

Toward Sustainable Growth and Development

Midterm Management Plan 2017

FY2015 - FY2017

May 13, 2015



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Target Vision as a Company

Corporate Philosophy

Providing society with important structures and services using the technologies and experiences we have acquired to help establish a sustainable society and environment where people can live with peace of mind.

Sustainable Growth
Is Essential

Build Win-Win Relationships With All Stakeholders

【Target Vision as a Company】

- ★ Earn solid trust while consistently striving to be an appealing company.
- ★ Be a company that creates new value while working with stakeholders to resolve social issues.

Nishimatsu Construction's Business Environment

Construction Investment in Japan

- Grand Design of National Spatial Development towards 2050, Japan introduced by MLIT
- Regional revitalization through "Abenomics"
- Promotion of public works services that leverage private-sector dynamism
- Aging infrastructure
- Sense of uncertainty beyond the Tokyo Olympics

Construction Industry Employment Market in Japan

- Labor shortage accompanying population decline
- Revision of three construction related laws

Global Environmental Issues

- Deepening environmental crisis
- Improvement in environmental consciousness and perceived value

Overseas Trends of Japanese Companies

- Acceleration of globalization
- Asia a key site for Japanese companies

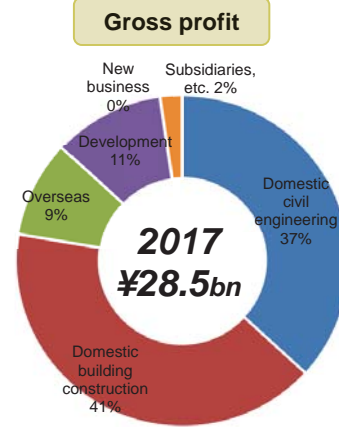
Management Reform of Nishimatsu

- Switch to corporate value management
- Corporate governance enhancement

Management Policies and Objectives

Sales scale: Stable human resource procurement and gradual expansion of sales scale
Profits: Establish base for high earnings built on pursuit of efficiency and profitability

Consolidated		2014 Results		2017 Target	
Construction orders received		345.8		330.0	
Net sales	Construction	333.8		333.0	
	Real Estate, etc.	9.1		12.0	
	Total	342.9		345.0	
Gross profit	Construction	19.7	5.9%	24.8	7.4%
	Real Estate, etc.	3.0	33.2%	3.7	30.8%
	Total	22.7	6.6%	28.5	8.3%
Income from operations		8.7	2.5%	12.5	3.6%
Ordinary income		9.9	2.9%	12.5	3.6%



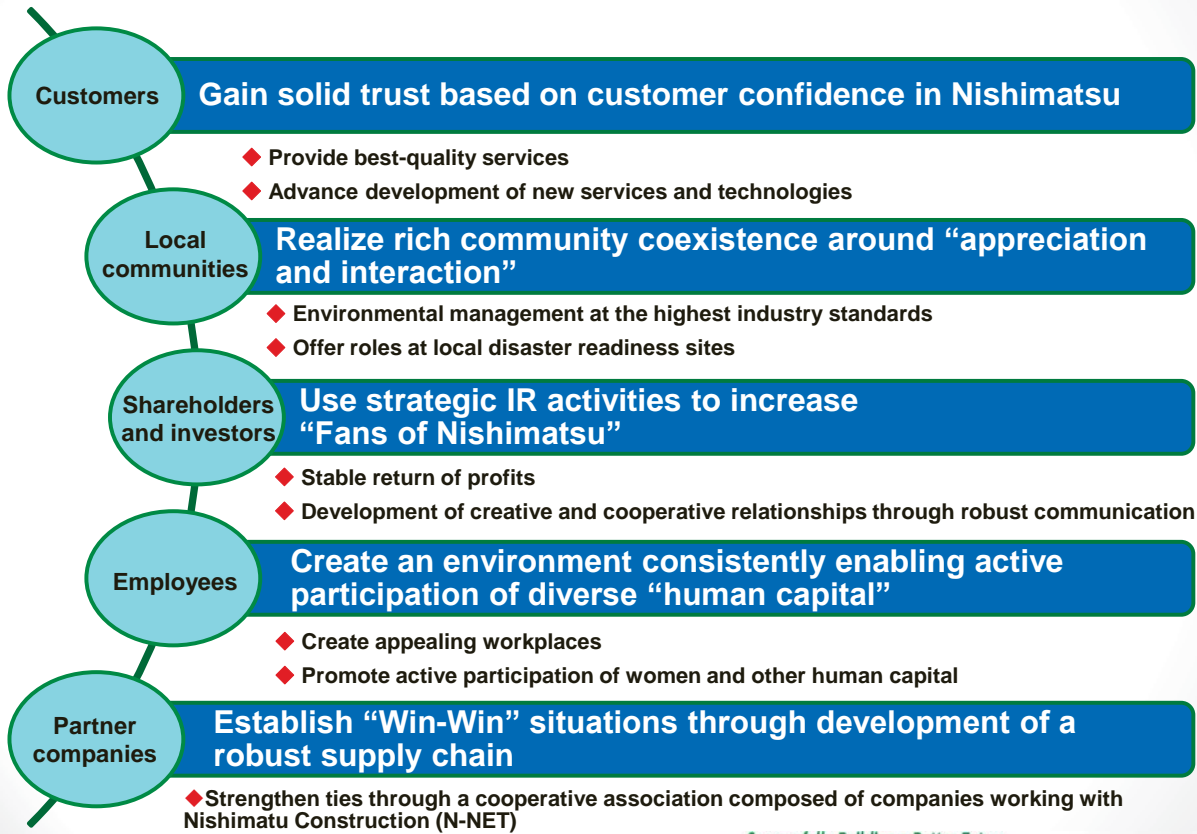
- ◆ Boost Gross Margin by 1.7 Percentage Points
- ◆ ROE of 7% or more
- ◆ Payout ratio of 30% or more

Basic Policies of Midterm Management Plan 2017

EARNINGS IMAGE



Building Win-Win Relationships



Key Strategies for Sustainable Growth

Strategies for Strengthening Core Businesses and Base

Gain solid trust from customers to establish the “Nishimatsu brand”

ACTION 4

Business Growth Strategies

Pursue reforms to achieve a business structure that responds flexibly to volatility in the external environment

CHALLENGE 3

Successfully Building a Better Future

- ◆ Establish high-earning business bases in construction, development and real estate
- ◆ Strengthen win-win relationships with stakeholders
- ◆ Promote environmental management at the highest industry standards
- ◆ Strengthen in-house base, including human capital training

- ◆ Advancement of infrastructure business and other new businesses
- ◆ Strengthen technology R&D from a long-term perspective
- ◆ Encourage innovation primed for commercialization

Civil Engineering Business Strategies

(Domestic)

[Consolidated] **Orders received: ¥100.0bn**
Net sales: ¥100.0bn, Gross profit: ¥10.5bn (10.5%)

- ◆ Create Base for Establishing Structure for High Earnings
 - Further strengthen measures for comprehensive evaluation method projects
 - Ongoing focus on post-disaster revitalization operations
 - Strengthen organization and individuals through training of young engineers
- ◆ Measures to Propel Future Civil Engineering Business
 - Deeper marketing to private-sector customers
 - Promote measures in the renovation business (including PPP and PFI business)
 - Develop new technologies, such as nuclear power backend business

Establish the Nishimatsu brand and a high-earnings structure while moving toward an appealing business marked by sustainable growth

Building Construction Business Strategies

(Domestic)

[Consolidated] **Orders received: ¥180.0bn**
Net sales: ¥180.0bn, Gross profit: ¥11.6bn (6.4%)

- ◆ Strengthen Our Foundation to Continuously Secure Stable Earnings
 - Dig in-depth into customer needs via organizational marketing
 - Strengthen frontline capabilities (= power to discover and resolve own problems)
 - Strengthen engineering-side construction management follow-up structure
- ◆ Concentrate on Competitive-edge Fields
 - Generate advantageous fields by strengthening planning and construction technology capabilities
 - Develop partnerships with customers throughout a building's lifecycle

Move toward a trusted business through embodying the customer's perspective

Overseas Business Strategies

[Consolidated] Orders received: ¥50.0bn
Net sales: ¥53.0bn, Gross profit: ¥2.7bn (5.1%)

- ◆ Secure Stable Profits and Improve Overseas Management Capabilities
 - Boost the level of risk management
 - Strengthen overseas organization and train local staff
- ◆ Tackling New Business Models
 - Promotion of infrastructure-related business (including PPP/PFI projects)
 - Effective utilization of assets held overseas
 - Expand into Laos and Cambodia (Mekong region)

With long-term objectives in mind, solidify business base while moving toward a business able to secure sustainable and stable profits

Development and Real Estate Business Strategies

[Consolidated] Orders received: ¥12.0bn
Investment plan: ¥35.0bn (3 years), Gross profit: ¥3.7bn (30.8%)

- ◆ Strengthen Business Generation Capabilities
 - Generate development business to promote attractive urban development
 - Aggressively roll out one-stop real estate solutions services
 - Propose commercial ventures leveraging customer-owned real estate
- ◆ Augment Earning and Asset Structure
 - Invest in profitable real estate and roll out real estate value enhancement business
 - Build an asset portfolio that produces high earnings

Move toward a business capable of offering high-added-value solutions

ACTION Environmental Management

Aim for Corporate Brand as an Advanced Environmental Management Company

- ◆ Strengthen Environmental Management Promotion Structure
 - Strengthen environmental management promotion through new establishment of Safety Quality & Environment Headquarters
 - Build structure for unified Nishimatsu Group measures
- ◆ Practical Environmental Activities for Becoming an Advanced Environmental Management Company
 - Promotion of a low-carbon society (pursue carbon-free position)
 - Conduct activities to preserve biodiversity
 - Promotion of a recycling-based society (pursue zero industrial waste emissions)
 - Aggressively promote environmental solutions

Realize a sustainable society to pass on a sound global environment to the next generation

CHALLENGE New Business Creation

Groom Profitable Businesses to Complement Core Businesses beyond Fiscal 2020

- ◆ Multifaceted Business Development in Our Core Business
 - Aggressively promote measures and expand investment in the infrastructure business
 - Promote joint R&D between industry, academia and government to generate new business technologies
- ◆ Enter New Business Domains
 - Identify new businesses unaffected by construction investment trends
 - Promote collaboration with other industries
 - Roll out the LED farm project

Advance new businesses and services that help to resolve social issues



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Future plans, strategies, business forecasts, etc. in this Midterm Management Plan 2017 presentation are based on information available at the time this document was prepared. Various factors may cause actual results to differ materially from stated targets.