

Progress against Medium-Term Management Plan 2025

for 3rd Quarter of Fiscal Year Ending March 31, 2024

February 6, 2024

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.

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Disclosure of Progress against 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.

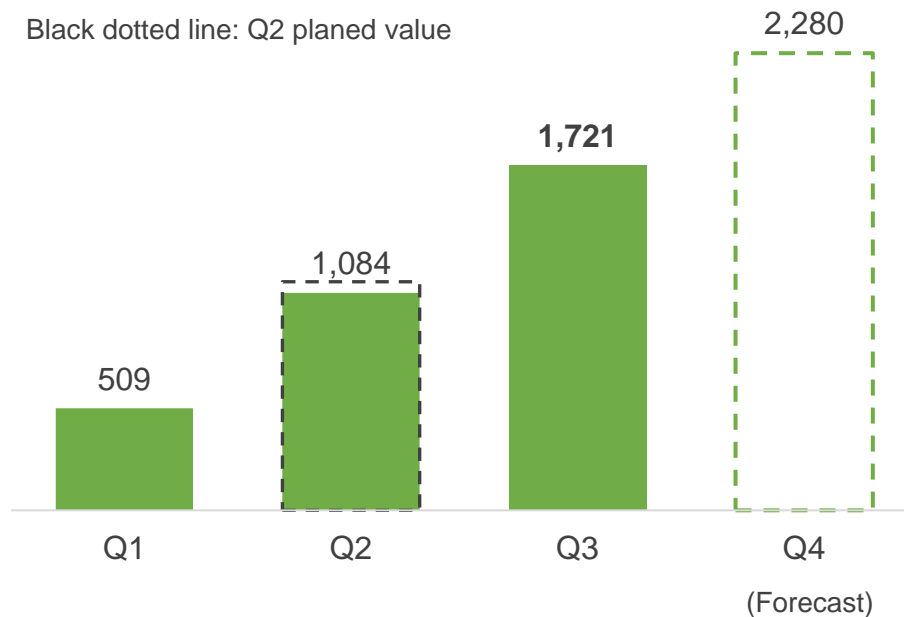
In this Progress against MTMP2025 for the 3rd quarter, we will report the progress in comparison to the plan regarding financial information, including **[Revenue Improvement Plan]** and **[Results]**, as well as non-financial information about **[Sustainability]** and other matters.

Building Business

- ✓ For the third quarter under review, net sales stood at **172,100** million yen (up **44.8%** year on year) and gross profit was **7,500** million yen (up **5,700** million yen year on year). The gross profit margin rose from year on year 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 are received is expected to be as planned.

Net Sales

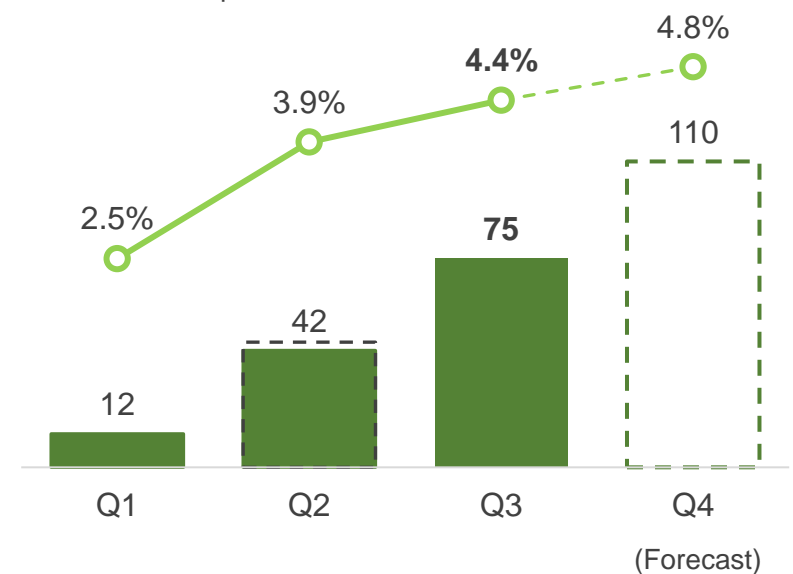
Black dotted line: Q2 planned value



Gross Profit/Gross Profit Margin

(100 million yen)

Black dotted line: Q2 planned value



(100 million yen)

Building Business

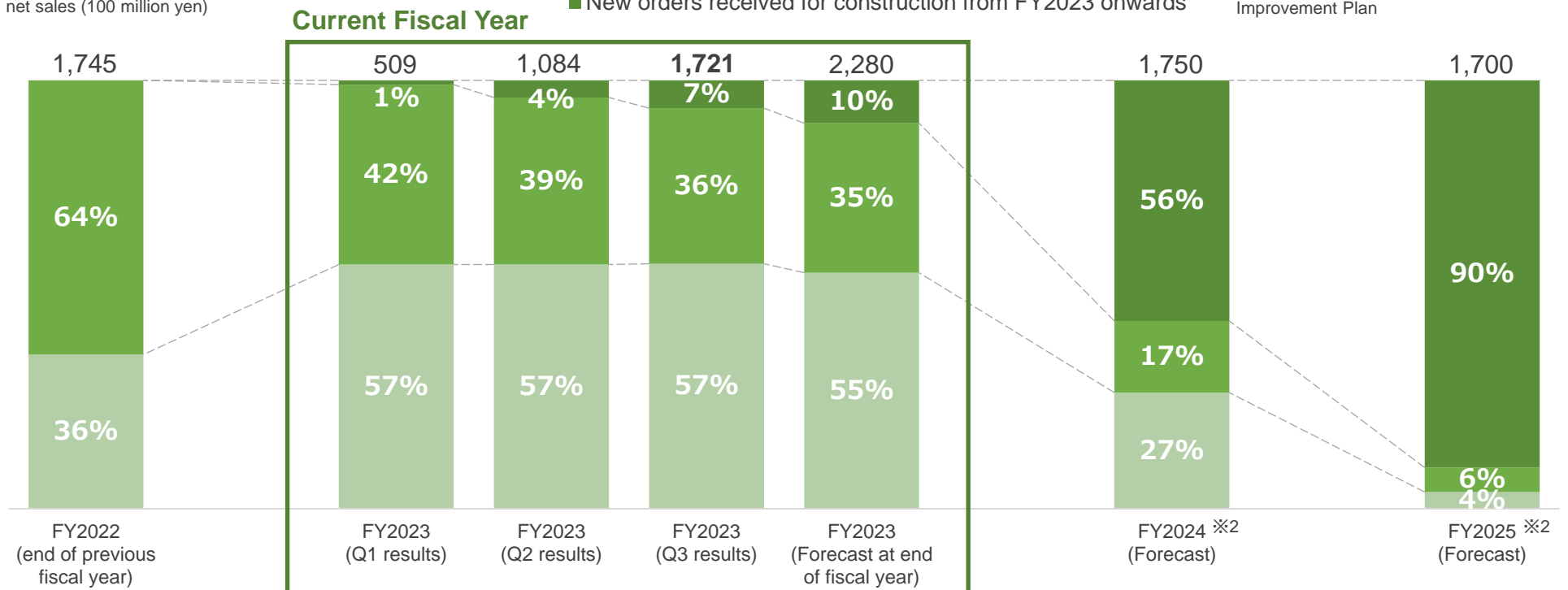
- ✓ Component ratio of net sales classified by the existence or absence of an impact from the rising prices of goods were roughly as planned.
- ✓ We will continuously work on activities for receiving orders that properly reflect the prices of materials and labor. Then, the net sales component ratios 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)

- Impact due to rising prices of goods
- No impact due to rising prices of goods ※1
- New orders received for construction from FY2023 onwards

- ※1 Construction projects for which quotations properly reflect the prices of materials and labor
- ※2 Planned value as of being revised Revenue Improvement Plan



International Business(Civil Engineering)

- ✓ For the third quarter under review, net sales stood at **14,700** million yen (up **76.8%** year on year) and gross profit was **600** million yen (up **2,900** 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 a number of countries, the prices of materials and energy remained high, so we will continue to watch for risks.
- ✓ At present, we are working on competitive bidding for multiple construction projects, aiming to receive orders for new ones. As stated under "Sophistication of construction site management," for a project in a new market in particular, we hold several technical meetings with an internal expert committee during the bidding phase, thus identifying and assessing risks and carefully considering countermeasures before determining the construction method and others.

Results of The Third Quarter

- ✓ For the third quarter ended December 31, 2023, net sales and profits increased year on year. Net sales stood at **294,800** million yen (up **20.3%** year on year), operating income was **14,800** million yen (up **24.5%** year on year), ordinary income was **15,600** million yen (up **25.3%** year on year) and profit attributable to owners of parent was **10,200** million yen (up **17.3%** year on year).
- ✓ Consolidated orders received reached **243,900** million yen, up **6.1%** year on year. On a segment basis, the Domestic Civil Engineering Business received orders of **63,300** million yen (up **12.0%** year on year) and the Domestic Building Business **172,400** million yen (up **40.2%** year on year). Orders increased significantly year on year due to the fact that orders received for some construction projects were brought forward, in addition to the growth in orders received for large-scale construction projects from new customers and those for government construction projects in the Domestic Building Business. Given their impact, orders received are expected to exceed the initial forecast.

Outlook for FY2023 (as of Q3)

We revised the full-year forecast for the fiscal year under review as follows.

(100 million yen)

Consolidated	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Initial forecast	3,850	150 (3.9%)	147 (3.8%)	97 (2.5%)
Revised forecast	3,875	165 (4.3%)	170 (4.4%)	114 (2.9%)

- ✓ Net sales and profits in the domestic and overseas construction businesses made generally brisk progress and should be in line with the plan. We will keep a close eye on persistently high materials prices and the tight labor demand-supply situation toward the end of the fiscal year because risks remain.
- ✓ In the Asset Value-Added Business, the rental business remained in line with the forecast. The sales business is expected to exceed the initial forecast. Because uncertainties remain about the conditions of the real estate market, we will make new investments prudently in consideration of efficiency.

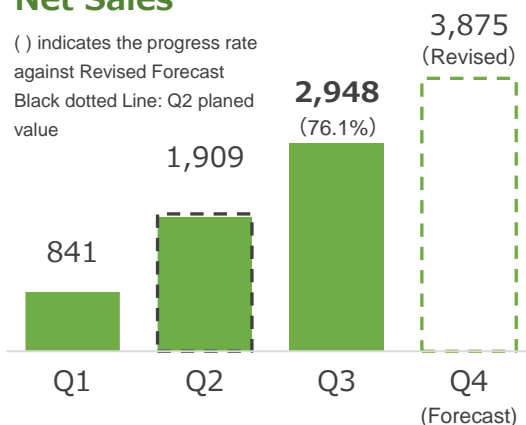
Progress against Q4 revised forecast

(100 million yen)

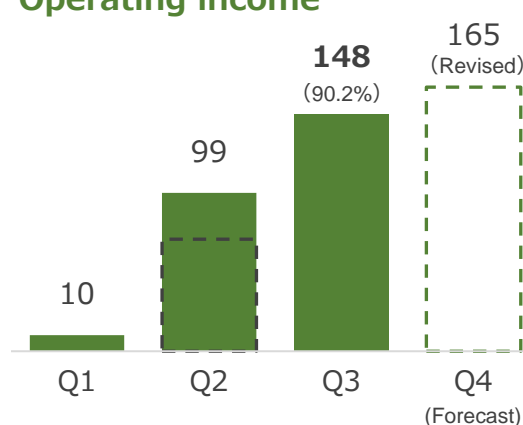
Consolidated	2023/12 (Q3)		2024/03 (Q4)		
	Results ①		Initial Forecast ②	Revised forecast ③	Progress ① / ③
Orders received	2,439		3,250	3,360	72.6%
Net sales	2,948		3,850	3,875	76.1%
Gross profit (ratio)	303 (10.3%)		370 (9.6%)	380 (9.8%)	79.9%
Operating income (ratio)	148 (5.0%)		150 (3.9%)	165 (4.3%)	90.2%
Ordinary profit (ratio)	156 (5.3%)		147 (3.8%)	170 (4.4%)	92.0%
Net income (ratio)	102 (3.5%)		97 (2.5%)	114 (2.9%)	90.3%

Net Sales

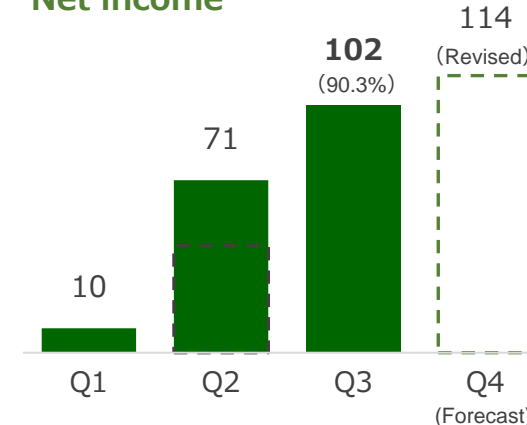
() indicates the progress rate against Revised Forecast
Black dotted Line: Q2 planned value



Operating income



Net income



Technological Development and Awards

- ✓ For replacement of deck slabs of expressways, we have developed a device that makes the installation of new slabs more efficient by using a large forklift. This has made it possible to transport and install slabs safely, easily, and accurately even where use of a crane is restricted.

https://www.nishimatsu.co.jp/news/2023/post_96.html

- ✓ At the 60th Environmental Engineering Research Forum hosted by the Committee of Environmental Engineering of Japan Society of Civil Engineers, the biomethanation technology applying MBfR, for which we are involved in joint research, received the Environmental Technology and Project Award.

https://www.nishimatsu.co.jp/news/2023/post_101.html

- ✓ In the 9th Sustainable Finance Awards hosted by Research Institute for Environmental Finance, our initiatives on the Sustainability-linked bonds, which we issued in July 2023, were highly evaluated and granted the award of excellence.

<https://www.nishimatsu.co.jp/news/2024/9.html>

Measures to Ensure Compliance with Upper Limits on Overtime Applied in FY2024

Since the Act on the Arrangement of Related Acts to Promote Workstyle Reform was enforced in 2019, we have been endeavoring to reduce the number of hours of overtime toward the application of the regulations to the construction industry in FY2024. Measures we have taken to strengthen tangible aspects include establishment of a new department, expansion of systems, and the introduction of DX tools.

- ◆ Established the Worksite Engineering Innovation Center at each branch and consolidated, standardized, and streamlined specific operations
- ◆ Introduced flexible work hours, work-from-home system, and others
- ◆ Introduced systems for innovating business flow, such as Buildee, and developed and improved the telecommunication environment of sites
- ◆ Drove DX by introducing ICT tools suitable for the conditions of individual sites

In addition to the above, to change the mindset of individual employees, we monitored overtime each month and disclosed and shared the information with employees. Based on the information, we have identified and shared problematic points and have repeatedly developed and implemented solutions. We believe that complex, synergistic interactions of the introduction of systems and tools with employees' awareness reform will enable us to respond to the application of regulations in the next fiscal year and beyond.

E (Environment): Initiatives to Preserve Biodiversity

- ✓ We participate in “Kigyo-no-Morizukuri (forest creation by companies)” activities, an initiative of the Bureau of Waterworks of the Tokyo Metropolitan Government. We preserve the water source forest at Nishimatsu Forest. Having been started in 2017, it was held for the eighth time this year.

[Website of the Bureau of Waterworks of the Tokyo Metropolitan Government on *Kigyo-no Mori* \(Naming Rights\)](#)



- ✓ We hold Biodiversity Conservation Activities in Mt. Fuji in collaboration with an NPO. Having started in 2016, these activities were held for the sixth time this year.

This time, a total of 32 people participated and removed non-native plants.

[Website of Fujisan Club, an authorized NPO](#)



With awareness of "Nature Positive", that is, halting and reversing the loss of nature and biodiversity, we will continue to make a contribution both through and external to our business activities.

E (Environment): Initiatives to Shape a Recycling-based Economy

- ✓ In the FY2023 Awards for Promotors of the 3R (Reduce, Reuse, and Recycle), Shiga Konan Site was granted the Chairman Award. The award was granted in recognition of 3R efforts made using leading-edge IT under the theme, “3R Innovated with IT (Practicing Three-way Satisfaction)”.

We received the award for the eighth consecutive year since 2016, with a cumulative total of 22 initiatives winning the award.

[Website of 3R Suishinkyogikai](#)



- ✓ In December 2023, we joined the Japan Partnership for Circular Economy that was launched by the Ministry of Economy, Trade and Industry and the Ministry of the Environment. We will cooperate to government-led initiatives to build a circular economy and growth-oriented, resource-autonomous economy.

[Japan Partnership for Circular Economy, Ministry of Economy, Trade and Industry](#)

S (Society): Human Resource Development and Improvement of Work Environment

- ✓ In November 2023, we began to operate a talent management system. The system is aimed at ensuring the appropriateness of support for career development by each employee, as well as employee development, staff assignment and evaluation. At present, we are collecting information including employees' capabilities, experiences, and desired career paths, so as to make more effective use of the system.

- ✓ In December 2023, we held the 1st Seminar for Creating a Comfortable Workplace. This seminar was held in response to employees' opinions that an understanding of women's health problems and workplace communications are necessary for building an environment where women can work vibrantly. Pairs of a female employee and her immediate superior participated in the seminar and exchanged opinions.

Many of the employees who participated in the seminar gave positive comments, such as "It served as a good opportunity for us to understand each other" and "I could notice that I had unconscious assumptions about women."



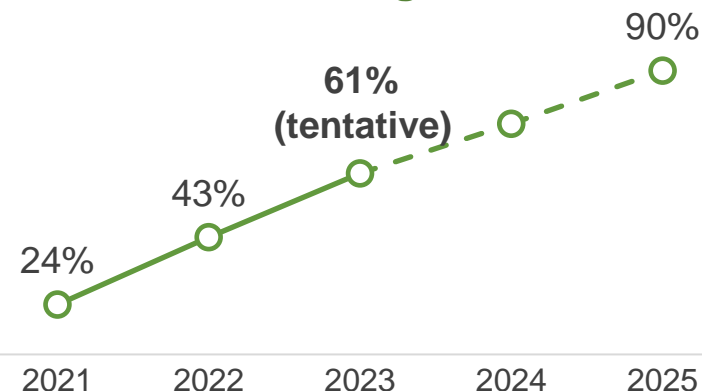
S (Society): Co-creation with Supply Chain and Partner Companies

Construction Career Up System (CCUS) is a system for recording skilled workers' work history, qualifications, and others. Industry-wide efforts are being made to promote this system under the initiative of the Ministry of Land, Infrastructure, Transport and Tourism. We are focusing our efforts on spreading CCUS, understanding that our tasks are to secure actors at partner companies, which support the construction industry at its foundation, and to improve the treatment of skilled workers.

In FY2023, we achieved an industry-leading CCUS Card scanning rate, thanks to people from each site and partner companies. We will continue to take measures to increase the card scanning rate, aiming to achieve 90% in FY2025 as the immediate target.



CCUS Card scanning rate



G (Governance): Sustainability Committee meeting

This fiscal year, we the Sustainability Committee established as an advisory body to the Board of Directors, thus arranging a system for promoting sustainability. To incorporate diverse values and experts' opinions into our discussion for practicing sustainability, we invited Kunio Ito, Head of Hitotsubashi CFO Education and Research Center as an external expert member.

In November 2023, we held the first meeting of the Sustainability Committee, where members deliberated on key issues and the process of identifying them. Key issues were identified based on existing ones by evaluating opportunities and risks on two axes of materiality for society and the company. Because we have completed the identification of key issues, going forward we will attempt to show the relationships between key issues and our business activities and instill them among employees.

Under the new system for promoting sustainability, we will accelerate initiatives in the non-financial field, including human capital management, and information disclosure.

