)	27 (+1.4pt)	162.5%	97 (2.5%)	73.7%

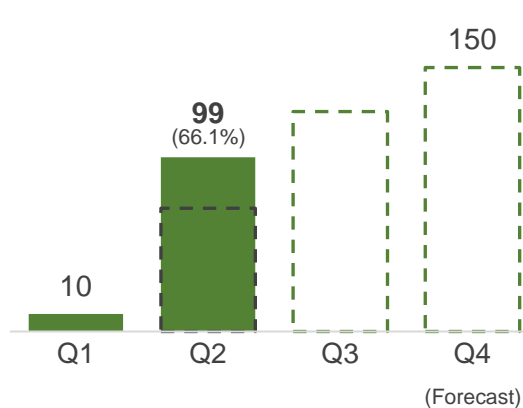
Net sales

() indicates the progress rate against Initial Forecast

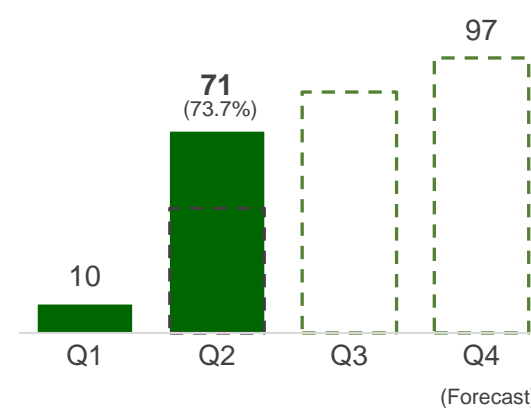
Black dotted Line : Q2 planned value



Operating income



Net income



Technology Development

We announced the development of a number of technologies in connection with the Tunnel RemOS system for an unmanned automated construction of mountain tunnels. This technology will help to resolve issues faced by the industry, specifically safety in tunnels and the labor shortage. As a pioneer in the industry, we will continue to develop technologies and conduct on-site tests and verifications.

- Development of Pi-Lif (Pipe Lifter) and the Application of Long Steel Pipe Injection Forepiling (AGF-Sq) in Construction

<https://www.nishimatsu.co.jp/news/2023/pi-lifagf-sq.html>

- Development of Sprayed Concrete Guide System

https://www.nishimatsu.co.jp/news/2023/post_85.html

- Automated Operation of Measuring System

https://www.nishimatsu.co.jp/news/2023/post_91.html

Sustainability

- ✓ In September 2023, we published Integrated Report 2023 to enable stakeholders to better understand our value co-creation activities.

<https://www.nishimatsu.co.jp/esg/report/>

- ✓ We established Jack-up Wind Farm Construction Co., Ltd. for purposes including the joint ownership of self-elevating platform (SEP) vessels for the construction of large wind turbines. Its goal is to receive orders for wind turbine facility construction projects given that it is expected that this market will expand.

<https://www.nishimatsu.co.jp/news/2023/15mw.html>

- ✓ In September 2023, Thai Nishimatsu Construction Co., Ltd., one of our consolidated subsidiaries, was recognized by the Thailand Greenhouse Gas Management Organization (TGO) as a company positively working to address its carbon footprint.

<https://www.tgo.or.th/2023/index.php/th/post/tgo>