Progress against Medium-Term Management Plan 2025

for 4th Quarter of Fiscal Year Ending March 31, 2024

May 13, 2024

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NISHIMATSU

150th Anniversary

Contents

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Progress against Medium-Term Management Plan 2025

In FY2023, the first year of Medium-Term Management Plan 2025 (hereinafter, MTMP2025), we faced a number of challenges, including soaring prices of construction materials and a shortage of Mechanical and Electricity contractors (hereinafter, M&E contractors). However, by steadily implementing the Revenue Improvement Plan set out in MTMP2025 while boosting revenue in the Domestic Civil Engineering Business and Asset Value-Added Business, we managed to produce results that exceeded our initial forecast. In terms of growth investments, despite slight delays investing in GX and urban development, the number of projects being worked on has risen, and we are steadily laying the groundwork for future growth while investing in personnel, including wage increases and training, at the same time as promoting DX and technology development. As a newly emerging issue, we have also begun to consider how to address the wage increases and personnel shortages facing the supply chain.

In FY2024, we will make progress in transforming into a high profit structure by continuing with the Revenue Improvement Plan. We expect that performance in FY2024 will be at the same level as FY2023, reflecting the persistent effects of construction projects with reduced profit due to rising prices in the domestic building industry. As for growth investment, we will continue with measures to address the securing and training of personnel, which we see is a particularly important challenge. In addition, we will pursue measures such as DX promotion and technology development to advance business streamlining, and further accelerate our efforts. We will also continue to address the issues facing the supply chain.

Results for the Fiscal Year Ended March 31, 2024 / Initial Forecast for the Fiscal Year Ending March 31, 2025

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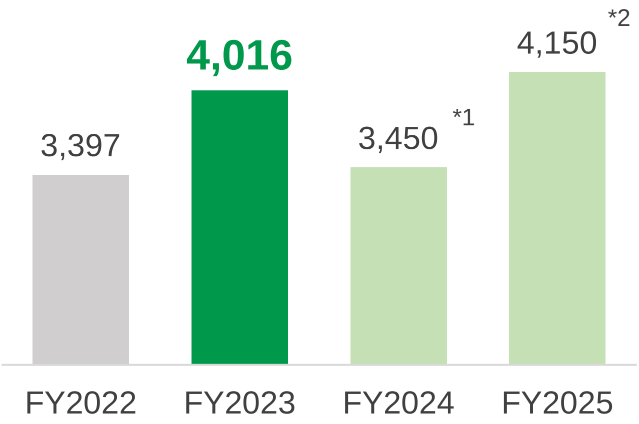
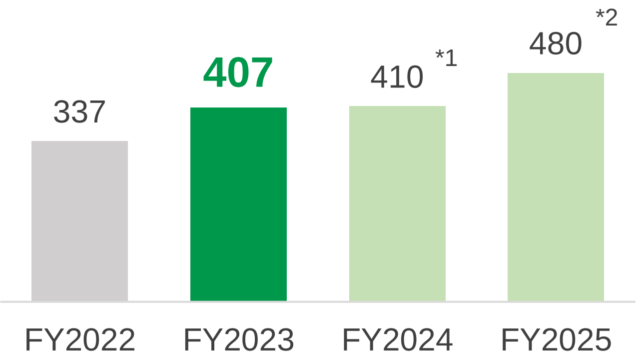
- For the fiscal year ended March 31, 2024, net sales stood at **401,600 million yen** (up **18.2**% year on year), operating income was **18,800 million yen** (up **49.2**% year on year), ordinary income was **19,500** million yen (up **48.6**% year on year) and profit attributable to owners of parent was **12,300 million yen** (up **28.4**% year on year). Profits beat the previous forecast, in part reflecting the securing of design changes in the Domestic Civil Engineering Business and an upswing in profit in the Asset Value-Added Business. For the fiscal year ending March 31, 2025, we expect that performance will be at the same level as the previous year, reflecting the persistent effects of construction projects with reduced profit due to rising prices in the domestic building industry.
- Consolidated orders received reached **360,200 million yen**, (up **5.8**% year on year). On a segment basis, the Domestic Civil Engineering Business received orders of **119,100 million yen** (up **10.8**% year on year) and the Domestic Building Business **221,500 million yen** (up **26.6**% year on year). This was mainly due to large-scale construction projects from new clients and growth in orders for government construction projects in the Domestic Building Business.

Net Sales (consolidated)

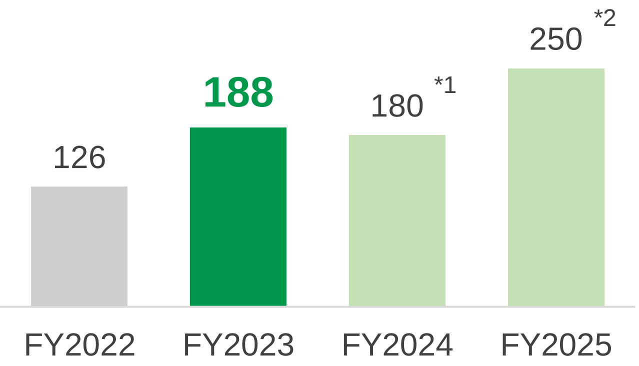


Gross Profit (consolidated)



Operating Income (consolidated)

(100 million yen)



*1 Initial forecast

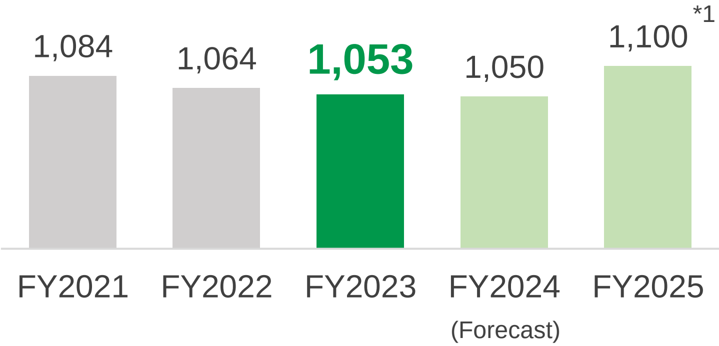
*2 For the fiscal year ending March 31, 2026, planned figures are based on the timely disclosure made on May 13, 2024: Notice of Changes to Planned Figures and Dividend Policy in Medium-Term Management Plan 2025

(100 million yen)

Results for the FY Mar 31, 2024 / Outlook for the FY Mar 31, 2025

- For the fiscal year ended March 31, 2024, net sales stood at **105,300 million yen** (down **1.0**% year on year) and gross profit was **16,900 million yen** (down **5.9**% year on year). While sales and profit fell on a year-on-year basis in response to the completion of highly profitable construction projects in the previous fiscal year, there was an upswing in profits mainly from the securing of design change projects, and our initial forecasts were beaten considerably as a result.
- Looking to performance in the fiscal year ending March 31, 2025, we expect to produce results on par with the previous year by making scheduled progress with construction projects ongoing, including large tunnel construction. Orders are expected to far exceed those of FY2023 due to an anticipated discretionary contract for large-scale tunnel construction.

Net Sales (non-consolidated)



Progress on Key Measures

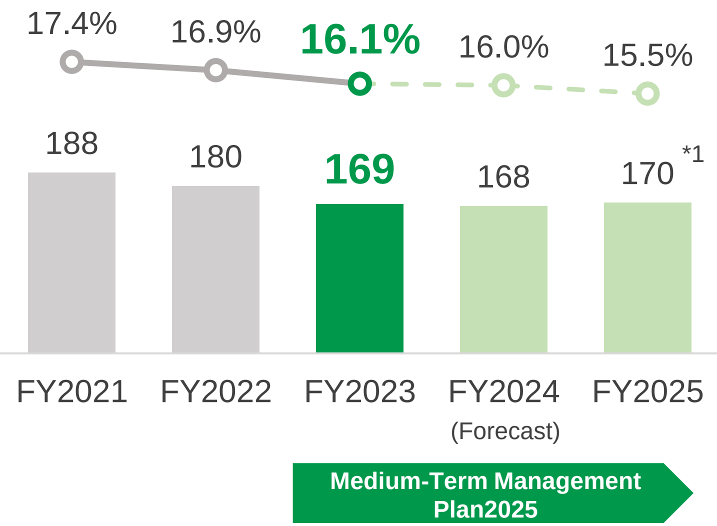
1. Strengthen personnel and organizational capabilities <Securing comprehensive evaluation bidding-based projects>

In FY2023, we formed a proposal document analysis team to improve our probability for securing projects under the comprehensive evaluation bidding system. As a result, our order received rate for projects of this type improved over the previous year.
By continuing to reinforce personnel, further enhance their skills and utilize AI to streamline operations, we aim to increase tender amounts for these projects and improve our order received rate.

2. Take on challenges in new fields <increase construction volume>

- In FY2023 we conducted full-scale test construction work for tunnel lining restoration. In the future, we aim to win construction contracts utilizing the fruits of this development work.
- We have developed technologies for road slab replacement work on expressways. We will continue to narrow down projects and make efforts to secure orders.

Gross Profit (non-consolidated)



*1 For the fiscal year ending March 31, 2026, planned figures are based on the timely disclosure made on May 13, 2024

Building Business | Progress on Business Strategy under MTMP 2025

(100 million yen)

Results for the FY Mar 31, 2024 / Outlook for the FY Mar 31, 2025

- For the fiscal year ended March 31, 2024, net sales stood at **235,700 million yen** (up **35.1**% year on year) and gross profit was **10,100 million yen** (up **6,300 million yen** year on year). While construction profit/loss has generally improved as planned, we fell short of the initial forecast for gross profit due to increased M&E works expenses for some construction projects affected by rising prices. Note that the procurement of construction impacted by rising prices was largely completed during the fiscal year ended March 31, 2024.
- Profit margin at the time of order receipt has been recovering as planned thanks to an increase in projects where we were able to gain customer understanding of the situation regarding prices of materials and labor through dialogue with customers.
- In the fiscal year ending March 31, 2025, we expect to increase net sales through construction orders that appropriately reflect material and labor costs in estimates and make progress with these construction projects according to schedule. Note that by the end of the period we expect "construction projects affected by rising prices" to account for less than **30%** of all projects.

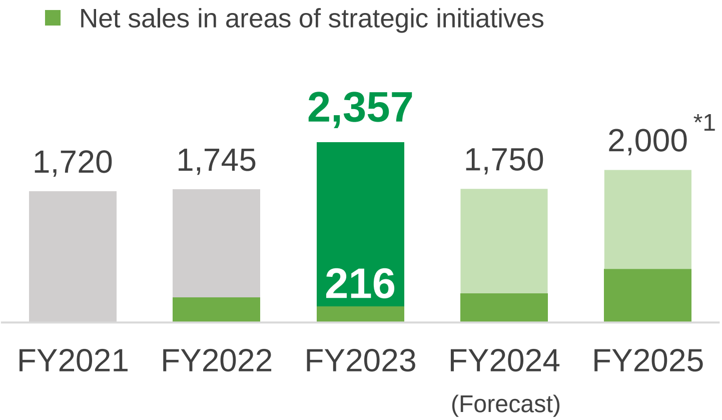
Progress on Key Measures

1. Transformation to a highly profitable structure through expanded sales in areas of strategic initiatives

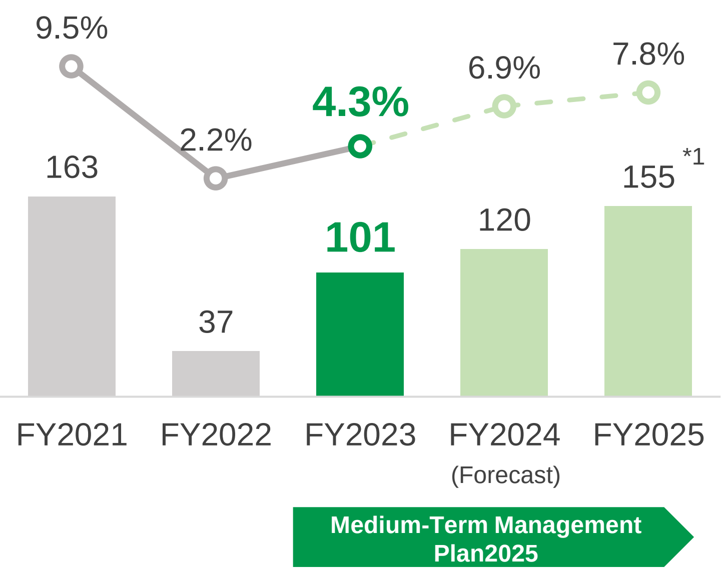
- We created a new dedicated team with the aim of improving our ability to develop plans and proposals, and developing more in-depth dialogue with clients
- By making use of internal and external relationships, we secured orders for a multi-purpose gymnasium PPP project and wooden employee dormitory project.
- In our areas of focus, we received orders for a data center and environmental facility (waste incineration plant)

In FY2023, the measures set out in the Revenue Improvement Plan bore fruit, leading to the securing of orders for the above projects. In FY2024 we will engage in sales activities that narrow down our targets to increase the projects in areas of strategic initiatives as a percentage of all sales.

Net Sales (non-consolidated)



Gross Profit (non-consolidated)

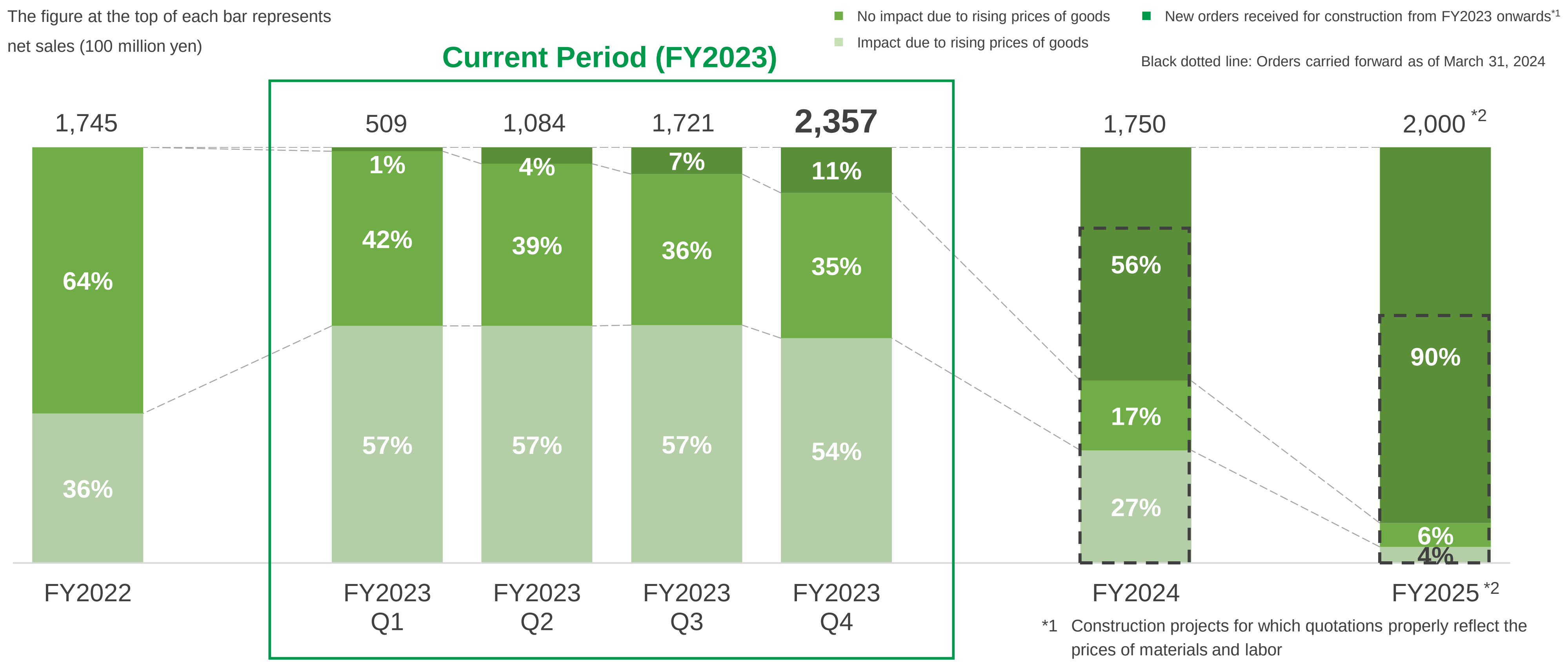


*1 For the fiscal year ending March 31, 2026, planned figures are based on the timely disclosure made on May 13, 2024

2. Progress on the Revenue Improvement Plan <sales composition>

- The composition of sales classified by the existence or absence of an impact from the rising prices of goods was largely according to the Revenue Improvement Plan.
- By continuing with activities to secure orders with an emphasis on dialogue with clients and properly reflecting the prices of materials and labor in estimates, we expect the composition of sales in FY2024 and FY2025 to proceed in line with the Revenue Improvement Plan.

Net sales component Ratios



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

*2 For the fiscal year ending March 31, 2026, planned figures are based on the timely disclosure made on May 13, 2024

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(100 million yen)

Results for the FY Mar 31, 2024 / Outlook for the FY Mar 31, 2025

- For the fiscal year ended March 31, 2024, net sales stood at **30,800 million yen** (up **31.4**% year on year) and gross profit was **1,800 million yen** (up **3,300 million yen** year on year). They were higher than the planned figures in the Revenue Improvement Plan thanks to steady progress with construction in Singapore and the Philippines, as well as foreign exchange fluctuations.
- In the fiscal year ending March 31, 2025, we expect to receive orders for ODA construction projects that slipped to the current period from the previous one. Construction projects ongoing in Singapore and the Philippines are expected to progress roughly as planned.

Progress on Key Measures

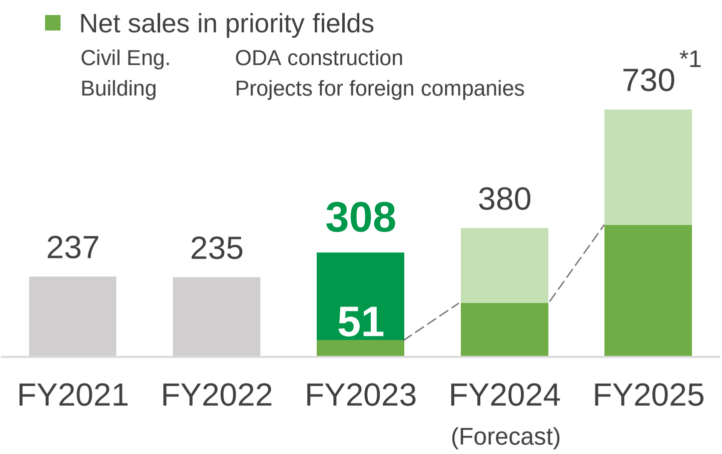
1. Civil Engineering Business: Strengthen initiatives aimed at ODA construction projects and minimize risks

- As of May 2024, we have been concentrating on bidding for ODA construction projects in the Philippines and Bangladesh. We are working to deepen our understanding of the related laws and regulations, tax systems and business practices in each country, while conducting dedicated internal committee meetings on markets and risks during the bidding process in order to comprehensively identify, assess and address risks. We will strengthen coordination with joint venture partners and partner companies for construction projects we have already acquired in an effort to further minimize risks.

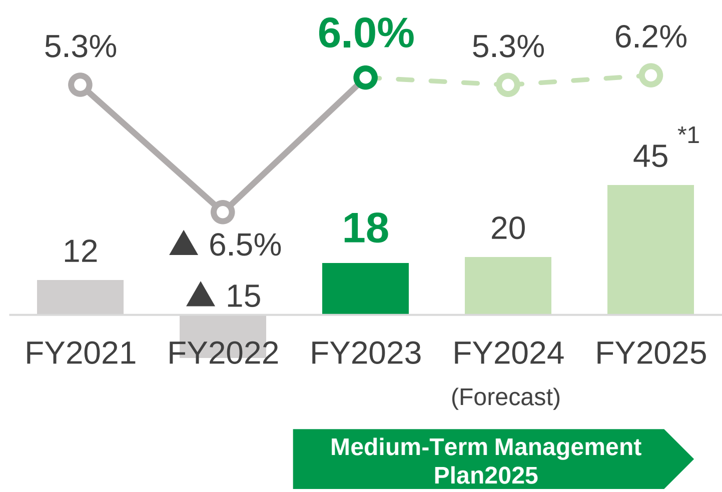
2. Building Business: Working to secure construction projects for foreign companies

- In FY2023, we began operating remote management tools in order to build a new site management system through the promotion of localization. We also collaborated with various local partners such as local general contractors and consultants to establish design and construction systems for large-scale projects, propose one-stop solutions and carry out sales activities.
- In FY2024, we will continue with the initiatives pursued in FY2023 and aim to win orders for major projects.

Net Sales (consolidated)



Gross Profit (consolidated)



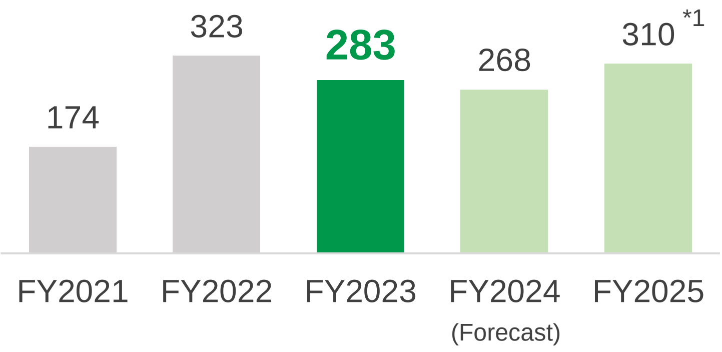
*1 For the fiscal year ending March 31, 2026, planned figures are based on the timely disclosure made on May 13, 2024

(100 million yen)

Results for the FY Mar 31, 2024 / Outlook for the FY Mar 31, 2025

- For the fiscal year ended March 31, 2024, net sales stood at **28,300 million yen** (down **12.3**% year on year) and gross profit was **11,700 million yen** (down **11.1**% year on year). Since net sales and profit mainly increased in the sales business in the previous fiscal year, sales and profit declined on a year-on-year basis, but due to an increase in the leasing business in the fiscal year ended March 31, 2024, initial forecasts were exceeded.
- In the fiscal year ending March 31, 2025, we will thoroughly track fluctuations such as real estate market conditions, interest rates and exchange rates, investing prudently in consideration of efficiency. We expect that investment recovery (sales) will proceed as planned.

Net Sales (consolidated)



Progress on Key Measures

1. Creating exciting assets at overwhelming speed

In FY2023, in addition to completing the Nakano Station South Exit Redevelopment Project, we completed and put into operation ASAI Kyoto Shijo (tourism and entertainment) and an employee dormitory (residence) for a domestic manufacturing company, representing the five growth areas we are targeting.

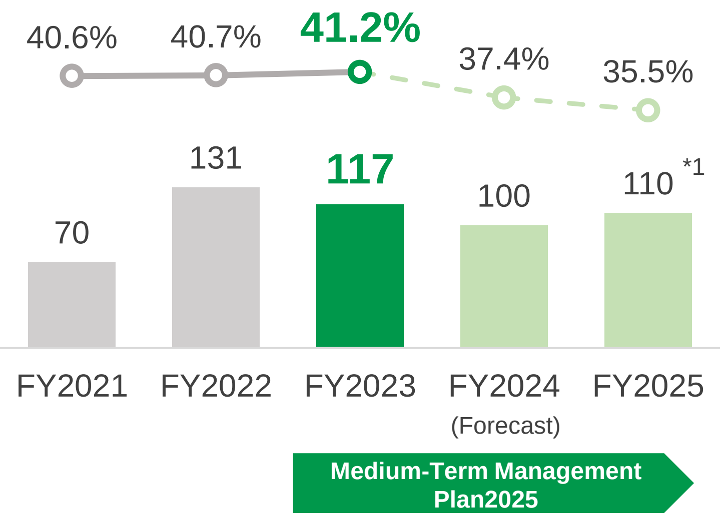
2. Actively expand value-added business investment into domestic and overseas growth areas

We invested in the 60 Margaret Street large-scale mixed-use facility in Sydney (Australia), through a real estate fund managed by MEC Global Partners Asia, a subsidiary of Mitsubishi Estate Co., Ltd., that operates investment management business in the Asia-Oceania region.

3. Developing a cyclic reinvestment model through private-placement REIT

In September 2023, we began to manage roughly **25,000 million yen** in assets through Nishimatsu Private Reit, Inc. By creating exciting assets and engaging in timely asset replacement, we will expand the balance of assets held by Nishimatsu Private Reit. We will strive to secure a new revenue base and improve asset turnover, aiming to provide new investment opportunities that contribute to long-term stable investment by institutional investors.

Gross Profit (consolidated)



*1 For the fiscal year ending March 31, 2026, planned figures are based on the timely disclosure made on May 13, 2024

We leverage renewable energy projects and community development projects as a foothold to work closely with local communities, and aim to create local business by proposing and implementing measures to solve the issues faced by urban and regional areas.

Progress on Key Measures

1. Beginning the supply of electricity from renewable energy in Munakata

- We began to supply electricity from renewable energy sources through an on-site PPA (third party ownership model) at the Michi no Eki Munakata Roadside Station. The supply covers around **12%** of the facility's energy demand and is expected to reduce greenhouse gas emissions by roughly **70 tonnes** annually.
- The initiative will also make it possible for the facility to supply electricity in the event of a disaster, contributing to resilient community development based on Munakata City's zero carbon city declaration and the Munakata City Regional Disaster Prevention Plan.

2. Construction and start of trial operation of a biomass power plant in Sanyo-Onoda

- Construction has been completed on a wood biomass power plant operated by Sanyo-Onoda Green Energy Co., Ltd., which Nishimatsu Construction has invested in Trial operation has been underway since April, with full operation scheduled to start in July.
- The power plant has **2MW** in generating capacity, and will use timber from forest thinning, forest off-cuts and other unutilized timber collected mainly from material producers in Yamaguchi Prefecture as its source of fuel.

Progress of the Investment Plan

Investment Categories and Expected Effects from Investment (as of FY2030)	FY2023 Investment Results		Expected Investment Targets for FY2024 and Beyond
	Investment Targets and Investment Amounts	Investment Effects and Contributions	
GX and community development • Earning business income ROA: 4% • Generating capacity (FY2025): 87,000 MWh (35,000t-CO2 eq.) (Investment amount of 40 billion yen / 3 years)	• Sanyo-Onoda Biomass Power Plant • Michi no Eki Munakata Roadside Station PPA Project • Western Kumamoto Biogas Power Plant Project Investment: Approx. **1.5 billion yen** • Offshore Wind Power Generation Project (SEP Vessel) Investment: Approx. **6.0 billion yen**	Annual electricity production (estimated): **16,000 MWh**	• Methane Fermentation Biomass Power Generation (2 projects) • PPA Power Generation (2 projects) • Overseas PPP Project (1 project) • Overseas Renewable Energy Fund (1 project), etc.
Asset value-added • Earning business income Portfolio ROA 4-5% • Formation of urban redevelopment projects • Building of customer relationships Investment amount of 110 billion yen / 3 years Recovery amount of 40 billion yen / 3 years	Five Growth Areas • Hotels, residences, offices, overseas, REIT/funds Investment: Approx. **32.0 billion yen** Recovery: Approx**. 17.0 billion yen**	• Strengthening the earnings power of the entire Nishimatsu Group • Expanding business opportunities for the Nishimatsu Group	• Selection of properties expected to deliver stable performance • Investment in overseas revenue-generating real estate • Action on decarbonization at owned properties
Human resource development, DX, technological advances, etc. • Maximizing individual and organizational strengths • Improving productivity in the Construction Business • Acquisition of pioneering construction technologies • Development of high added-value buildings (Investment amount of 10 billion yen / 3 years)	• Measures to secure, retain and train human sources • DX-related investment • Technology development Investment: Approx. **1.5 billion yen**	• Maintaining number of new graduate and mid-career hires • Creation time through DX: **89,000 hours** • Development of elemental technologies for tunneling work automation systems • Start of construction on actual projects using wooden construction method (P&UA)	• Ongoing investment in human resources • Ongoing investment in workstyles and business DX, etc. • Enhanced development of construction automation systems (development of simultaneous remote control of multiple machines, etc.) • Expanding scope of application for P&UA construction method

Progress of the Financial Plan

Financial Indicator (consolidated)

		FY2022	FY2023	FY2025*1	FY2030*2
Capital efficiency	ROE	6.4%	**7.80%**	10%	10% or higher
Financial Health	Equity ratio	29.0%	**29.1%**	Around 30%	35% or higher
	D/E ratio	1.13	**1.10**	Around 1.5x	Around 1.0x
Shareholder return	Dividends	221 yen (90.4%)	**220 yen (70.1%)**		

*1 For FY2025, planned figures are based on the timely disclosure made on May 13, 2024

*2 For FY2030, planned figures are from when the MTMP2025 was formulated

- We have made steady progress towards planned figures for FY2025 with respect to ROE (capital efficiency), equity ratio and D/E ratio (financial health). To achieve the plan, we will closely monitor the interest rate situation while implementing appropriate financial strategies.
- The Building Business and Asset Value-Added Business are managed on separate balance sheets. We will implement respective financial strategies and aim to achieve our plans for capital efficiency and financial health.
- For FY2024, we expect to issue dividends of **220 yen** per share. Note that our dividend policy for FY2024 and beyond will be changed from a dividend payout ratio basis to a dividend on equity ratio basis. For details, please check the disclosure made on May 13, 2024: "Notice of Changes to Planned Figures and Dividend Policy in Medium-Term Management Plan 2025."

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We will continue to pursue initiatives to improve corporate value (PBR).

In FY2025, we will improve ROE to **10%** while also improving PER.

Corporate value (PBR)

1.04

Stock price (As of March 31, 2024)	4,465 yen
Net assets per share	4,277 yen

Previous period: **0.91**

Stock price (As of March 31, 2023)	3,425 yen
Net assets per share	3,770 yen

Return on equity (ROE)

7.80%

(Year ended March 31, 2024)

(Year ended March 31, 2023: **6.43%)**

- **Improved profitability (profit attributable to owners of parent / net sales: 3.08%)**
  - Improve business revenue based on the Revenue Improvement Plan in MTMP2025
- **Improved asset efficiency (net sales / total assets: 69.29%)**
  - Split the balance sheets of the Construction Business and Asset Value-Added Business, and implement financial strategies for each respective business.
  - Improve profitability and efficiency through sophisticated analysis and proper assessments
- **Investments made with financial leverage (total assets / shareholders' equity: 3.65x)**
  - Firmly maintain financial discipline while making growth investments utilizing interest-bearing debt.
  - Reduce financing costs by issuing ESG bonds such as sustainability linked bonds

Price earnings ratio (PER)

14.23x

(As of March 31, 2024)

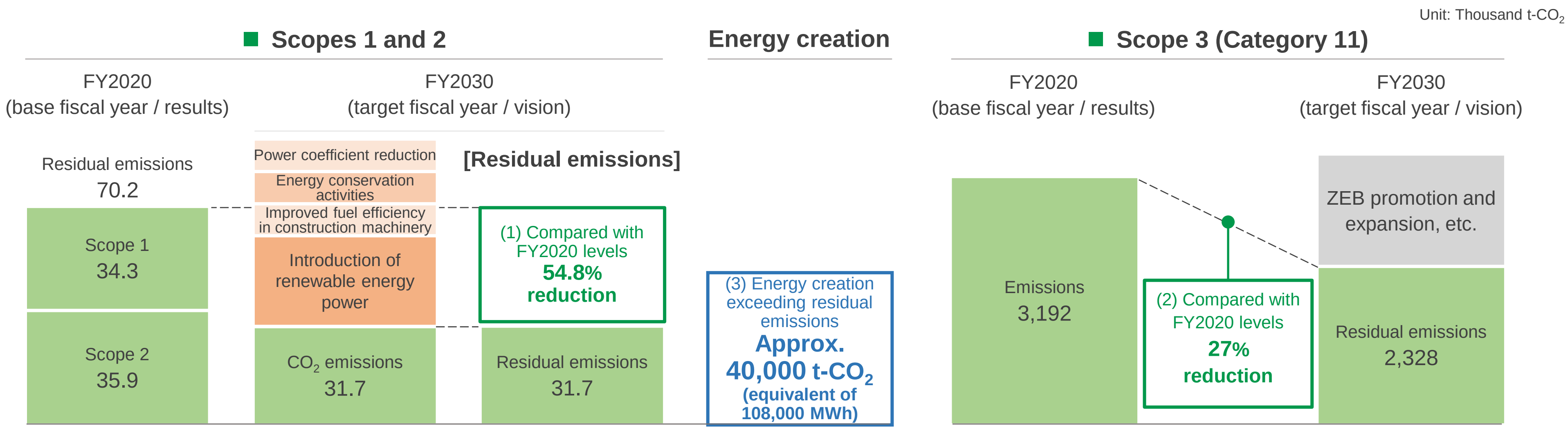
(As of March 31, 2023: **14.01x**)

- **Promoting sustainability management**
  - Establishment of a Sustainability Committee
  - Improved ESG rating and selection as an ESG stock
- **Reduction of cross-shareholdings**
  - Reduce cross-shareholdings other than those deemed necessary for business operation to improve asset and capital efficiency
- **Enhancement of disclosures made to investors**
  - Implementation status of growth policies and strategies in each business
  - Results of collaboration with partners from other industries

To contribute a decarbonized society, we will facilitate initiatives on reducing CO_2 emissions and increasing energy creation.

In June 2023, we formulated ZERO30 Roadmap 2023. We reset our **2030 vision for CO_2 emissions and energy creation**, adopting a greenhouse gas reduction target (SBT 1.5°C level) that is higher than what we set when the MTMP 2025 was adopted.
We added Scope 3 (Category 11) emissions to our targets, and expanded the scope of CO_2 emission reductions to encompass the entire Nishimatsu Group.

2030 vision for CO_2 emissions and energy creation



		FY2020	FY2021	FY2022	FY2023		FY2030
		Results	Results	Results	Targets	Forecast*	Targets
(1) Scopes 1 and 2	(thousand t-CO_2)	70.2	62.6	43.0	44.6	**40.0**	31.7 (54.8% reduction)
(2) Scope 3 (Category 11)	(thousand t-CO_2)	3,192	2,481	2,407	3,449	**2,000**	2,328 (27% reduction)
(3) Energy creation (generation)	(thousand MWh)	0.0	0.02	0.3	1.7	**0.8**	108

* FY2023 data is from January to December

We aim to enhance the value of human capital through our human resources strategy, and improve corporate value in the medium- to long-term by linking it to management strategy.

Securing Human Resources

To secure the human resources needed to execute the strategies of each business, in FY2023 we instituted wage increases and enhancements to personnel systems as part of our human resources strategy. In FY2024, we will verify the effects of each of these measures and develop them into even more effective measures.

- Revised starting salaries and decided to increase wages by **approximately 7%**
- Provided incentives to employees working on site
- Reviewed rules enabling employees nearing mandatory retirement age to continue working for a long time
- Introduction of a recruiter system mainly comprising junior employees to secure the necessary number of new graduate hires (reference: **100** new graduates hired in FY2024)
- Utilization of foreign human resources to increase and maintain the number of engineers, development of an in-house acceptance system, building of training programs, etc.

Retaining Human Resources and Supporting Their Success

To identify challenges leading to human resource retention and success, we launched an engagement survey to take the place of the employee satisfaction surveys we have conducted to date. We also conduct employee aptitude tests (SPI for Employee) with the aim of objectively learning about employees' views on work. In our talent management system, we visualize the characteristics of each individual by accumulating information about their views on work and their career aspirations, in addition to information on individual abilities and experience.

To improve the performance of individuals and the organization alike, we will create an environment in which we can make the most of each employee's individuality and characteristics and enable them to work with a high level of motivation for their respective jobs and the organization. We will do this through dialogue with employees, including one-on-one meetings.

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We will strengthen corporate governance that contributes to the enhancement of corporate value in the medium- to long-term.

Execution of President Succession plan

Since FY2021 we have operated a president succession plan, and at the Board of Directors meeting held in February 2024, the board resolved to replace the president and representative director. The official decision will be made at the 87th Annual General Meeting of Shareholders to be held in late June 2024 and the subsequent Board of Directors meeting.
We will celebrate our 150th anniversary in 2024. Under a new management structure, we will strive to achieve the sustainable growth of the Nishimatsu Group and enhance corporate value over the medium- to long-term.

Structure of the Board of Directors

In FY2023, Yayoi Ito was newly appointed as an external director. In addition to extensive experience in the fields of digital technology and IT, Ms. Ito possesses broad insight. Her appointment further enhanced the skill sets and diversity of the Board of Directors, and represented a step towards putting sustainability management into practice.

Reduction of cross-shareholdings

There have been no changes to our policy since the MTMP 2025 was formulated. We will only retain stocks deemed necessary for business operation, and reduce holdings of other stocks unless special circumstances apply.

Promoting sustainability management

- In March 2024, as an initiative of the Sustainability Committee, we announced our Sustainability Slogan (basic policy), Materiality and KPI tree.

  https://www.nishimatsu.co.jp/news/2024/kpi.html

- In January 2024, we received Eruboshi certification (two stars) based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

  https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000129028.html

External ESG Rating

- From CDP, an international NGO that performs environmental assessments, we earned an A- on climate change, and the highest A score as a Supplier Engagement Rating.

  Climate change https://www.nishimatsu.co.jp/news/2024/cdpa-_2.html

  Supplier Engagement Rating https://www.nishimatsu.co.jp/news/2024/cdp.html

- We were selected as a constituent of the MSCI Japan ESG Select Leaders Index, which was newly adopted by the Government Pension Investment Fund (GPIF).

  https://www.msci.com/our-solutions/indexes/nihonkabu-esg-select-leaders-index