

# Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

February 21, 2023



# Contents

---

## 1. Nishimatsu-Vision 2030

- ◆ Formulating Nishimatsu-Vision 2030
- ◆ Our Philosophy
- ◆ Value Creation Activities and Reform Program
- ◆ To Achieve Value Enhancement

## 2. Review of Medium-Term Management Plan 2023

- ◆ FY2021 and FY2022 Consolidated Results
- ◆ Medium-Term Management Plan 2023 Review

## 3. Medium-Term Management Plan 2025

- ◆ Outline of the Medium-Term Management Plan 2025
- ◆ Revenue Improvement Plan
- ◆ Business Strategy
  - Civil Engineering Business
  - Building Business
  - International Business (Civil Engineering and Building)
  - Asset Value-Added Business
  - Regional Environmental Solutions Business
- ◆ Investment Plan
- ◆ Financial Plan
- ◆ Reform Program
- ◆ DX Initiatives
- ◆ ESG Initiatives

# **1. Nishimatsu-Vision 2030**

## Formulating Nishimatsu-Vision 2030

Amid a rapidly changing social and business environment, we have dug deep into our will and strength we have cultivated to date and reexamined our value in society. To us, business activities are value creation activities. Out of a desire to expand areas of co-creation and provide people with security, vibrancy and bonds between people, we have revamped our long-term vision and established **Nishimatsu-Vision 2030: A company with overall capabilities that works together to make regions and communities that are naturally safe and vibrant.** To coincide with this new vision, we have formulated Medium-Term Management Plan 2025, with FY2023 as its starting year.



**Changing social and business environment**

**Our will**

- Pride in supporting social infrastructure
- Ensuring the security of people, including ourselves and our families
- Sense of contribution and self-fulfillment



**Our strengths**

- The ability to develop social infrastructure
- The ability to bring together a diverse range of skills to fulfill goals



## Our Philosophy

### Corporate Philosophy

**Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services**

### Nishimatsu-Vision 2030

**A company with overall capabilities that works together to make regions and communities that are naturally safe and vibrant**

### The Thoughts Reflected in Our Vision

Since our founding in 1874, we have been involved in the development of social infrastructure in Japan and overseas, helping to create a safe and secure society.

The driving forces behind those achievements are our respect for people and the pride we feel in supporting social infrastructure.

Society is constantly changing and its values are becoming increasingly diverse.

How will the lives of people change in the future?

Even in the midst of change, we want to work together with people, companies and local communities to envisage regions and communities that naturally provide people with safety, excitement and vibrancy.

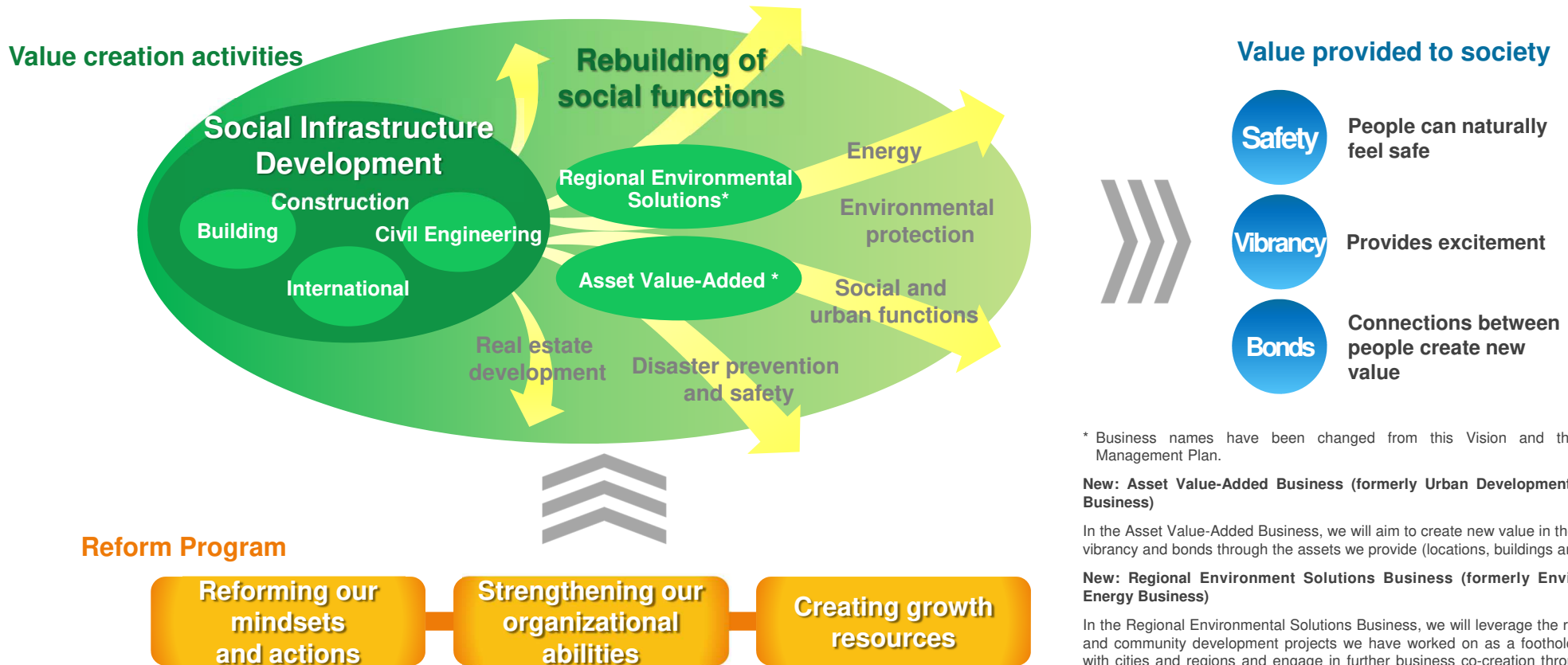
We will hone our ability to rebuild social functions by drawing upon the enterprising spirit, tenacity and self-discipline required to take on new challenges.

We will solve social issues with our own hands.

To shape a sustainable society in which people can live with peace of mind.

## Value Creation Activities and Reform Program

We will expand our value creation activities from developing social infrastructure to rebuilding social functions, providing security, vibrancy and bonds between people.  
To promote value creation activities, we will implement a Reform Program



\* Business names have been changed from this Vision and the Medium-Term Management Plan.

**New: Asset Value-Added Business** (formerly Urban Development & Real Estate Business)

In the Asset Value-Added Business, we will aim to create new value in the form of security, vibrancy and bonds through the assets we provide (locations, buildings and content).

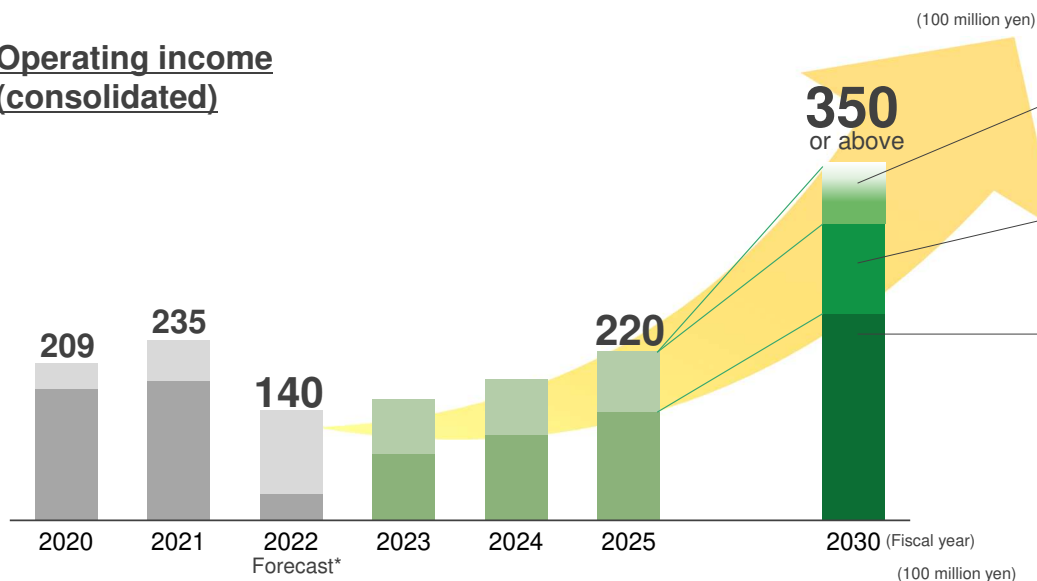
**New: Regional Environment Solutions Business** (formerly Environmental and Energy Business)

In the Regional Environmental Solutions Business, we will leverage the renewable energy and community development projects we have worked on as a foothold to work closely with cities and regions and engage in further business co-creation through the proposal and implementation of solutions to issues.

## To Achieve Value Enhancement

Pivoting from construction project-focused social infrastructure development, we will aim to expand and grow the rebuilding of social functions in areas covered by the Group's value co-creation activities through growth of the Asset Value-Added Business and Local Environmental Solutions Business.

### Operating income (consolidated)



### Vision for FY2030 and Beyond

#### Regional Environmental Solutions Business

- Leverage renewable energy and community development projects as a foothold to work closely with local communities and co-create regional solution businesses

#### Asset Value-Added Business

- Active expansion of value-added investment in growth areas
- Evolution into a cyclic reinvestment model
- Contributions to construction projects

#### Construction Business

- Maintain and evolve core businesses
  - Civil Engineering Business: Expanding the scale of public works
  - Building Business: Transformation into a high-revenue structure
  - International Business: Minimization of business risks

Investment Targets	Investment Amount (FY2023 to FY2030)
- GX and community development - Asset value-added - Human resource development, DX and technological advances	Investment in Growth for FY2030 and Beyond <b>1,500</b>

FY2030 Financial Indicators (consolidated)		
Capital efficiency	Return on equity (ROE) (%)	10% or higher
Financial health	Equity ratio	35% or higher
	D/E ratios	Around 1.0x

\* The full-year financial results forecast for FY2022 was disclosed on January 31, 2023.

## **2. Review of Medium-Term Management Plan 2023**



## FY2021 and FY2022 Consolidated Results

In the full-year forecast for FY2022, net sales, operating income and profit attributable to owners of parent will fall short of initial forecasts made at the beginning of the year.

The main factors behind the downward revision are deteriorating revenue from the Building Business due to increased construction costs from soaring material prices, and worsening revenues from the International Business (Civil Engineering) due to construction issues occurring in Singapore and higher construction costs in response to sharply rising material and energy prices

(100 million yen)

	FY2021	FY2022	
		Initial forecasts	Full-year forecasts*
Orders received	3,339	3,800	3,500
Net sales	3,237	3,385	3,370
Operating income	235	240	140
Profit attributable to owners of parent	151	160	98
Payout ratio (%)	70.8	No less than 70	89.0
Annual dividend per share (yen)	221	285	221

\* The full-year financial results forecast and dividend forecast for FY2022 were announced on January 31, 2023.

### Civil Engineering Business

- ✓ FY2022: The progress of public works has been mostly steady, and both net sale and operating income are expected to fall within forecasts made at the start of the fiscal year.
- ✓ Orders did not meet the forecasts made at the beginning of FY2021. Although we expect to reach initial levels forecast at the start of the year in FY2022, we recognize that strengthening of the public works bidding system is an issue.

### Building Business

- ✓ FY2022: Construction costs increased in response to soaring material costs due to changes to the market environment, significantly reducing operating income.
- ✓ In FY2021 an additional extraordinary loss was recorded due to the poor construction of a condominium in Tokyo (announced April 19, 2021). Repair work is expected to be completed in FY2022.

### International Business (Civil Engineering and Building)

- ✓ FY2022: An order was received for subway construction (ODA) in the Philippines.
- ✓ FY2022: Construction issues occurred in Singapore. Construction costs increased in response to sharply rising material and energy costs, reducing operating income.

### Urban Development & Real Estate Business

- ✓ FY2022: Net sales and operating income are expected to surpass forecasts made at the beginning of the year, in part due to the sale of properties used in-house.
- ✓ Market conditions and other factors have been watched closely, with cautious and carefully selected investments made. The pace of investment plans is slow. Transition to a "cyclic reinvestment model" has proceeded smoothly, but a flexible approach will be taken based on market conditions from FY2023 and beyond.
- ✓ Overseas development projects have been started, with costs being incurred ahead of time. The domestic hotel business faced a significant cost burden in its first year (FY2022), in part due to the COVID-19 pandemic.

### Environment and Energy Business

- ✓ Despite progress in building a track record and acquiring expertise, efforts have revolved around small-scale projects and investment amounts have been less than planned.
- ✓ The number of projects implemented has been less than planned, and the challenge faced will be strengthening the implementation structure by hiring additional expert personnel, along with other measures.

## Medium-Term Management Plan 2023: Basic Policies and Review

### ■ Initiative for the Realization of a Decarbonized Society

- Wood biomass power generation business: The subsidiary Sanyo-Onoda Green Energy Co., Ltd. was established, and is scheduled to begin operations in FY2024.
- Geothermal power generation business: A hot spring binary power plant began operation in the town of Oguni in Kumamoto Prefecture's Aso District.
- Medium-to-large-sized wooden buildings: Individual evaluation was jointly acquired from The Building Center of Japan for medium-to-large size wooden construction method.

### ■ Collaboration with Partners from Other Industries

- Formed a capital and business alliance agreement with ITOCHU Corporation
- Order was received for the Shibata Town Gymnasium Development Project based on a public-private partnership model (collaboration with ITOCHU Corporation)
- Hotel JAL City Toyama was opened (collaboration with Hotel Okura Group and ITOCHU Group)
- Formed a Comprehensive Partnership Agreement for the Realization of a Decarbonized Society with the town of Oki, Fukuoka

### ■ Organic Partnerships on Various Projects

- Overseas development business: Construction of the Grand Nikko Bangkok Sathorn hotel development project commenced, and is scheduled to open for business in 2025 ([Urban Development & Real Estate Business](#) × [International Business](#))
- Student dormitory project: Began operation of Keio University Shonan Fujisawa Dormitory and Takanawa Dormitory, and scheduled to begin operation of Miraisozojuku project ([Urban Development & Real Estate Business](#) × [Domestic Building Business](#))
- PFI project: Received order for funeral hall PFI project in Kurashiki City ([Environment and Energy Business](#) × [Domestic Building Business](#))

### ■ Shareholder Returns

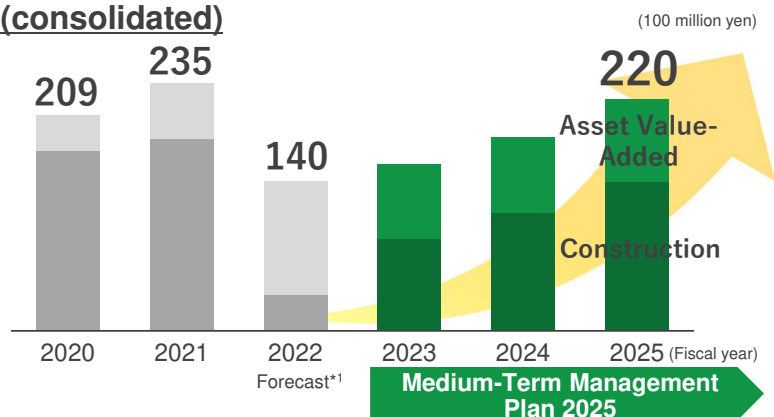
- Based on our shareholder return policy of the stable and continuous return of profits, in FY2021 and FY2022 we provided stable annual dividends of 221 yen per share (the dividend is planned for FY2022)
- Based on shareholder return policy under Medium-Term Management Plan 2023 (solid shareholder return involving the acquisition of treasury shares worth 20,000 million yen or more over three years), in FY2021 treasury shares valued at 54,390 million yen were acquired

## **3. Medium-Term Management Plan 2025**

## Outline of the Medium-Term Management Plan 2025

From FY2023 to FY2025, we will improve earnings in the Building Business and International Business (Civil Engineering), and focus on medium-to-long-term initiatives aimed at achieving Nishimatsu-Vision 2030

### Operating income (consolidated)



#### Earnings Improvement Plan

- **Building Business / International Business (Civil Engineering):** Respond to the fluctuating price of goods and develop more sophisticated management in the field
- **Medium-to-Long-Term Initiatives: Aim to achieve Nishimatsu-Vision 2030**
- **Civil Engineering Business:** Strengthen personnel and organizational capabilities, take on challenges in new fields
- **Building Business:** Improve ability to develop plans and proposals, make use of internal and external relationships, and establish differentiating elements
- **International Business: (Civil Engineering)** Strengthen systems to work on ODA construction projects (**Building**) Strengthen systems to work on construction projects for foreign companies
- **Asset Value-Added Business:** Speed up launch of businesses developed in-house, make full-scale expansion into overseas development projects, form urban redevelopment projects, and strengthen AM functions and PBM functions
- **Regional Environmental Solutions Business:** Make active business investments and develop high value-added businesses

Segment		Net sales (consolidated)		Gross profit (consolidated)		Operating income (consolidated)	
		FY2022 (forecasts) <sup>*1</sup>	FY2025	FY2022 (forecasts) <sup>*1</sup>	FY2025	FY2022 (forecasts) <sup>*1</sup>	FY2025
Construction	Civil Engineering	1,050	1,100	200	170	140	220
	Building	1,700	1,700	35	130		
	International (Civil Engineering and Building)	260	550	▲13	30		
Asset Value-Added <sup>*2</sup>		320	275	126	110		
Regional Environmental Solutions <sup>*3</sup>		0	50	0	10		
Others		40	20 - 40	2	1 - 5		
Total		3,370	3,700	350	450		

<sup>\*1</sup> The full-year financial results forecast for FY2022 was disclosed when the Q3 financial results were announced.

<sup>\*2, 3</sup> The business names have been changed from this Medium-Term Management Plan.

New: Asset Value-Added Business  
Formerly: Urban Development & Real Estate Business

New: Regional Environmental Solutions Business  
Formerly: Environment and Energy Business

# Revenue Improvement Plan

## Building Business

Looking at the breakdown of construction work, there will continue to be a shift from low profitability construction projects impacted by the rising price of goods to construction projects ordered after taking risk countermeasures

### ■ Factors Worsening Business Performance

- Construction costs have increased in response to soaring material prices. The provision for loss on construction contracts for FY2022 is expected to be around 5,600 million yen

### ■ Revenue Improvement Plan

#### (1) Orders received for construction up to FY2022

- Continuing to engage in good faith price negotiations with customers and partner companies based on accurate data

#### (2) New orders received for construction from FY2023 onwards

- Measures to account for risks in the business environment such as the rising prices of goods
  - Minimizing the risks of fluctuating prices at the time orders are received
  - Improving our ability to develop plans and proposals, and developing more in-depth dialogue with customers
- Projects already ordered or under negotiation from the second half of FY2022 onwards (after implementation of countermeasures): 130,000 million yen
- Joint venture with ITOCHU Group, expansion of urban redevelopment projects, utilization of relationships in land readjustment projects

#### (3) Sophistication of construction site management

- Measures to reduce costs
    - Implement VE proposals, implement joint procurement, standardize construction method, utilize BIM, review efficiency of office work
  - Measures to enhance quality (elimination of factors adversely affecting profit)
    - Strengthening the supervisory system
    - Developing IT solutions for on-site inspection
- Managing quality with an integrated business flow covering design, construction and after support

(100 million yen)

	FY2022 (Forecast)*				FY2023				FY2024				FY2025			
	Net sales		Gross profit		Net sales		Gross profit		Net sales		Gross profit		Net sales		Gross profit	
		Component ratio		Profit ratio		Component ratio		Profit ratio		Component ratio		Profit ratio		Component ratio		Profit ratio
Orders received for construction up to FY2022																
Impact due to rising prices of goods	610	36%	---	---	1,220	54%	---	---	470	27%	---	---	75	4%	---	---
No impact due to rising prices of goods	1,090	64%	---	---	750	33%	---	---	300	17%	---	---	100	6%	---	---
New orders received for construction from FY2023 onwards	0	0%	---	---	280	12%	---	---	980	56%	---	---	1,525	90%	---	---
<b>Total</b>	<b>1,700</b>	<b>100%</b>	<b>35</b>	<b>2%</b>	<b>2,250</b>	<b>100%</b>	<b>110</b>	<b>5%</b>	<b>1,750</b>	<b>100%</b>	<b>120</b>	<b>7%</b>	<b>1,700</b>	<b>100%</b>	<b>130</b>	<b>8%</b>
Of which, monetary impact of provision for loss on construction contracts			▲56				45				20				0	

\* The full-year financial results forecast for FY2022 was disclosed when the Q3 financial results were announced.

## Revenue Improvement Plan

### International Business (Civil Engineering)

Looking at the breakdown of construction work, there will be an increasing shift from international bid-based construction projects at existing sites (Singapore, etc.) to low-risk ODA construction projects

#### ■ Factors Worsening Business Performance

- Worsening large-scale civil engineering project in Singapore
  - Construction costs for RC structures work increased due to rising prices of goods
  - Increased costs including recovery costs due to construction issues

#### ■ Revenue Improvement Plan

##### (1) Minimize the risks of international bidding projects (existing sites: Singapore, etc.)

- Continue with efforts aimed at large-scale civil engineering projects, withdraw from Hong Kong
- Orders received for construction up to FY2022
  - Continue to pursue design changes and negotiate over claims with clients to improve profit margins
  - Further cost reductions
- New construction orders
  - Specialize in tunnel project, not including the construction of station buildings that are exposed to high risks of fluctuating prices of goods
  - Expect risk of rising prices (electricity rates, etc.)

##### (2) Expand the scale of ODA construction projects (new markets)

- Reasons for this approach
  - Low risks due to rising prices of goods, etc.
  - No competition with overseas contractors who bidding at low prices
  - Increase in underground infrastructure projects at which Nishimatsu excels (three projects in the Philippines, 7 projects in Bangladesh)
- Project size
  - To receive orders for three projects from FY2023 to FY2025, earning 23,000 million yen for work completed in FY2025
- Initiatives for order received
  - Referring to order received in FY2022 (Philippines) as a model, conduct field surveys and form JVs at an early stage
  - Screening projects and assign human resources appropriately

##### (3) Sophistication of construction site management

- Measures to enhance quality (elimination of factors adversely affecting profit)
  - Conduct risk assessments with an expert committee in Japan before bidding for each project
  - Share information with the expert committee in Japan and utilize the latest knowledge for construction

(100 million yen)

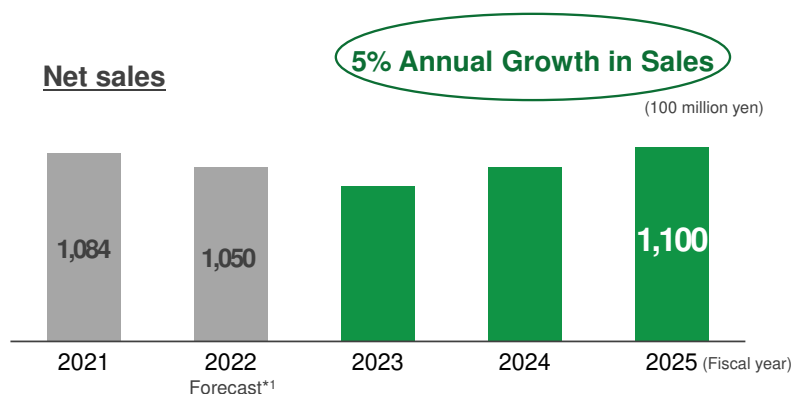
	FY2022 (Forecast)*		FY2023				FY2024				FY2025					
	Net sales	Gross profit	Net sales	Gross profit	Net sales	Gross profit	Net sales	Gross profit	Net sales	Gross profit	Net sales	Gross profit	Net sales	Gross profit		
															Component ratio	Profit ratio
International bidding projects (existing sites)	149	99%	---	---	145	88%	---	---	155	55%	---	---	120	34%	---	---
ODA construction projects (new markets)	1	1%	---	---	20	12%	---	---	125	45%	---	---	230	66%	---	---
<b>Total</b>	<b>150</b>	<b>100%</b>	<b>▲ 20</b>	<b>-13%</b>	<b>165</b>	<b>100%</b>	<b>5</b>	<b>3%</b>	<b>280</b>	<b>100%</b>	<b>12</b>	<b>4%</b>	<b>350</b>	<b>100%</b>	<b>20</b>	<b>6%</b>

\* The full-year financial results forecast for FY2022 was disclosed when the Q3 financial results were announced.

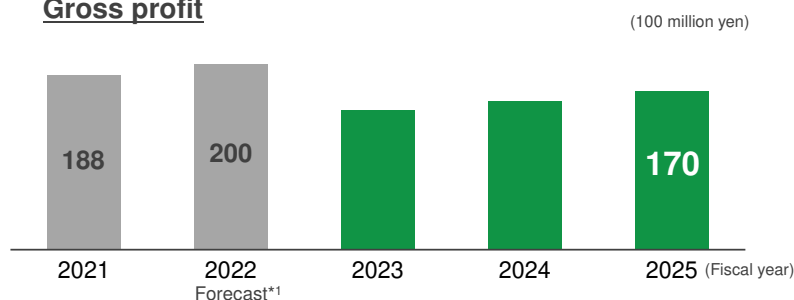
## Business Strategy: Civil Engineering Business

Strengthen personnel and organizational capabilities to expand the scale of public works, take on challenges in new fields

### Net sales



### Gross profit



Medium-Term Management Plan 2023

Medium-Term Management Plan 2025

\* The full-year financial results forecast for FY2022 was disclosed when the Q3 financial results were announced.

### Market situation

- The market for new government construction is increasingly slightly or remaining flat
- Construction of disaster prevention and mitigation facilities, renewal construction and construction related to renewable energy is on the rise
- Stricter regulations on overtime work, declining population of workers in the construction industry

### Issues

- Opportunity loss due to insufficient personnel assigned to bidding departments related to new government construction projects
- Delays in efforts aimed at new fields
- Difficulties in business operation using conventional on-site management methods

### Priority measures

#### 1. Strengthen personnel and organizational abilities

- Increase staffing of bidding departments by 20% (compared with FY2022) and utilize external resources
- Form the teams to analyze a results of comprehensive evaluation, optimize technical proposals

#### 2. Take on challenges in new fields

- Develop and improve technologies for tunnel lining renovation work
- Promote the development of technologies for road slab replacement
- Take part in offshore wind power generation projects

#### 3. Develop new production systems

- Promote smart construction sites utilizing DX

### FY2025 Targets

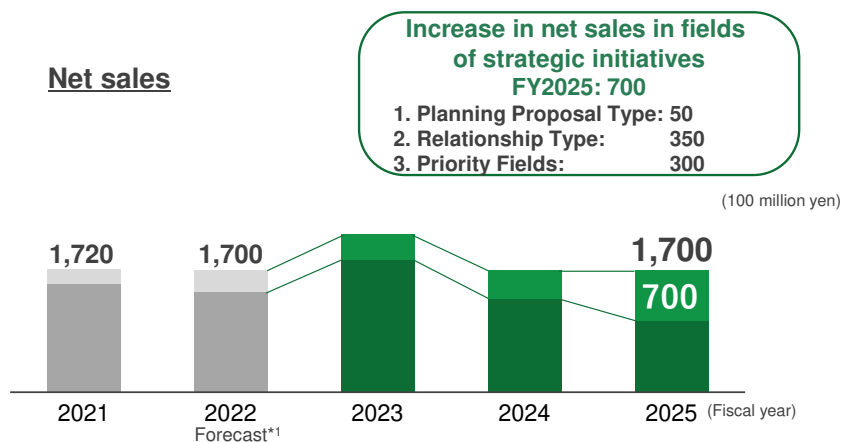
Net sales: 5% annual growth

Value of comprehensive evaluation projects : up 15% (compared with FY2022)

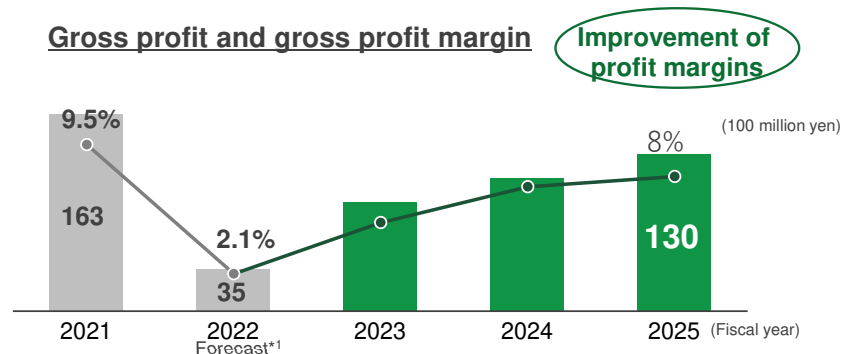
## Business Strategy: Building Business

To drive the transformation into a highly profitable structure, we will develop more in-depth dialogue with customers by improving our plans and proposals, utilize internal and external relationships, and make differentiation in priority fields.

### Net sales



### Gross profit and gross profit margin



Medium-Term Management Plan 2023 → Medium-Term Management Plan 2025

\* The full-year financial results forecast for FY2022 was disclosed when the Q3 financial results were announced.

### Market situation

- Increased construction costs in response to sharply rising material prices
- Solid private sector construction market due to strong appetite for investment among companies
- Logistics facilities facing excessive competition
- Stricter regulations on overtime work, declining population of workers in the construction industry

### Issues

- Difficulty controlling costs in the position of ordinary contractor
- Sluggish orders received
- Lack of strength as alternatives to logistics facilities
- Difficulties in business operation using conventional on-site management methods

### Priority measures

- 1. Improve capabilities to develop plans and proposals**
  - Improvements to planning departments and planning design departments
  - Engage in deeper dialogue with customers to propose optimum plans that include costs
- 2. Utilize fully internal and external relationships to engage in sales**
  - Form alliances with partners in different industries (ITOCHU Group, etc.)
  - Promote the strengthening of internal coordination in urban redevelopment projects
- 3. Make differentiation in priority fields**
  - Data centers and refrigerated and frozen goods warehouses: Apply design and construction technologies of logistics facilities
  - Environmental facilities (waste incineration plants): Pass on and improve design and build technologies with an extensive track record, leverage relationships with plant operating companies
- 4. Develop new production systems**
  - Promote smart construction sites utilizing DX

### FY2025 Targets

Gross profit ratio: 8%  
 Net sales in strategic field : 700

(100 million yen)



## Business Strategy: International Business (Civil Engineering and Building)

To mitigate business risks, we will strengthen the implementation structure for ODA construction projects in the Civil Engineering Business, and construction projects for overseas companies in the Building Business

**Business Development Areas**

**Civil Engineering Business**

From Southeast Asia to Southwest Asia, based in Singapore

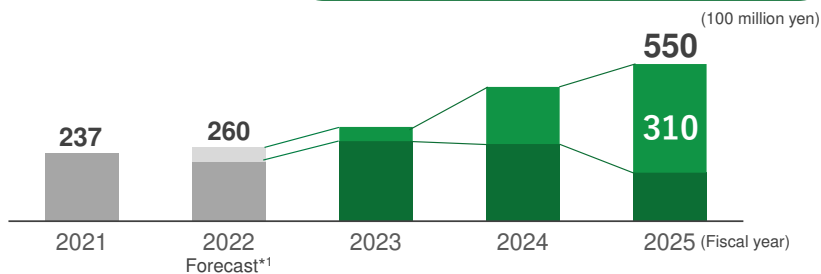
**Building Business**

Southeast Asia, mainly Thailand and Vietnam

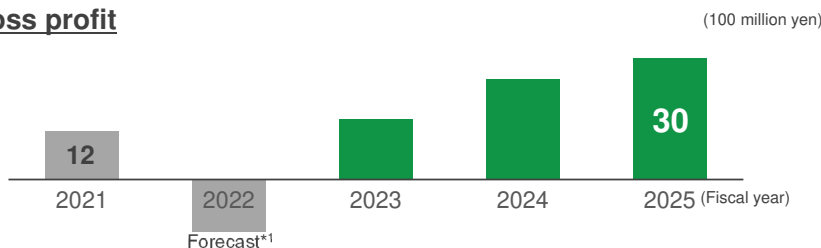
**Net sales**

**Increased net sales in priority fields  
FY2025: 310**

**Civil Engineering ODA construction: 230**  
**Building projects for foreign companies: 80**



**Gross profit**



Medium-Term Management Plan 2023 → **Medium-Term Management Plan 2025**

\* The full-year financial results forecast for FY2022 was disclosed when the Q3 financial results were announced.

**Market situation**

- Increased construction costs in response to sharply rising material and energy prices
- Civil Engineering Business**
  - <ODA Construction Projects> Competition is limited to Japanese contractors, projects are planned up to FY2030
  - <International Bid-based Construction Projects> Overseas contractors bid at low prices
- Building Business**
  - Construction investment by Japanese companies is sluggish due to the weak yen and other factors
  - Construction investment by foreign companies is solid

**Issues**

- Civil Engineering Business**
  - <ODA Construction Projects> Impact on business due to different laws, systems and business practices in newly entered countries
  - <International Bid-based Construction Projects> Deteriorating profitability due to cost competition
- Building Business**
  - Dependent on investment trends of Japanese companies
  - Differentiation from local competitors is not achieved

**Priority measures**

**Civil Engineering Business Strengthen implementation structure for ODA construction projects**

- > <ODA Construction> Aim to build an implementation structure with local partners based on past cases, conduct risk analysis and obtain construction orders in Bangladesh
- > <International Bid-based Construction> Focus on tunnel projects where Nishimatsu has strong technological advantages

**Building Business Strengthen the implementation structure related to construction projects for foreign companies**

- > New construction management system through promotion of localization
- > Construction system based on collaboration with local partners
- > Achievement of one-stop solutions through collaboration with engineering companies

(100 million yen)

**FY2025 Targets**

**Net sales from ODA construction projects : 230**

(100 million yen)

**FY2025 Targets**

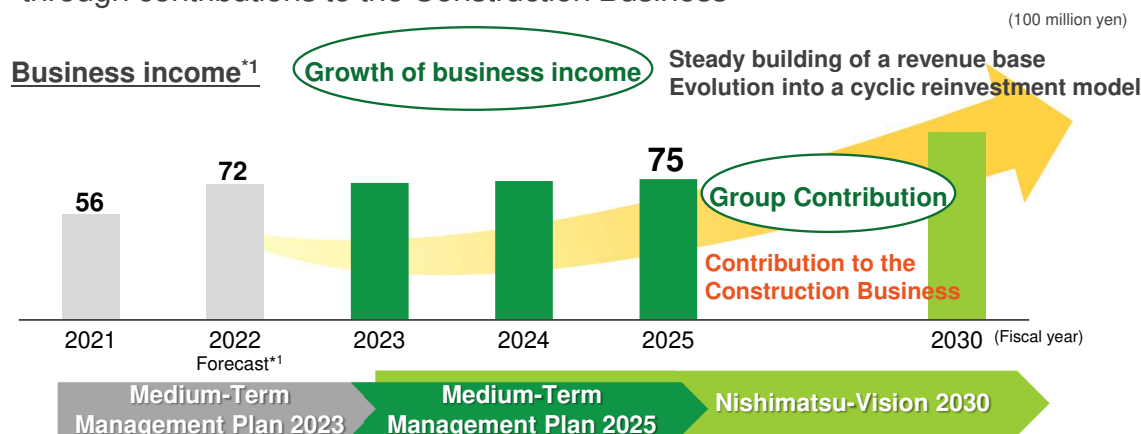
**Net sales from construction projects for overseas companies : 80 (FY2022: 11)**

## Business Strategy: Asset Value-Added Business

Embrace customer-centric ideas to create exciting assets (spaces that excite users) with astounding speed

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

Steadily build a revenue base, evolve into a cyclic reinvestment model, and achieve the sustainable growth of the Nishimatsu Group through contributions to the Construction Business



In the Asset Value-Added Business, we will aim to create new value in the form of security, vibrancy and bonds through the assets we provide (locations, buildings and content).

Business names have been changed to reflect this vision and the Medium-Term Management Plan.

New: Asset Value-Added Business

Formerly: Urban Development & Real Estate Business

Overall Business (Consolidated) (100 million yen)

	FY2022 Forecast*2	FY2025
Operating revenues	283	275
Gross profit	93	110
Business income*1	72	75
EBITDA	99	110
Asset balance	1,712	2,530
Portfolio ROA	4.5%	3.1%

Rental Business (Consolidated) (100 million yen)

	FY2022 Forecast*2	FY2025
Operating revenues	95	115
Gross profit	30	50

Sales Business, etc. (Consolidated) (100 million yen)

	FY2022 Forecast*2	FY2025
Operating revenues	188	160
Gross profit	63	60

\*1 Business profit = operating income + non-operating income

\*2 The full-year financial results forecast for FY2022 was disclosed when the Q3 financial results were announced.  
The full-year forecast of financial results for FY2022 does not include the sale of properties used in-house.

Investment recovery plan (100 million yen)

	2018-2022 Forecast*2	2023-2025	Total
Investment	1,167	1,100	2,267
Recovery	360	400	760
Net investment	807	700	1,507

Contribution to the Construction Business\*3 (100 million yen)

	FY2022 Forecast*2	2023-2025	Total
Orders received	162	1,080	1,242
Work completed	221	890	1,111
Gross profit	20	90	110

\* Contributions of expected orders for urban redevelopment projects and land readjustment projects to financial results of the Building Business and Civil Engineering Business

# Business Strategy: Asset Value-Added Business

## In-house development business and equity investment business

**Asset strategy**  
Investment in growth areas

**Development of customer networks**  
- Utilization of collaboration with different industries

## Urban redevelopment projects and land readjustment projects

**Establishment of a model for horizontal collaboration × cross-industry collaboration**  
  
Formation of businesses that fully utilize newly created real estate

## Overseas business

**Stable growth through high efficiency, risk diversification and carefully selected investments**  
- Medium-to-long-term development projects  
Growth markets (Thailand, etc.)  
- Short-term turnover development projects  
Stable growth markets (US, etc.)  
- Short-term revenue real estate investments  
Markets in developed countries (Singapore, etc.)

## Investment management business and property management business

**Nishimatsu Asset Management Co., Ltd.**  
Expansion of assets under management (AUM)  
  
**Nishimatsu Jisho Co., Ltd.**  
Strengthening of PBM functions

## Responding to decarbonization

Achieving net zero CO2 emissions by FY2030

### Medium-Term Management Plan 2025 → Nishimatsu-Vision 2030

#### Rebuild into a competitive portfolio

- Speed up preparation and commercialization of businesses developed in-house
- Equity investment in properties in prime locations
- Development and accumulation of exciting assets
  - ✓ Location
  - ✓ Building specifications (decarbonization, earthquake resistance, 5G, etc.)
  - ✓ Content (tenant × operation)

#### Expanding business opportunities for the Nishimatsu Group

- Expansion of carefully selected locations and projects with strong business potential (urban projects)
- Speeding up of commercialization
- Expanded contributions to the Construction Business (Urban redevelopment projects: construction work, land readjustment projects: civil engineering and construction work)

#### Global expansion of value-added business investment

- Commercialization of new projects
- Development business  
USA, Bangkok
- Revenue investment business  
Singapore
- Build up revenue with new investment properties

#### Strengthening the earnings power of the Nishimatsu Group

- Nishimatsu Asset Management Co., Ltd. Establishment of private REIT, start of operation
- Nishimatsu Asset Management Co., Ltd. Strengthening initiatives aimed at development funds
- Nishimatsu Jisho Co., Ltd. Strengthening of PBM functions
- Nishimatsu Asset Management Co., Ltd. Strengthening of investment management capabilities
- Nishimatsu Group Enhancement of one-stop solutions

#### Contributing to the realization of a decarbonized society

- Owned properties: Promotion of energy savings (equipment upgrades), promotion of the shift to renewable energy
- New properties: Promotion of specifications that meet ZEB Ready standards

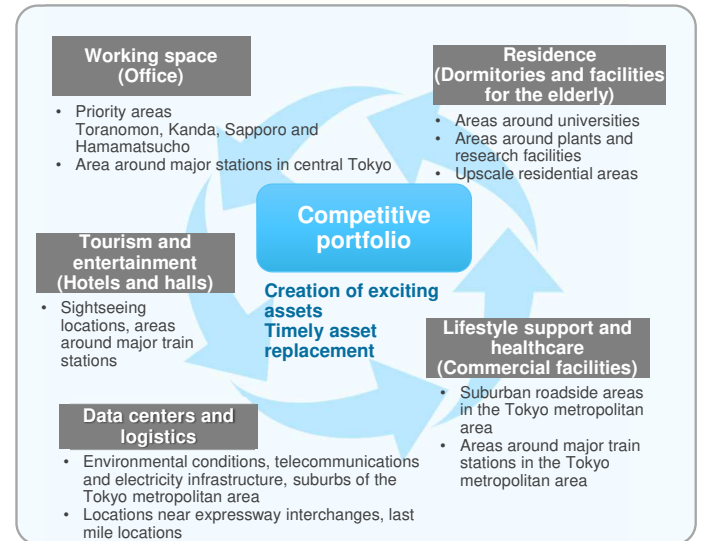
## Asset Strategy

Create exciting assets through investment in growth areas and build a competitive portfolio through timely asset replacements

## Perception of the Business Environment

- Population decline and acceleration of declining birthrate and aging population
- People's changing values
- Building a digital society
- Achieve carbon neutrality
- Increasingly diverse work styles, ways of learning and lifestyles
- Utilization of tourism resources

## Five Growth Areas



## Business Strategy: Asset Value-Added Business Examples

Engaging in co-creation with the Hotel Okura Group, Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development and Fuyo General Lease Co., Ltd. to develop a hotel providing peace of mind, vibrancy and bonds between people in Sathorn, one of Bangkok's most prestigious high-class areas

- Nishimatsu Construction made its first foray into Thailand as a Japanese general contractor in 1963, and has six decades of knowledge in the area.
- We fielded consultations from the Hotel Okura Group which was looking to open a location in the Sathorn area and secured optimal land.
- In Bangkok, which is exposed to frequent flooding and other water damage, we coordinated with the Sathorn District and utilized Japanese disaster prevention knowledge to provide **peace of mind** in the form of a location that enables heartfelt relaxation which will also serve as an evacuation site in the event of an emergency
- Through a joint venture comprising all-Japanese companies, we will provide services bearing the sophistication and excellent of Japan to further enhance the **vibrancy** of the Sathorn area.
- In the Sathorn area that is home to major domestic and overseas companies and embassies, we will enable long-term stays and the holding of international conferences, contributing to the formation of international **bonds**.



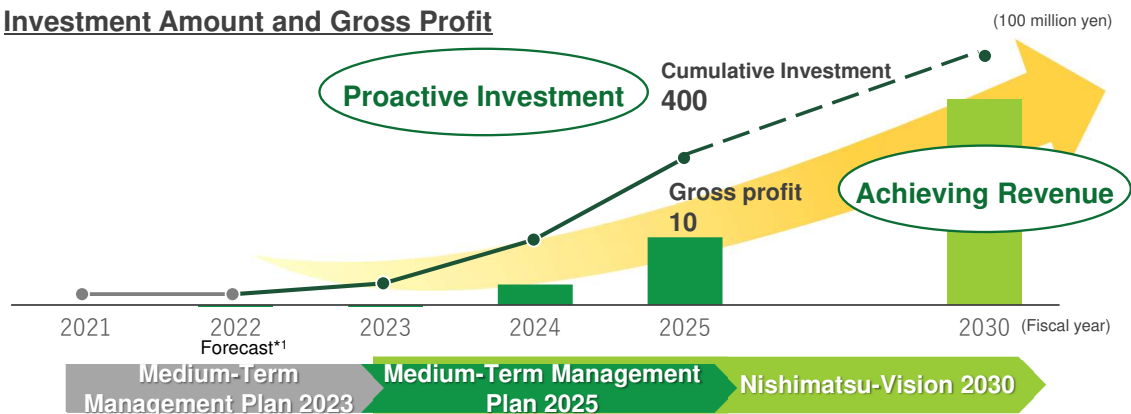
(Before Development)  
Restaurant operated by the previous land owner



## Business Strategy: Regional Environmental Solutions Business

We will engage in active business investment over three years to achieve growth in renewable energy and community development projects.

### Investment Amount and Gross Profit



In the Regional Environmental Solutions Business, we will leverage the renewable energy and community development projects we have worked on as a foothold to work closely with cities and regions and engage in further business co-creation through the proposal and implementation of solutions to issues.

Business names have been changed to reflect this vision and the Medium-Term Management Plan.  
 New: Local Environmental Solutions Business  
 Formerly: Environment and Energy Business

### Activities during FY2021 and FY2022

- Development of rooftop solar power PPA business
- Launch of biomass power generation business and geothermal power generation business
- Investment in venture company developing a food waste recycling business
- Conclusion of comprehensive partnership agreements with local governments aimed at decarbonization-oriented community development

### Issues

- Shortage of project information and knowledge
- Delays in timing for revenue achievement
- Insufficient differentiation from other companies

### Priority measures

#### 1. Active business investment

- Collaborating with local governments and partner companies to form businesses
- Making use of internal and external relationships to gather project information
- Expanding projects with multiple local governments using the comprehensive partnership agreement with the town of Oki in Fukuoka Prefecture as a model
- CVC investment in companies whose businesses are on track (later stage)

#### 2. Development of high-added value businesses

- Introduction of pioneering technologies through collaboration between academia and industry, and investment in venture companies
- Effective use of expert human resources and the knowledge of co-creation partners

(100 million yen)

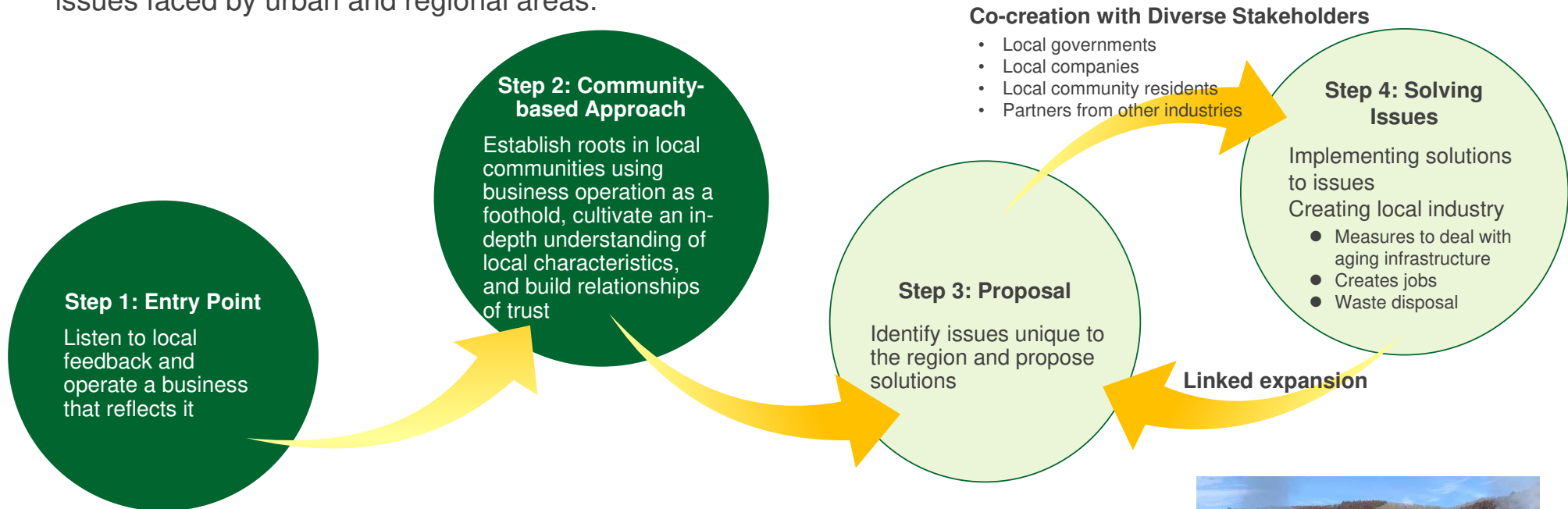
**FY2023 to FY2025 Plan**

**Investment for growth 400**

\* The full-year financial results forecast for FY2022 was disclosed when the Q3 financial results were announced.

## Business Strategy: Regional Environmental Solutions Business Growth Strategy

We will 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.



**Major current initiatives (Step 1, Step 2)**

- Oki, Fukuoka Prefecture: Carport PPA, storage battery EMS
- Sanyo-Onoda, Yamaguchi Prefecture: Biomass power generation business
- Oguni, Aso District, Kumamoto Prefecture: Geothermal power generation business
- Munakata, Fukuoka Prefecture: Roadside station PPA

**Example: Geothermal Power Generation Business in Oguni, Aso District, Kumamoto Prefecture**

Took over a hot spring binary power plan from a local business operating hot spring baths.

The business provides stable renewable energy to the local community. Through the operation of a business rooted in the local community we aim to identify local issues, propose solutions to them, and implement them.



## Investment Plan

Over three years from 2023 we will actively make growth investments to expand value co-creation activities.

(100 million yen)

Investment classifications	Investment effect	Major investments	FY2023-FY2025	FY2023-FY2030
GX Community creation	<u>Renewable energy</u> > Earning business income ROA 4% > Power generation (FY2025) 87,000 MWh (equivalent of 35,000 t-CO2)	<u>Renewable energy</u> Small-scale hydraulic power generation, geothermal power generation, biogas power generation Wood biomass power generation, pumped-storage power generation <u>Community creation</u> Power storage facility (EMS) Proposal-type PPP project	400	1,500 (Investment 2,500 Recovery 1,000)
Asset value-added	<u>Asset value-added</u> > Earning business income Portfolio ROA 4-5% <u>Construction</u> > Formation of urban redevelopment projects > Building of customer relationships	<u>Asset value-added</u> Working spaces (offices) Residences (dormitories, facilities for the elderly) Tourism and entertainment (hotels, halls) Lifestyle support and healthcare (commercial facilities) Data centers and logistics	700 (Investment 1,100 Recovery 400)	
Human resources development DX Technological development, etc.	<u>Management foundation</u> > Maximizing individual strengths and organizational strengths <u>Construction</u> > Improving productivity in the Construction Business > Acquisition of pioneering construction technologies > Development of high added-value buildings	<u>Management foundation</u> Development and cultivation of human resources, DX <u>Construction</u> Labor saving technologies, technologies to improve the work environment Automation of tunnel construction, construction RX (robotic transformation) Infrastructure renewal technologies Road slab replacement work-related technologies Wooden construction technologies, ZEB/ZEH, low-carbon material development	100	
Total			1,200	

## Financial Plan

In addition to funds acquired through business activities, we will make use of interest-bearing debt to invest in growth. From a perspective of financial health, in FY2025 we will firmly maintain an **equity ratio of around 30% and D/E ratio of around 1.5 times**, and by FY2030, we will aim for an **equity ratio of at least 35% and D/E ratio of around 1.0 times** by expanding profit.

During the period of Medium-Term Management Plan 2025, we will implement shareholder return at a **dividend payout ratio of 70%**.

Financial indicators (consolidated)		Medium-Term Management Plan 2023	FY2022 forecasts*	FY2025	FY2030
Capital efficiency	Return on equity (ROE) (%)	12% or more	—	8% or more	10% or more
Financial health	Equity ratio	Approx. 40%	—	Approx. 30%	35% or more
	D/E ratio	0.8 times	—	Approx. 1.5 times	Approx. 1.0 times
Shareholder returns	Dividends	Dividend payout ratio maintained at at least 70%	Dividend payout ratio 89.0% Annual dividend per share 221 yen	<u>FY2023-FY2025</u> Dividend payout ratio 70%	

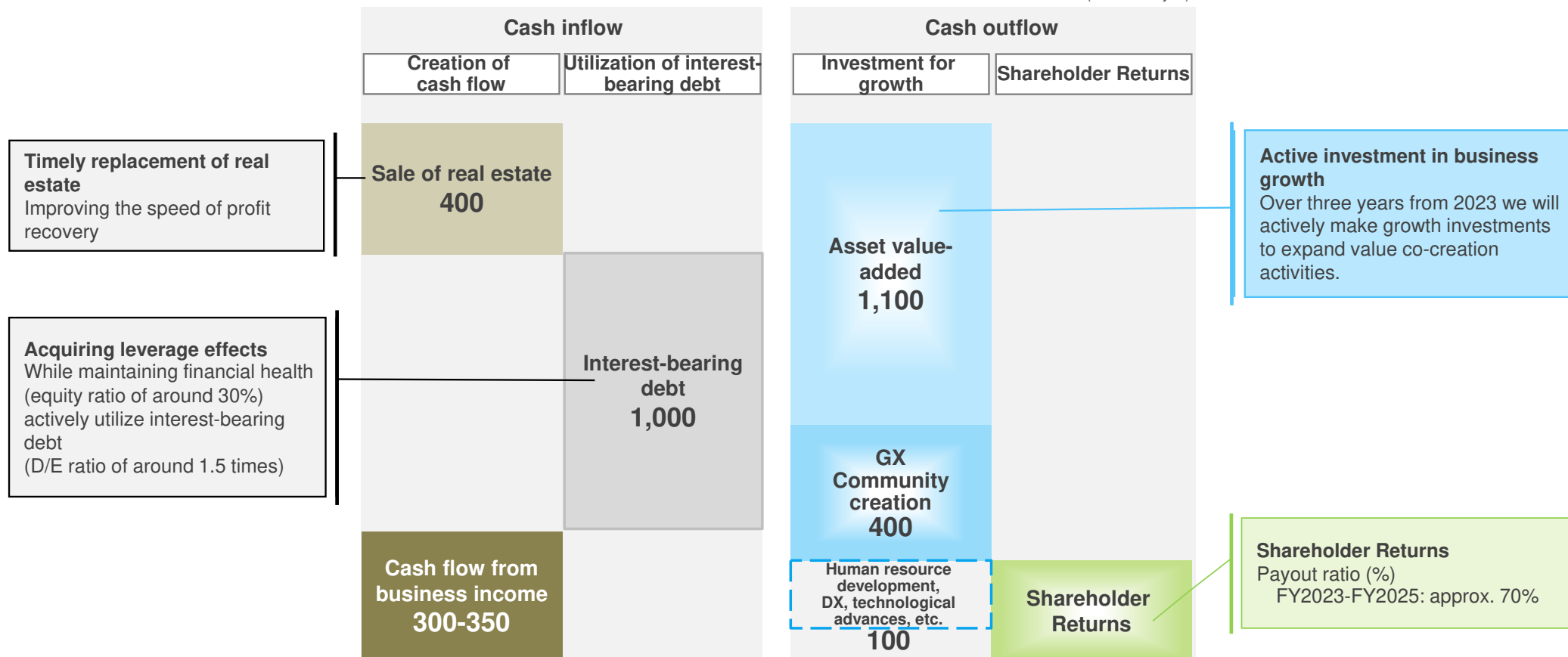
\* The full-year financial results forecast and dividend forecast for FY2022 were announced on January 31, 2023.



# Financial Plan

## FY2023-FY2025 Cash allocation

(100 million yen)



## Reform Program

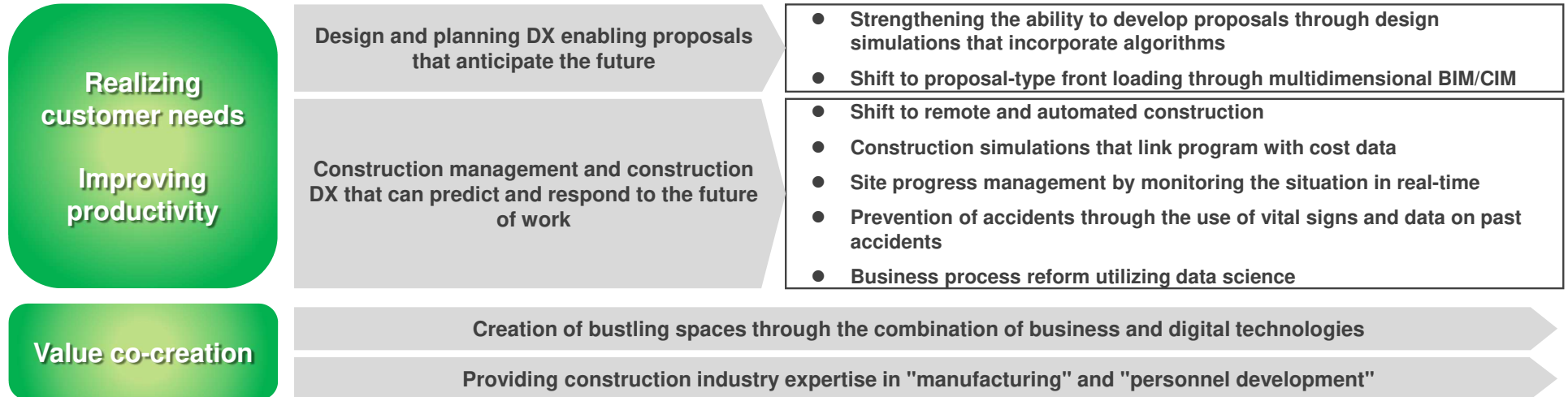
To promote value co-creation activities, we will implement a reform program to awaken **individual strengths** (the ambition, persistence and autonomy of individuals) and maximize **organizational strengths**



## DX Initiatives

Through DX, we will engage in value co-creation activities and drive the reform program

### Promotion of Value Co-creation Activities



### Promotion of the Reform Program



# ESG Initiatives: Environment

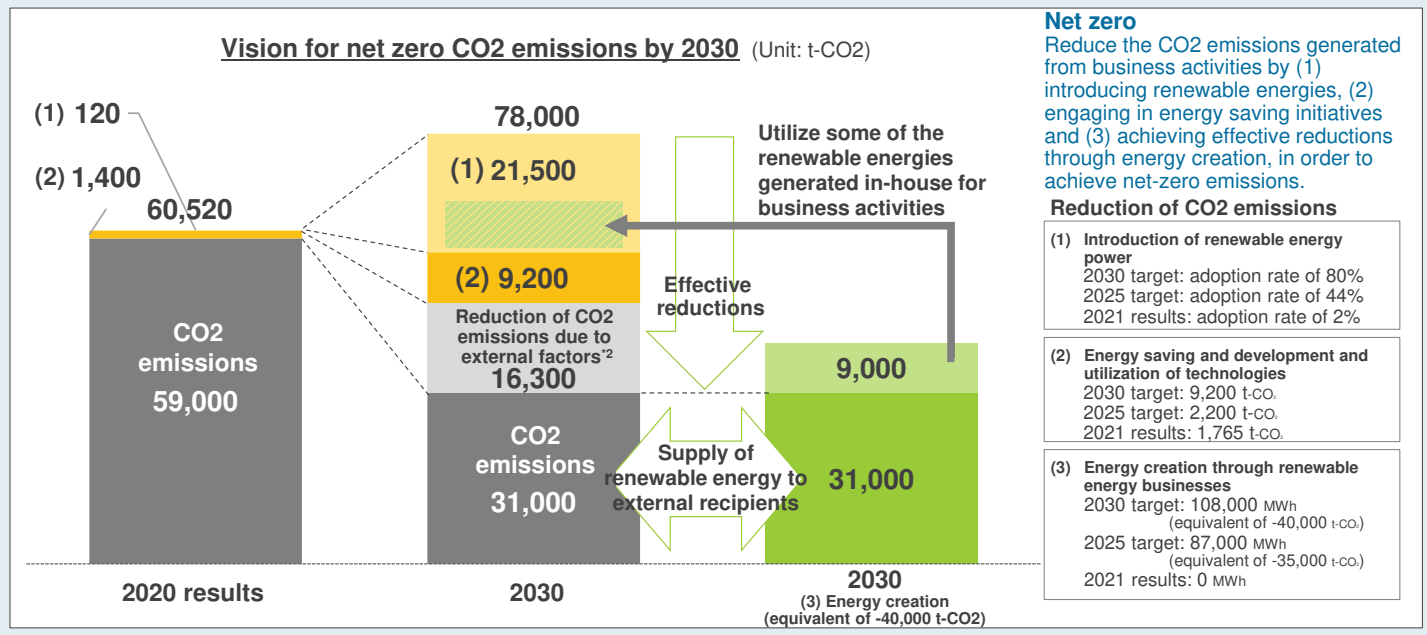
Achieving a green society through decarbonization, the preservation of biodiversity, and action to bring about a recycling-based economy

## Shaping a decarbonized society

- Aiming for net-zero CO2 emissions from business activities by 2030 Implement reduction activities based on the ZERO30 road map \*1 [applicable to reductions in Scope 1 and Scope 2 emissions]
- Reduce CO2 emissions due to the use of constructed buildings [applicable to reductions in Scope 3 (Category 11) emissions]

2030 target: 2,772,000 t-CO2 (13% reduction from 2020 levels [SBT certification: WB2°C]) 2025 target: 3,193,000 t-CO2

- Identify and assess climate-related business risks and opportunities, and promote response measures (TCFD recommendations)



## Preservation of biodiversity

- Ascertain the current state of biodiversity preservation and take action on nature-related risks and opportunities (TNFD recommendations)

## Shaping a recycling-based economy

- Promoting the development of technologies (design approaches, processing technologies, development of systems, etc.) enabling recycling and resource circulation towards net-zero construction waste

**Targets for each fiscal year**  
Ratio of landfill to the final disposal of construction waste at less than 3% (FY2021 results: 2.1%)

\*1 ZERO30 is a CO2 emissions reduction plan for activities in the domestic Construction Business, related offices and other sites. In the future, we also plan to develop CO2 emissions reduction plans for the Asset Value-Added Business, International Business and the businesses of consolidated subsidiaries.

\*2 Represents CO2 reductions due to improvements to electric power coefficients and construction machinery fuel efficiency.

## ESG Initiatives: Social

### Promoting respect for human rights

Purpose	Measures	Indicators	Targets	Results
<b>Respect of the basic human rights of all people associated with our business</b>	<b>Continue human rights due diligence</b>	Average percentage scored on "questionnaire on human rights initiatives" All categories (working conditions, discrimination and harassment, work environment, supply chain, local residents and users)	FY2025: 55% or higher	FY2022: 46.6%

### Enhancing the value of human capital and promoting value co-creation activities

Purpose	Measures	Indicators	Targets	Results
<b>Human resource development</b> Cultivating human resources able to discover and find solutions to social issues (Nishimatsu Employees' University) <div style="background-color: #FFC000; padding: 2px; display: inline-block; margin-top: 5px;">                         Reforming our mindsets and actions                     </div>	<b>Promotion of reskilling</b>	Development of systems allowing employees to learn autonomously	Introduction and operation of elective curriculums	Visualization of employee training history and plans
	<b>Continual development of mechanisms to enhance employee capabilities and pass on technologies</b>	Continual refinement of human resource development systems	Building of systems to cultivate advanced professional skills	Development of systems to cultivate basic professional skills

## ESG Initiatives: Social

Purpose	Measures	Indicators	Targets	Results
<b>Diversity</b> Developing an organization in which diverse individualities and skills can share the same philosophy and vision while flourishing  Strengthening our organizational abilities	<b>Visualization the capabilities and skills of each employee</b>	Introducing and operating a talent management system	Centralizing employee information	Gradual introduction from FY2022
	<b>Improving the ratio of female hires</b>	Ratio of female hires	FY2025: 20% or higher	FY2021: 17.8%
	<b>Cultivation of female leaders</b>	Percentage of female managers	FY2025: 2% or higher	FY2021: 0.3%
	<b>Encouraging male employees to participate in childcare</b>	Eligible male employee childcare leave usage rate	FY2024 onward: 100%	FY2021: 17.6%
<b>Safety and health</b> Providing an environment that allows employees to continue to work safely and in good health  Creating growth resources	<b>Promoting the development of safe work site environments</b>	Frequency rate (work-related accident rate)	FY2025: 0.4 or less	FY2021: 0.8
	<b>Promoting health and productivity management</b>	Percentage of employees receiving detailed examinations after periodic health check-ups	FY2025: 80%	FY2021: 62.3%
<b>Workstyles</b> Improving employee engagement  Creating growth resources	<b>Promoting flexible working styles tailored to life stages and life plans</b>	Remote work user rate	FY2025: 100%	FY2021: 55.5%
	<b>Encouraging dialogue</b>	1-on-1 meeting implementation rate	FY2025: 100%	FY2021: Partially implemented
	<b>Ascertaining engagement</b>	Engagement survey	Conducting engagement surveys on an ongoing basis	Total satisfaction score in FY2022 employee satisfaction survey: 3.65/5.00
	<b>Employee retention</b>	Turnover rate	FY2025: Less than 1.5%	FY2021: 2.05%
<b>Supply chain</b> Maintaining and further developing co-creation with partner companies  Creating growth resources	<b>Supporting the cultivation of skilled construction industry workers</b>	On-site employment rate of certified Nishimatsu Meisters and senior forepersons under the program for high-caliber technicians	FY2025: 100%	FY2022: 78% (provisional value)
	<b>Promoting utilization of the Construction Career Up System</b>	Construction Career Up Card scan rate	FY2025: 90%	FY2021: 24% FY2022: 43% (provisional value)

## ESG Initiatives: Governance

We practice corporate governance that helps maximize corporate value from the perspective of sustainability

### Revising the structure of the Board of Directors

- Revising the structure of the Board of Directors and ensuring diversity based on skillsets mindful of sustainability management

### Formulation and operation of president successor plan

- To enable the changeover to an excellent successor to the president at the right time, multiple programs and selection methods are in operation, including the Next-Generation Management Development Plan.

### Building sustainability-related systems

- **Establishment and operation of a Sustainability Committee** (to be established in FY2023)  
Incorporate diverse values from inside and outside the company, identify material issues, and link them  
Consider and formulate policies to respond to risks and opportunities
- **Establishment and operation of a Risk and Opportunity Management Committee** (to be established in FY2023)  
Conduct company-wide risk management including sustainability-related risks and opportunities

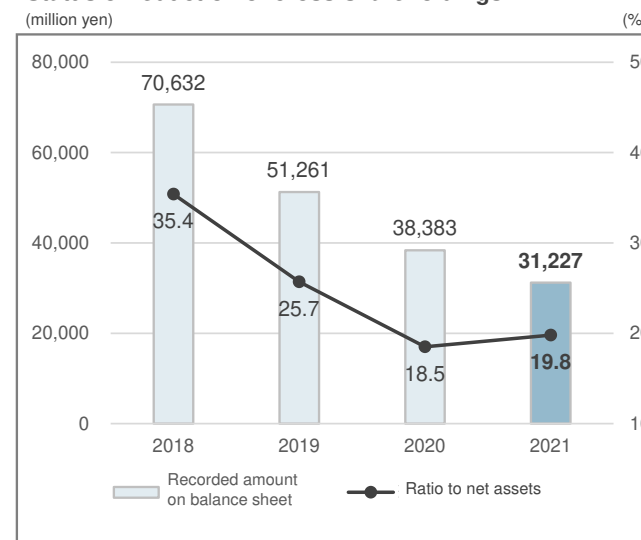
### Reduction of cross-shareholdings

- We will only retain cross-shareholdings deemed necessary for business operation, and reduce holdings of other stocks unless special circumstances apply [Balance as of March 31, 2022: 31,200 million yen (based on market value)]

### Changes in corporate governance

Fiscal year	Until FY2019	FY2020-FY2022	From FY2023 (planned)
Organizational design	June 2009 • Established a non-statutory Nomination Committee and Compensation Committee	June 2016 • Shifted to a company with Audit and Supervisory Committee	March 2021 • Established a Corporate Value Enhancement Committee
Structure of the Board of Directors	June 2009 • External directors (2)	June 2016 • External directors (3) (27% ratio)	June 2020 • External directors (3) (33% ratio) June 2021 • External directors (4) (40% ratio)
Business execution system		July 2019 • Established a President and General Managers Meeting	July 2021 • Established an Investment Committee
Officer compensation system			FY2021 • Began operation of performance-linked compensation and stock compensation
Company President Succession Plan, etc.			FY2021 • Began operation of Company President Succession Plan, etc.
Compliance Internal control Risk management	FY2008-FY2009 • Established an Internal Control Committee • Established the Nishimatsu Hotline whistleblowing system • Established a Compliance Committee	FY2015 • Established the Workplace Hotline outside counseling service FY2019 • Registration of WCMS certification for the whistleblowing system	From FY2023 (planned) • Establishment of a Risk and Opportunity Management Committee
Cross-shareholdings	FY2015 • Formulated policy on retention and review of cross-shareholdings	FY2018 • Formulated cross-shareholdings reduction policy	FY2020 onward • Reduced cross-shareholdings (ongoing)

### Status of reduction of cross-shareholdings





**Inquiries**

**Corporate Planning Department,  
Nishimatsu Construction Co., Ltd.  
TEL: +81-3-3502-0232**

The future plans, strategies, earnings forecasts and other forward-looking statements 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.