

FY2021-FY2023

Medium-Term Management Plan 2023

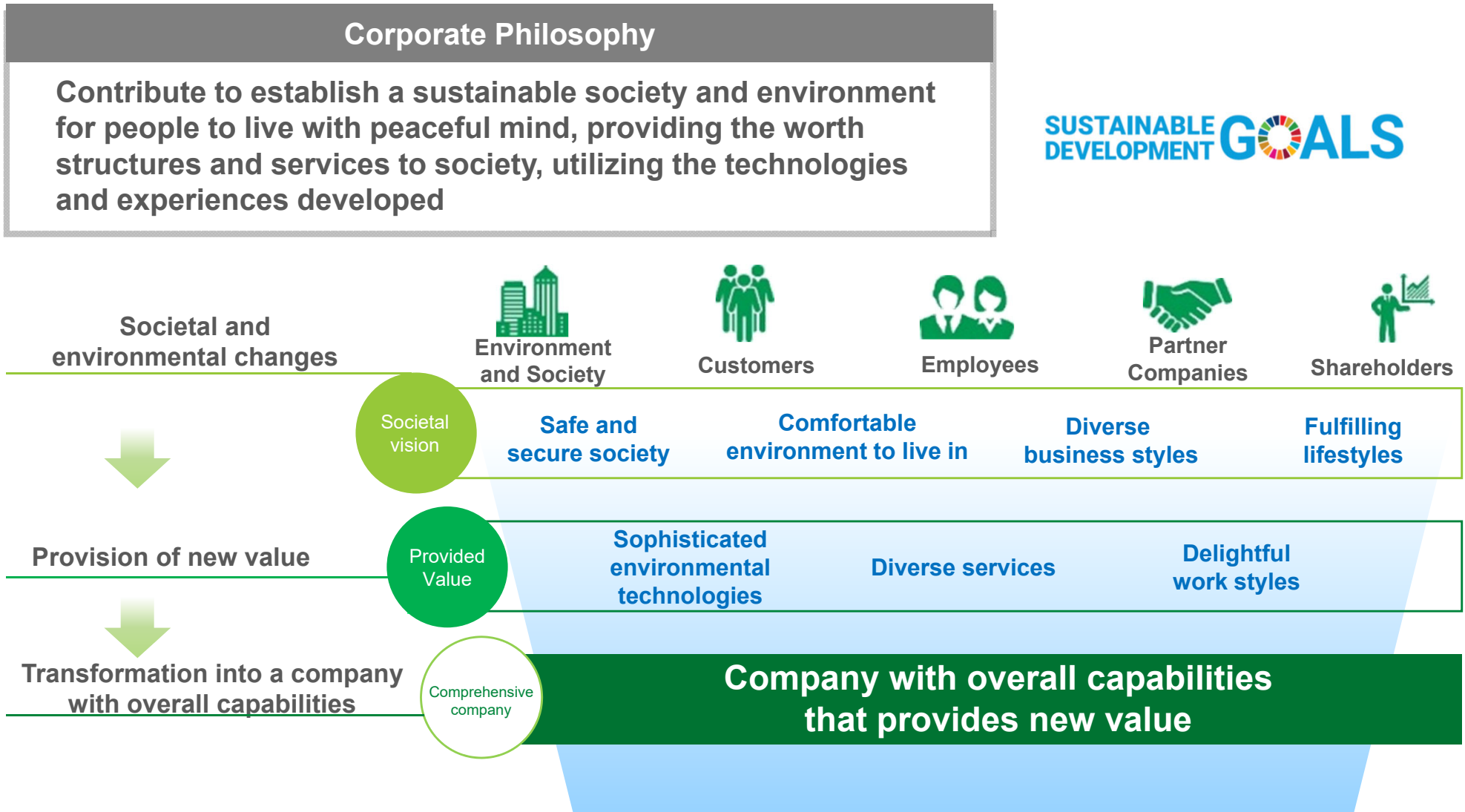
May 2021

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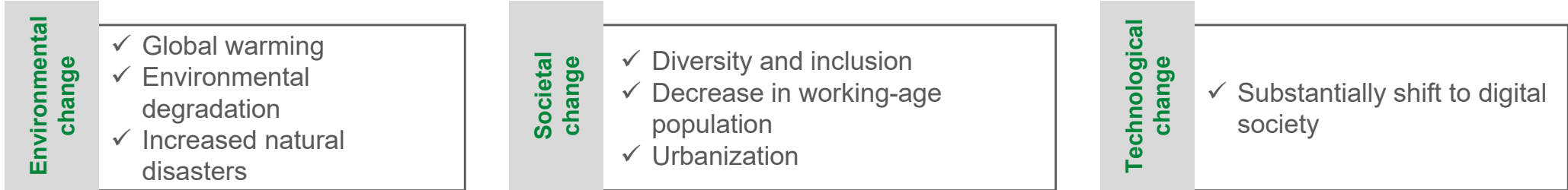
Our society and environment are changing rapidly, as can be seen in climate change, increasing natural disasters, diversity and inclusion, decreasing working-age population, and the shift to a digital society.

To adapt ever-changing needs, Nishimatsu Construction is to transform into **the company with overall capabilities that provides new value**—and have established a long-term vision, Nishimatsu Vision 2027— in line with our Corporate Philosophy that **contribute to establish a sustainable society and environment for people to live with peaceful mind**.



Nishimatsu Construction to provide value to society through the businesses to achieve a sustainable society, taking societal and environmental changes into consideration.

Societal and environmental changes



Provided Value to society

● **Sophisticated environmental technologies**

● **Diverse services**

● **Delightful work styles**

Toward achieving a safe and secure society

- Constructing social infrastructure and buildings
- Extending lifespans of infrastructure and buildings
- Providing disaster prevention and mitigation technologies and services

Toward achieving comfortable environment to live in

- Expanding adoption of renewable energy
- Promoting net zero energy buildings (ZEB)
- Reducing carbon emissions of business activities (net zero CO₂ emissions by 2030)

Toward achieving diverse business styles

- Providing construction-related services to meet diverse business styles of customers

Toward achieving fulfilling lifestyles

- Providing work environments that every employee can thrive and shine
- Providing safe and secure workplaces (with the buildings considering health and wellbeing)

In the previous Medium-Term Management Plan 2020, as the **period for establishment of the foundations of a company with overall capabilities**, we worked on evolving the construction business and expanding our fields of business with growth in new businesses and the Urban Development & Real Estate Business.

In April 2021, we have earnestly launched to achieve a decarbonized society, focusing on the environmental/energy fields.

In the Medium-Term Management Plan 2023, as **the period for transforming into a company with overall capabilities**, we will **constantly improve our corporate value** by developing our business model with "organic linking".

Medium-Term Management Plan 2020
FY2018-2020

Period for establishment of the foundations of a company with overall capabilities

- ◆ Evolve the construction business
- ◆ Expand our business fields with growth in New Businesses and the Urban Development & Real Estate Business

Medium-Term Management Plan 2023
FY2021-2023

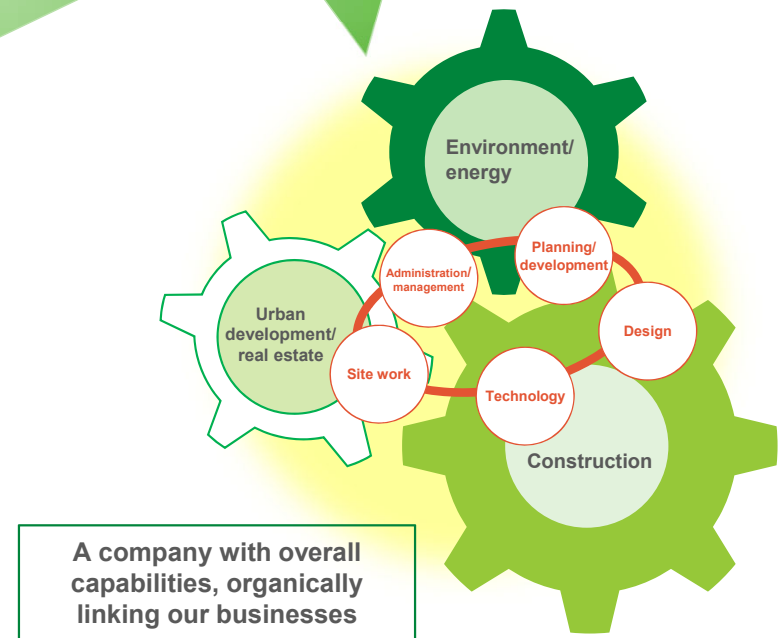
Period for transforming into a company with overall capabilities

- ◆ "Organic linking" of businesses
- ◆ Launch to achieve a decarbonized society, focusing on the environmental/energy business
- ◆ Improve corporate value via collaboration with partner companies in different industries
- ◆ Improve corporate value through growth investment with high capital efficiency while maintaining a robust financial constitution, and provide strong shareholder returns

Constant improvement of corporate value

2027
Company with overall capabilities that creates new value

2030
Carbon neutral company



Consolidated Performance

Indicator	FY2017	Medium-Term Management Plan 2020			
		FY2018	FY2019	FY2020	
				Target	Result
Net sales	2,844	3,493	3,916	3,800	3,362
Operating income	228	249	253	250	209

(Unit: 100million)

- ✓ Net sales and operating income targets were exceeded in FY2018 and FY2019 as a result of strong investment in the construction industry.
- ✓ Both net sales and operating income did not achieve targets in FY2020 as a result of a decline in profitability of projects in the Construction Business and temporary decline in value of completed construction contracts.

Domestic Civil Engineering Business

Net sales and operating income targets were exceeded in FY2018 and FY2019 fiscal years as a result of steady progress in high-profit projects.

Net sales and operating income were both down in FY2020 due to poor progress in some large projects and difficulties in negotiations for changing design plans.

International Business (civil and building construction)

Net sales has been below target throughout FY2018, FY2019 and FY2020 fiscal years due to the low number of new projects coming in.

Particularly in FY2020, net sales and operating income both declined due to the impact of the COVID-19 pandemic such as reduced progress in infrastructure projects and delays and cancellation of building projects.

Domestic Building Construction Business

Net sales exceeded targets in FY2018 and FY2019 fiscal years as a result of progress in carry-over projects. However, operating income declined in FY2019 due to the impact of some large-scale low profit margin projects taken on with the aim of gaining construction experience.

Both net sales and operating income decreased in FY2020 due to a lack of progress in many construction projects.

Urban Development and Real Estate Business

Operating income increased significantly in FY2020 in part due to an office building being completed in Toranomon.

Consolidated Financial Performance

Indicator	FY2017	Medium-Term Management Plan 2020			
		FY2018	FY2019	FY2020	
				Target	Performance
ROE (%)	9.6	9.9	9.5	8 or more	8.5
Equity ratio (%)	48	42.3	39.6	Approx. 50	43.6
Debt-to-Equity ratio (times)	0.24	0.4	0.6	Approx. 0.3	0.6
Payout ratio (%)	30.8	30.6	30.7	30 or more	33.5
Payout per share (yen)	95	105	105	100 or more	105

ROE

'ROE of 8% or greater' was achieved in both FY2018 and FY2019 due to increased profits from the Construction Business. Despite, lower than target operating income and large extraordinary losses from defect rectification in FY2020, 'ROE of 8% or greater' was achieved as a result of income from selling of cross-holding shares.

Equity ratio and debt-to-equity ratio

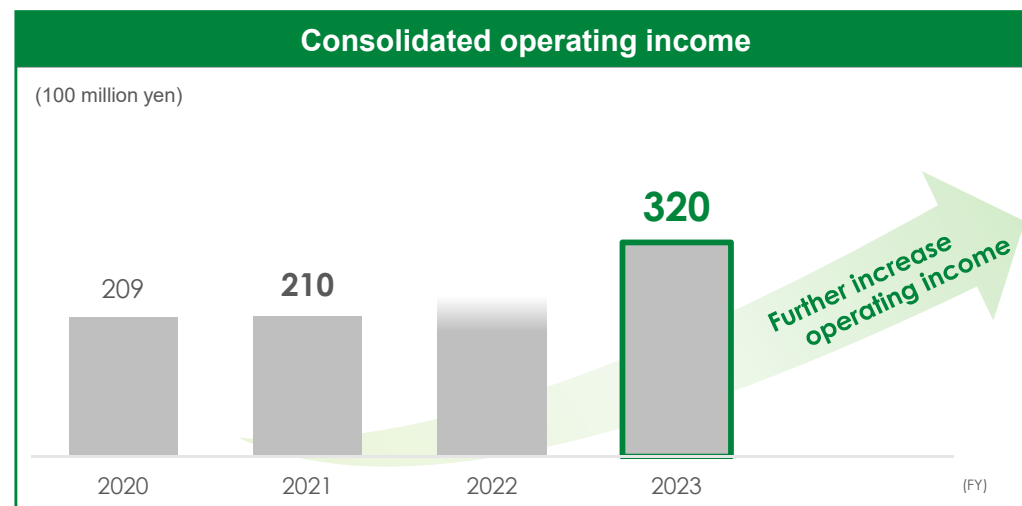
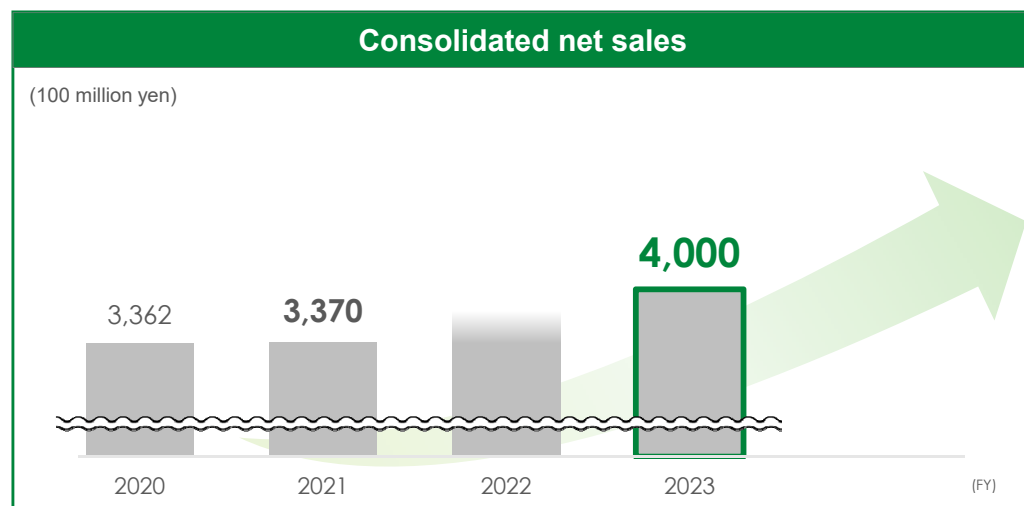
Equity ratio of around 40% and debt-to-equity ratio of about 0.5 times were maintained for the three fiscal years as a result of significant increase in accounts receivable for completed construction contracts from FY2018 and raising of funding via interest-bearing debt, despite attempting balance sheet management with a focus on capital efficiency and financial soundness.

Shareholder payout

Shareholder payout was stable over three fiscal years with payout ratios exceeding 30% and payout per share at 105 yen.

Review of Measures

Civil Engineering	Increased productivity: Expansion of ICT-Construction	<ul style="list-style-type: none"> Utilization of ICT and CIM and development of various underlying technologies Work volume per employee: Three-year average improved to 161 million yen (target for FY2023: 173 million yen)
	Increased productivity: New endeavor into design and build	<ul style="list-style-type: none"> Value of completed private sector work increased due to increased railway related work Three-year average: 25.2 billion yen (target for FY2023: 30.0 billion yen/year) Organizational strengthening of Design Department has not met targets, with work to continue
Building Construction	Increased productivity: Promotion of building information modelling (BIM) utilization	<ul style="list-style-type: none"> Steel frame construction of logistics facilities BIM utilized in design and build projects Number of projects BIM utilized in over 3 year period: 5 out of 14 projects (target for FY2023: 100%)
	Strengthened sales activities: Acquisition of new customers	<ul style="list-style-type: none"> Continued focus on logistics facilities Three-year average orders received: 66.9 billion yen (target for FY2023: 75.0 billion yen)
International	Expanded market: Finding markets in new countries	<ul style="list-style-type: none"> Started market analysis in six Southeast Asian countries Bid on one project in FY2020 (target contracted amount for FY2023: 65.0 billion yen)
	Strengthened sales division: Strengthened system for building marketing	<ul style="list-style-type: none"> Establishment of international sales department to utilize domestic sales network in overseas markets Increased employees at Thailand sales office toward increasing sales to foreign business clients
Urban Development and Real Estate	Improved profitability: Established business in areas of growth	<ul style="list-style-type: none"> Started in-house urban development projects Working spaces, residences, tourism and leisure facilities, living support facilities
Environment and Energy	Expanded market: Creation of businesses in new fields incl. energy and infrastructure	<ul style="list-style-type: none"> Collaboration in business utilizing storage batteries Started initiative in small-scale hydropower generation Development of infrastructure monitoring system and start of business

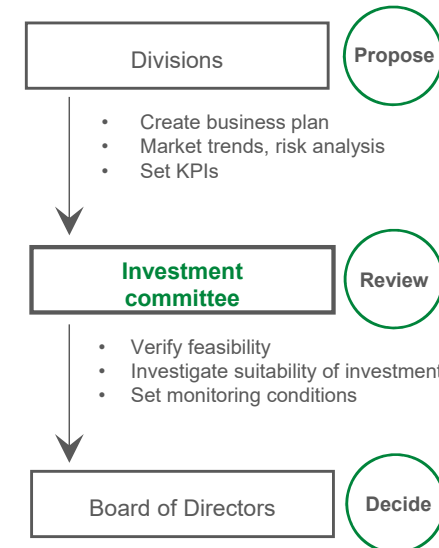


Segment		Net sales		Gross profit		Strategic fields	Operating income	
		FY2020	FY2023	FY2020	FY2023		FY2020	FY2023
Construction business	Domestic civil engineering	1,155	1,250	156	190	- Large-scaled/ highly-difficult work focusing on tunnels - Renewal (bridges, tunnels) - Land readjustment projects	209	320
	Domestic building	1,876	2,100	180	200	- Logistics facilities (ordinary temperature warehouses, earthquake proof warehouses) - Urban redevelopment business		
	Overseas (civil engineering/building)	182	370	13	20	- Civil engineering: ODA focusing on tunneling - Building: Local and foreign owned client projects		
Real estate, etc.	Development/real estate	119	265	48	105	- Increased value, sales, and REIT of real estate - Urban redevelopment business, land readjustment projects		
	Environment/energy	1	15	▲1	5	- Renewable energy business - Infrastructure-related service business		
	Side business, etc.	29	-	2	-			
Total		3,362	4,000	398	520			

(100 million yen)

Growth investment			Medium-Term Management Plan 2020 performance	Medium-Term Management Plan 2023	
				3-year plan	Total plan
Construction	Domestic civil engineering	- Saving manpower for tunnels - Developing automation technologies - Alliances and technical development in the renewal business	60	100	160
	Domestic building	- Establishing environmental design technologies - Utilization of BIM for material standardization and front loading			
	Overseas	- Training and development local engineers			
Urban development/ real estate	- Working spaces (offices) - Residences (dormitories/elderly facilities) - Urban redevelopment business, land readjustment projects (creating construction business opportunities)	520 (+100 switched)	510 (+350 switched)	1,030 (+450 switched)	
Environment/ energy	- Renewable energy business - CVC and other industry linking - Development of environmental technologies and creation of services	15	70	85	
Human resources	- Human resource development and system reform - Health and productivity management	25	30	55	
Total investment			620	710	1,330

Investment decision-making process



Subject to investment committee review

- Development/real estate business (real estate, trust assets, contributions, etc.)
- Environmental/energy business (business investment, CVC, etc.)

Structure of investment committee

Committee head:
General Manager of Management Division

Committee members:
External experts in real estate investment
External experts in the environmental/energy business

External experts in CVC, etc. investment

Improve corporate value with achieving a ROE of 12% or higher

Priority of capital strategy

1 Capital efficiency

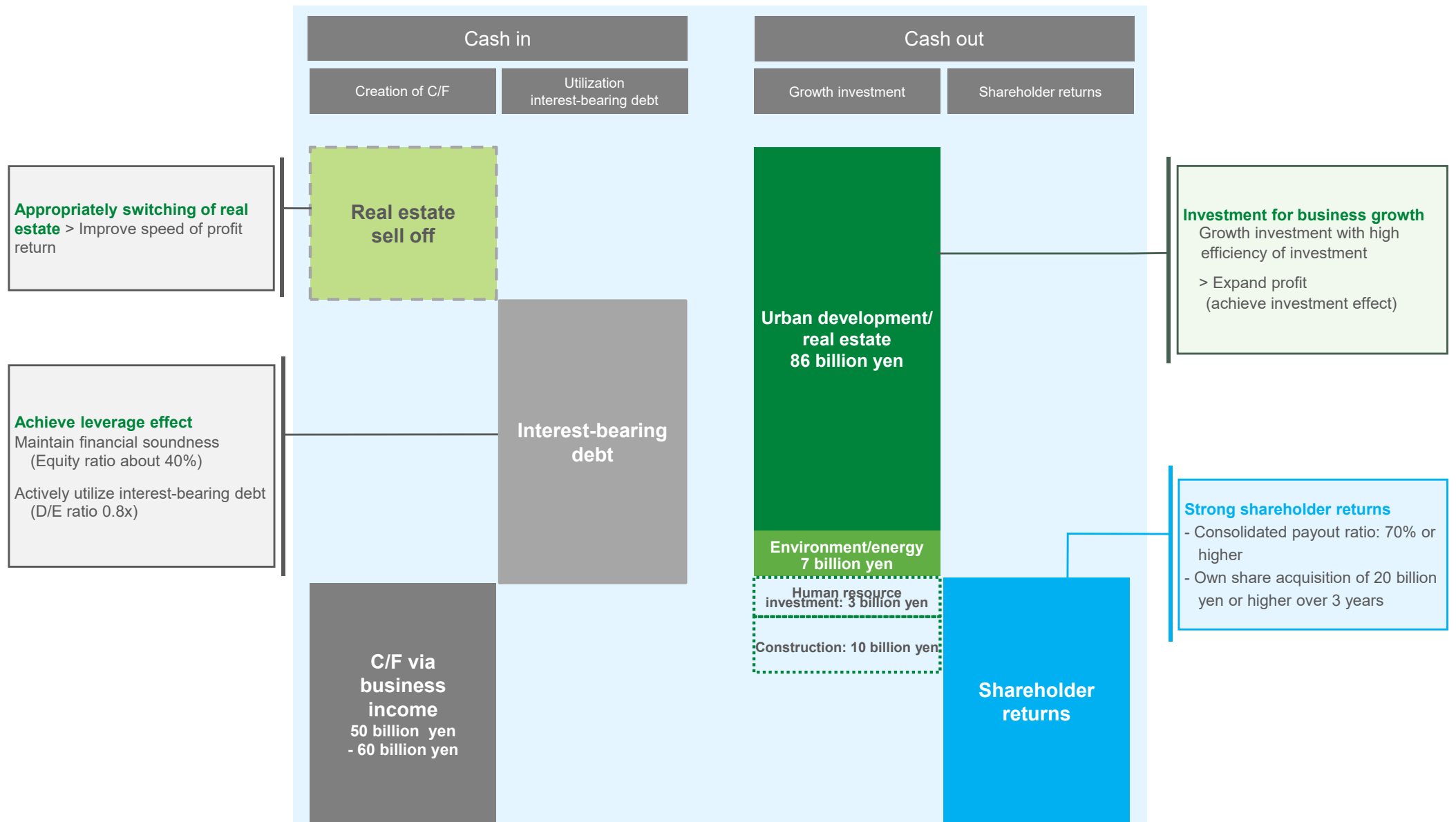
2 Financial soundness

3 Shareholder returns

Financial index		Medium-Term Management Plan 2020
Capital efficiency	ROE	8% or higher
Financial soundness	Equity ratio	Approx. 50%
	D/E ratio	Approx. 0.3 times
Shareholder returns	Consolidated payout ratio	30% or higher
	Acquire own shares	-

Medium-Term Management Plan 2023	
12% or higher	Growth investment with high investment efficiency > Expand business income Timely switching of real estate > Improve speed of profit return
Approx. 40%	Actively utilize interest-bearing debt while maintaining financial soundness
0.8 times	
Continuously 70% or higher	Strong shareholder returns - Stable shareholder dividends - Flexibly acquire own shares
Over 3 years, 20 billion yen or higher	

Procurement and allocation of three years of cash for the Medium-Term Management Plan 2023



Steadily focusing on large-scaled government projects, and expand business by distributing resources to the private sector and renewals fields, improving productivity with automation technologies

Market Trends

Our main parts, new government projects, is strong but flat, new movement to market of renewal and private sector

- New government projects: Market of new government projects currently high-contribution to our sales is flat or slightly increase
- Government renewal projects: Road companies released improvement schemes and accelerate large-scale renewal works
- Private: New capital investment stagnates, but maintenance and renewals of facility equipment increases
- Land readjustment projects: Schemes mainly progress in rural areas

Our Strengths

Top class technology and results in tunnel construction

- Currently developing unmanned / automated construction technology that integrates the cycle of tunnel construction
- Pioneer in development of regeneration technology of tunnel lining and invert
- Leader in industry in share of tunnel construction orders

Growth Strategy

Expand business with proactive proposals, positioning our tunneling technologies as resources of growth

- Optimal arrangement of human resources to growth fields considering efficiencies by technology development, while maintaining sales volume by utilizing technology and results in tunnel construction

Strengthen foundations to expand business

- Build system to increase orders for large-scale road renewal works
- Develop maintenance and management technologies, and strengthen capacity of design and build to increase orders for private projects
- Organic linking between each business to increase orders for land readjustment projects

Priority Measures

Challenge to large-scaled, highly-difficult tunnel projects

- Stably obtain orders of large-scaled highly-difficult projects by cumulating and strengthening technologies

Save manpower in mountain tunnel and shield tunnel projects

- Achieve high profitability and optimal arrangement of human resources, and save manpower through automation / remote technologies

Build system for large-scaled renewal works

- Build construction system for large-scale projects to include multiple works such as tunnels, roads and bridges by collaborating with bridge companies

Strengthen design and build capacity for private projects

- Increase orders by arrangement of training system and increasing personnel in engineering sector

Technology development looking ahead to obtain orders of renewal works

- Develop the new and advanced technologies required

Organic linking for orders of land readjustment projects

- Planning of highly feasible projects in cooperation with Urban Development & Real Estate Business
- Propose projects aligning with regions through entry from basic design stage

Projected Performance

	FY2020 (results)		FY2023 (projected)
Net sales	1,155		1,250
Gross profit	156		190

(100 million yen)

Focus on design and build of logistics facilities and urban redevelopment projects as prioritized fields
Improve productivity using BIM, and achieve competitive advantages through cost optimization

Market Trends

Expected expansion of logistics facilities, and other key markets also steady

- Logistics facilities: Expected to expand as a whole for material-handling warehouses and base-isolated warehouses
- Environmental facilities: Continued renewal projects for incineration plants
- Urban redevelopment projects: Number of authorized areas nationwide stays at 20 per year
- Offices: Medium-scale projects expected to expand mainly in metropolitan areas
- Rapid transition to a decarbonized society

Our Strengths

Close business collaboration from sales to construction, reliable construction capabilities and plentiful construction data that demonstrates construction results in focused markets

- Close cooperation system among sales, design, and construction departments
- Construction results in focused markets
 - Logistics facilities: ¥66.9bn (highest 3 year average for orders received)
 - Urban redevelopment projects: 62 areas (includes those under construction)
 - Incineration plants: 15 (in past 10 years)
- ZEB Ready achieved in FY2018

Growth Strategy

Strengthen arrangement of resources in focused markets to achieve competitive advantages based on expertise

- Focused markets
 - Logistics facilities (mainly ordinary temperature warehouses)
 - Environmental facilities (incineration plants)
 - Urban redevelopment projects
 - Offices (medium-scale projects in metropolitan areas)
 - Eco-friendly buildings

Strengthen resource distribution to focused markets

- Improve cost competitiveness to increase orders for logistics facility and environmental facility works
- Organic linking between each business to increase orders for urban redevelopment projects
- Improve environmental design technologies to increase orders for eco-friendly buildings

Priority Measures

Front loading using plentiful construction data, and utilizing BIM for standardization of members and elements

- Front loading with high probability to participate in design processes by the construction department
- Member standardization using BIM for logistics facilities

Establish expert committee for planning cost optimization measures

- Logistics facilities
 - Standardization of design, products and construction
 - Develop supply chain to handle standardization
 - Improve structural design (non-brace, base-isolated)
- Housing & environmental facilities
 - Rationalization with precast concrete (PC) for incineration plants and high-rise buildings

Promote digital transformation in construction

- Discover new technologies and promptly apply to the site
- Develop manpower saving technology by working with other companies

Organic linking for urban redevelopment project orders

- Planning of highly feasible projects in cooperation with Urban Development & Real Estate Business

Establish environmental design technologies

- Establish technologies introducing to actual proof and in-house development properties as a first step

Projected Performance

	FY2020 (results)	FY2023 (projected)
Net sales	1,876	2,100
Gross profit	180	200

(100 million yen)

The civil engineering division focuses on Official Development Assistance (ODA) in transportation infrastructure, mainly tunnels, using technological capabilities and abundant experiences

The building division accumulates achievement of building projects, and expand local and foreign-affiliated clients

Market Trends

Civil Engineering

- South-East Asia and Countries newly launched
- International market: Struggle to ensure stable profit due to severe competition of tender
- ODA market: Transportation infrastructure (road, railway) market expected to be expanded

Building

- Thailand and Vietnam: Japanese clients
- Huge growth in construction investment over next 10 years
- Thailand: Local and foreign-affiliated clients
- Triple size of Japanese clients in logistics facilities projects
- Thailand and Vietnam: New markets
- Activate development plans in urban areas

Our Strengths

Technological capabilities and trust developed in Southeast Asian countries

Civil Engineering

- Top class tunnel construction results among other Japanese contractors
- Form joint ventures with local and foreign-affiliated construction companies to utilize each others strengths

Building

- We, as a pioneering in Thailand, are trusted based on history and past achievement.

Civil Engineering & Building

- Business operating capabilities in line with regional features such as business practices in the countries we serve

Growth Strategy

Advance into growth fields with our competitive advantages, regardless of existing areas. Establish foundation in new markets and fields by FY2023

- Large-scaled infrastructure projects published from local governments in Hong Kong and Singapore, existing business field such as Japanese client's factory projects in Thailand are expected not to expand remarkably

Strengthen resource distribution to focused markets

Civil Engineering

- South-East Asia and Countries newly launched
- Focus on tunnel projects in ODA market utilizing our strengths in overseas construction experiences

Building

- Thailand and Vietnam: New markets
- Increase orders for building projects through organic linking with Urban Development & Real Estate Business
- Thailand: New clients
- Increase orders from new clients by establishing one-stop solution
- Increase orders from local & foreign-affiliated clients

Priority Measures

Civil Engineering

Develop system for ODA projects

- Develop system of preliminary survey and preparation to acquire projects in new countries
- Establish project team promptly to constitute joint ventures with local and foreign-affiliated construction companies

Building

Develop system for building projects

- Thailand & Vietnam: Use our development properties through collaboration with Urban Development & Real Estate Business to make relations with construction partners and cooperating companies
- Vietnam: Strengthen system and organization through joint ventures and business tie-up with local companies

Increase orders by strengthening business collaboration between Japan and overseas

- Develop business collaboration between domestic and international

Increase orders by providing new services

- Thailand: Provide construction related services through business tie-ups with facility maintenance and management companies, engineering companies, and survey equipment manufacturers

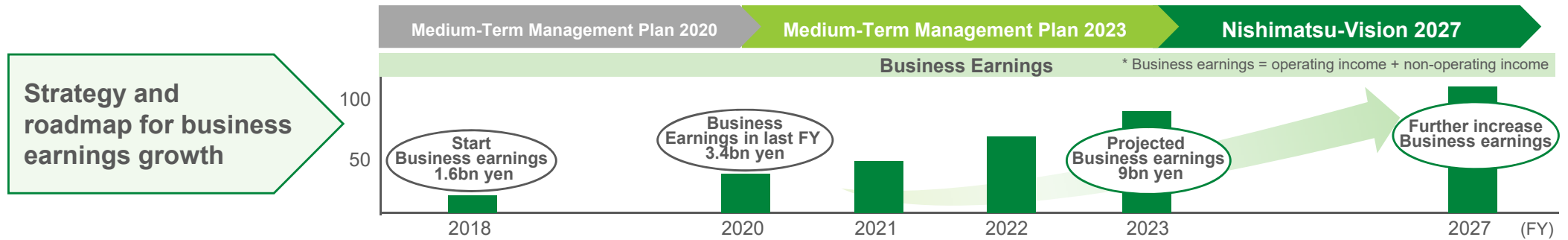
Projected Performance

	FY2020 (results)		FY2023 (projected)
Net sales	182		370
Gross profit	13		20

(100 million yen)

Active investment to growing fields based on asset strategy

Develop a “Circular Reinvestment Model” and expand group revenue through collaboration with our construction business



Key Projects	In-house development projects	Initiatives in growth areas - Working spaces - Residences - Leisure and sightseeing - Life assistance and healthcare	Improved profitability through suitably asset switching and expanding key assets	
	Value up projects	Customer network creation - Chain development toward subsequent business - Cross selling	Expand initiatives in growing sectors - Working spaces (flexible) - Data centers, logistics facilities	Accelerate active investment in growth fields - Identify business environment, quick response
	Urban redevelopment projects Land readjustment projects	Tie-up with construction business - Project launches - Ready land for development	Maximize returns by developing a “Circular Reinvestment Model”	
	International projects	Proactively collect information - Set up bases in overseas	Entry into asset management business - Establish Asset Management Company (FY2021) - Set up private placement fund (FY2022) - Establish private placement REIT (FY2022)	Strengthen and expand asset management business (non-asset business) - Expand operating assets - Build foundation of revenue increase
Risk management system	Establish criteria for screening and monitoring	Expand group revenue through collaboration with the construction business		
		Establish strong collaboration system with construction business - Expand projects with suitable locations and high business value	Increase contribution to construction business Increase business opportunities through in-house commercialization	Rollout to growing Asian markets
		Entry into international projects Initiative areas - Working spaces - Hospitality facilities (hotels, service apartments)	Thorough risk control	
		Expand initiative areas - Logistics facilities	Strengthen screening and monitoring systems	
		Actively use Investment Committee		

Important asset strategy

Active investment in 5 focused asset types expected growing

Understanding of business environment

Decreasing population, low birth rate and aging society

Increasing environmental impact
(global warming, increase natural disasters)

Evolution of technology

Working, learning, and lifestyle changes

Infection countermeasures

Utilization of tourist resources

Assets strategy

1. Working spaces (offices)

- (1) Focus areas
Toranomon, Kanda, Sapporo
- (2) Areas near major stations in Tokyo (5 wards)

2. Residences (dormitories/elderly facilities)

- (1) Areas near universities
- (2) Areas near factories and research institutes
- (3) Areas with high-end housing

Strengthening earning capacity via the expansion of important assets and timely asset switching

3. Tourism/entertainment (hotels/halls)

- Tourist sites, areas around major stations

4. Lifestyle support/health care (commercial facilities)

- (1) Roadside areas near the Tokyo metropolitan areas
- (2) Areas near major stations in the Tokyo metropolitan areas

5. Data centers/ Logistic

- (1) Environment conditions, communication infrastructure, power infrastructure, location
- (2) Areas near highway interchanges
- (3) Last mile locations

Performance plan

(unit: 100 million yen)

Overall	FY2020	FY2023
Operating revenue	106 (119)	245 (265)
Gross profit	44 (48)	100 (105)
Business earnings	34	90
EBITDA	53	120
Asset balance	1,176	1760
Portfolio ROA	3.0%	5.2%

Values in parentheses: consolidated

Rental business	FY2020	FY2023
Net sales	91	115
Gross profit	37	45
Non-operating profit/loss	1	5

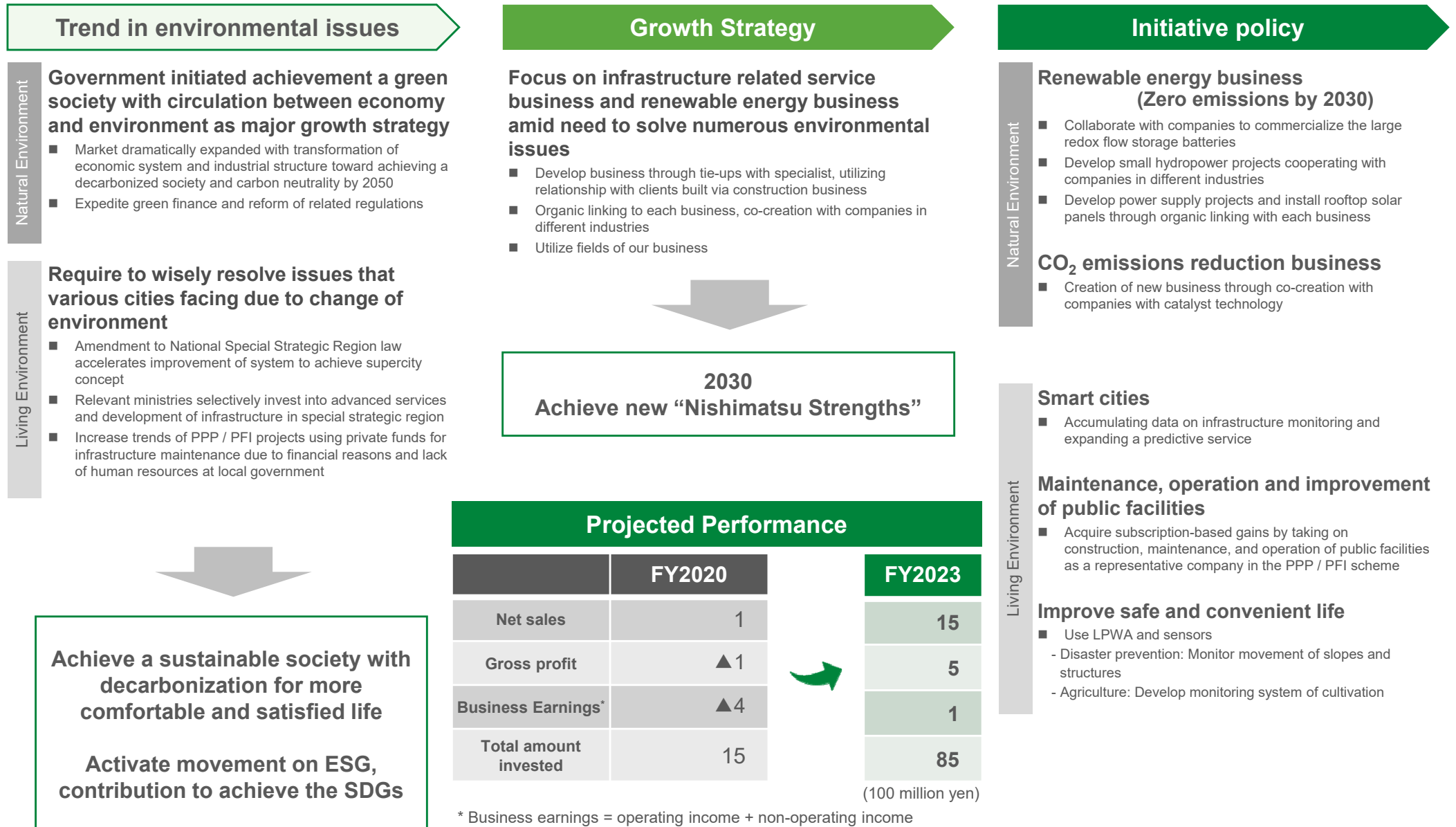
Sales business	FY2020	FY2023
Net sales	15	130
Gross profit	7	55

Contribution to construction business	FY2020	2018-2020	Ongoing construction
Net sales (accum.)	106	550	686
Gross profit	9	69	-

(land readjustment projects and urban redevelopment business ordered with business linking)

Investment return plan	2018-2020	2021-2023	2024-2027
Investment	617	860	770
Return	97	350	600
Net investment	520	510	170

Focus on businesses of renewable energy and infrastructure related service to solve environmental issues



E nvironment

Fully entry into environment and energy business with commitment net zero CO₂ emissions by 2030 to achieve a decarbonized society

Achieving a decarbonized society	Net zero CO₂ emissions	<div style="border: 1px solid #ccc; border-radius: 15px; padding: 10px; background-color: #e0e0e0;"> <p style="margin: 0;">Commitment of Eco-First (updated FY2019)</p> <p style="margin: 0;">CO₂ net zero emissions by 2030 generated from business activities</p> <div style="display: flex; justify-content: center; align-items: center; gap: 10px;"> <div style="border: 1px solid #ccc; padding: 2px 5px;">Green power</div> + <div style="border: 1px solid #ccc; padding: 2px 5px;">Energy savings or others</div> + <div style="border: 1px solid #ccc; padding: 2px 5px;">Energy Creation</div> = <div style="border: 1px solid #ccc; padding: 2px 5px;">Net zero emissions</div> </div> </div>
		<p>Green power (power obtained from renewable energy) FY2023 target: 20% use FY2030 target: 60% use (FY2020 use: 0.5%)</p>
		<p>Reduce CO₂ emission through energy savings or others* (*compared with cases when energy saving measures are not taken) FY2023 target: 7,900 t-CO₂ FY2030 target: 26,700 t-CO₂ (FY2020 reductions: 1,690 t-CO₂)</p>
		<p>Energy creation through renewable energy business FY2023 target: 3,700 MWh FY2030 target: 108,000 MWh (FY2020 creation: 0 MWh)</p>
Promoting formation of circular society	Zero emissions	Annual target: Less than 3% of final landfill disposal rate due to construction waste – (FY2020 disposal rate: 2%)

S ociety

**Provide satisfying working environment for every single employee
Establish a collaborative system with supply chains**

Promotion of worthwhile environment of works	“Nishimatsu Employees’ University” a human resource development system to support employee’s activity (progressed from FY2019)
	“New Human Resources Evaluation System” creating an environment where all employees can fulfill their greatest potential with confidence (introduced from FY2021)
	“Establishment of safe works site” FY2027 target: 0.3 or less frequency rate of injuries requiring 4 or more days absence from work (FY2020 rate: 0.75)
Work style reform	“Reduction of overtime works hours” FY2023 target: 5% or less ratio of employee who exceeded 45 hours overtime per month (yearly average) (FY2020 ratio: 21.3%)
	“Supporting various working styles” Remote-work, Flexible-time (introduced from FY2020)
Diversity & inclusion	“Ensuring diversity in management” FY2025 target: 2% or more ratio of females in managers
Initiatives with partner companies	Expand “High-Caliber Technician System” training program to support the development of skilled workers in the construction industry
Health and productivity management	“Promoting health and productivity management” FY2023 target: 100% participation to secondary health check (FY2020 rate: 40%)

G

overnance

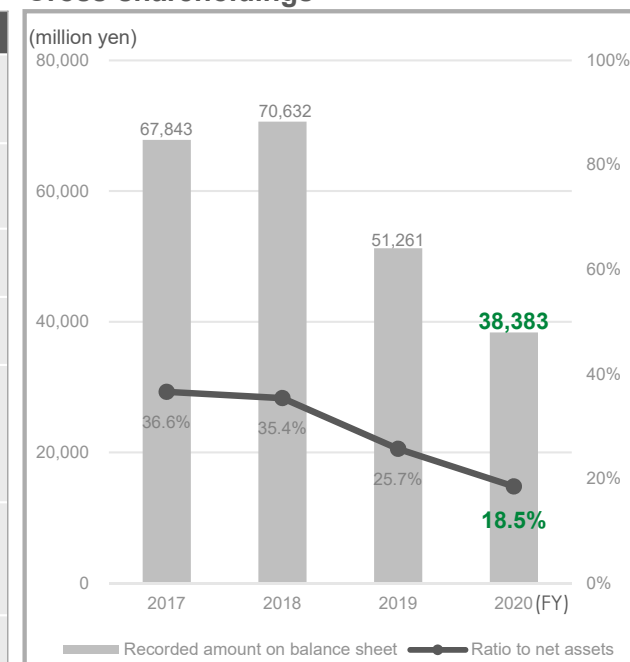
Practice corporate governance that contributes to constant growth and improving corporate value in medium and long term

Ensuring Shareholder's rights	Reduction of cross-shareholdings	<ul style="list-style-type: none"> Cross-shareholdings is accepted, provided effective to business. Others are reduced unless there are special circumstances. FY2020 reductions: 12.9bn yen (market value) Balance of 38.4bn yen as of end of March 2021 (market value)
Ensuring effectiveness of Board of Directors	Review of board composition	<ul style="list-style-type: none"> Proportion of external directors to board of directors ≥ 1 in 3 (from June 2020) Improve diversity and skill balance of board of directors in line with increase the number of external directors (Planned for discussion at the General Meeting of Shareholders scheduled to be held in late June 2021)
	Introduction of performance-linked equity compensation system	<ul style="list-style-type: none"> Promote management responsibility to improve medium- to long-term business performance and constant growth for the Company through the introduction of a performance-linked equity compensation system (Planned for discussion at the General Meeting of Shareholders scheduled to be held in late June 2021)
	Establish and operate president successor plan	<ul style="list-style-type: none"> Establish and operate a plan to nurture a president successor and next generation of managements that enables to appoint at the suitable time (Operational from FY2021)

Corporate Governance Transition

FY	Up to FY2017		FY2018-FY2020	From FY2021 (planned)
Cross-shareholdings reductions	November 2015 • Established review and ownership policy for cross-shareholdings		November 2018 • Established reduction policy for cross-shareholdings	From FY2021 • Reduce cross-shareholdings (continue)
Institutional design	June 2009 • Established Nomination Committee and Compensation Committee as arbitrary advisory bodies	June 2016 • Transitioned to a company with an Audit and Supervisory Committee		
Board composition	June 2009 • 2 external directors	June 2016 • 3 external directors (Audit and Supervisory Committee members)	June 2020 • 1 in 3 proportion of external directors	From FY2021 • Increase external directors (planned)
Enhance business execution system			July 2019 • Established the President and General Managers Meeting	From FY2021 • Establish Investment Committee (planned)
Introduction of performance-linked equity compensation system			January 2020 • Established performance-linked equity compensation system	June 2021 • Introduce performance-linked equity compensation system (planned)
President successor plan establishment and operation			FY2020 • Consider president successor plan, formulate plan to nurture the next generation of management	From FY2021 • Establish and operate president successor plan (planned)
Strengthen compliance and internal control	FY2008 • Established Internal Control Committee • Established the Nishimatsu Hotline internal reporting system FY2009 • Established Compliance Committee	FY2015 • Established an external consultation hotline, the Workplace Hotline	March 2020 • Registered internal reporting system (WCMS) certification for the Nishimatsu Hotline	

Cross-shareholdings





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Future plans, strategies, business forecasts, etc. in this Medium-Term Management Plan 2023 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.