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To whom it may concern:

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## Action to Implement Management that is Conscious of Capital Cost and Stock Price

Nice Corporation ("the Company") announces that its Board of Directors, at a meeting held today, passed the following resolution regarding the company policy for achieving corporate management conscious of capital cost and stock price, aiming at sustainable growth in the future and improvement in its corporate value in the medium to long term.

### 1. Current Status Analysis

#### (1) Our PBR and ROE

Our PBR currently stands at around 0.3 to 0.4. Our ROE was 11.0% in the fiscal year ended March 31, 2022, but it stood at 8.1% in the fiscal year ended March 31, 2023, which is lower than our cost of equity. We recognize that this is one of the factors that keep our PBR at a low level.

In order to steadily improve PBR in the future, we need to make efforts to increase our ROE to a higher level than our cost of equity. It is also important to take a dual approach to improve our ROE and control the cost of equity at the same time.

#### (2) Status of our PER

Improvement in our PBR absolutely requires better PER, but our PER remains at around 5. This is partly because growth potential for our business operations have low expectations. From this perspective, we plan to gradually enhance our investor relations efforts regarding our business operations and our earnings.

#### (3) Our capital adequacy ratio and D/E ratio

Improvement in financial leverage will directly lead to better ROE. On the other hand, a significant increase in our borrowings or an excessive reduction of our shareholders' equity through share buybacks, dividend payments, or other means will decrease our capital adequacy ratio, which in turn will damage Our financial soundness.

We will pursue an appropriate balance among "investment for growth," "financial soundness" and "shareholder returns," aiming at sustainable growth without excessive financial leverage.

#### (4) Our ROIC

Our ROIC has stayed at a lower level than WACC for a long time. We recognize that steady improvement in PBR in the future will require our efforts to continuously improve ROIC further than WACC.

For this reason, in our "Medium-Term Management Plan 2023" announced on May 12, 2023, our ROIC target (for the final fiscal year), a newly adopted management indicator for our return on capital, is set at 5% or more, which is higher than WACC. We aim to achieve our ROIC target of 5% by promoting ROIC-based corporate management with an eye on our capital cost.

## 2. Our Policies for Better Performance

We aim to sustainably improve our corporate value by concretizing the following five approaches to improve our return on capital.

- (i) Profit Growth
  - Efforts to achieve "Medium-Term Management Plan 2023" (taking growth-driving actions)
  - Promoting M&A, DX investment, capital investment, etc.
- (ii) Better capital efficiency
  - Starting ROIC-based management (capital efficiency-conscious ROIC for each business category)
  - Optimizing business portfolio (functional reorganization and consolidation of group companies and business operations)
- (iii) Shareholder return
  - Stable and continuous dividend policy (aiming at interim dividend payments and continuous dividend hikes)
- (iv) Achieving environmental objectives
  - Attaining Scope 1 and 2 carbon neutrality
  - Increased carbon dioxide absorption at company-owned forests
- (v) Promotion of human capital management
  - Enhancing employee engagement
  - Talent management and succession planning
  - Putting Health and Productivity Management in practice

## 3. High Priority Issues

### (1) Achieving Medium-Term Management Plan

On May 12, 2023, we developed our "Medium-Term Management Plan 2023" and corporate policies to enhance our corporate value.

This Medium-Term Management Plan sets the quantitative targets at 280 billion yen for net sales, 8 billion yen for operating income, 7.5 billion yen for ordinary income, and 5 billion yen for net income attributable to the parent firm's shareholders for the fiscal year ending March 2026, the final year of said plan, by establishing a strong supply chain with a view to an increased domestic wood ratio in our core business of building materials, expanding the supply of seismic-isolated condominiums in the housing business, and expanding business operations through M&A and other actions.

Other quantitative targets for the plan's final fiscal year include 30% or higher capital adequacy ratio, 1 or lower debt-to-equity ratio, 9% or higher ROE, 5% or higher ROIC, and a consolidated dividend payout ratio of 20% or higher.

### (2) ROIC-conscious business administration

The funds we have invested in our business operations come from the shareholders' equity that we are entrusted by our shareholders as well as loans from financial institutions, etc. It is important to manage our business operations from the viewpoint of how we utilize these funds in an efficient manner. To attain corporate management with an eye on business growth potential and profitability as well as earnings on the invested capital, we have introduced ROIC as our new business administration indicator.

By intensively injecting our corporate resources into our core businesses and launching new businesses, we aim to maximize our corporate value through improving our return on capital (expanding ROIC spread).

If importance of return on capital is well understood among our group companies, as a result it will lead to a change in our business portfolio as well as improvement in our ROE.

### **(3) Operation of our investment criteria**

Our hurdle rate used to determine the appropriateness of new investment projects is set at a higher level than WACC. We make our investment decisions for individual projects if NPV (i.e., the total sum of the present value of future cash flows generated by the investment minus the initial investment amount) is positive.

We will impose a new requirement that the rate of return on an individual investment project exceeds WACC, the minimum expected rate of return that investors demand from a company, so that our capital cost-conscious corporate management will take root among all of our group companies.

### **(4) Business portfolio optimization**

Our Group consisted of 93 subsidiaries and 13 affiliates at maximum in the past, but we have been working on reorganization/consolidation of our business functions to optimize our business portfolio and improve our ROE. We will continue to improve our capital efficiency by withdrawing from unprofitable businesses and intensively putting our business resources into growing businesses, after analyzing possible synergies among our businesses and ROIC for each business sector.

### **(5) Improvements in reducing the cost of equity**

When controlling the cost of equity, we believe it is necessary to improve our business performance volatility. By decreasing the deviation rate of our actual business performance from our forecasts and achieving stable annual earnings growth, we aim to decrease overall business performance volatility and decrease the beta value that constitutes the cost of equity.

In addition, our securities report describes risk information on our business operations. We believe that removing uncertainties will lead to decreased risks recognized by investors and others, which in turn will decrease our cost of equity. In this context, we will make efforts to actively disclose further information.

### **(6) Achieving environmental targets, and promoting human capital-based corporate management**

On November 7, we publicly released our integrated report for the first time in our Group. In said report, we set the "Nice Group Environmental Targets" with the goal of reducing greenhouse gas emissions for all of our value chains to practically zero by the year 2050 through collaboration with our stakeholders. In addition, based on the concept that the growth of our human resources will drive Our growth, said report also describes that we will promote human capital-based corporate management, such as improvement in our employee engagement, talent management, succession planning, and putting Health and Productivity Management practices. Steady efforts to achieve these goals will improve our corporate value.

"Nice Corporation Integrated Report 2023"

[https://www.nice.co.jp/shareholder/pdf/report\\_2023.pdf](https://www.nice.co.jp/shareholder/pdf/report_2023.pdf)

### **(7) Enhanced IR**

We will further enhance our proactive investor relations efforts regarding our business activities and earnings to make our stakeholders better understand/trust us and gain appropriate evaluations about our growth potential among investors.

- (i) Enhancing our corporate site's information on financial data, non-financial information, sustainability activities, etc.
- (ii) Publicizing our integrated report (it started in the current fiscal year)
- (iii) Continuously holding financial results briefing sessions and distributing our video messages
- (iv) Qualitatively and quantitatively improving our information services by issuing our press releases
- (v) Disclosing business-related risk information in a timely manner
- (vi) Facilitating constructive dialogue with our shareholders/investors

#### 4. Strengths and Competitive Advantages of Nice Group

In our pursuit of improving PBR, we recognize the importance not only of enhancing profitability and capital efficiency but also of obtaining proper market evaluations regarding the growth potential of our business. In developing our "Medium-Term Management Plan 2023," we have set in order our Group's strengths and competitive advantages as follows. With these strengths and competitive advantages, we will steadily achieve our goals set forth in "Medium-Term Management Plan 2023" and aim at sustainable growth and further enhancement of our corporate value toward 2050, Our 100th anniversary.

“Medium-Term Management Plan 2023”

[https://www.nice.co.jp/files/2023/05/2023\\_05\\_12\\_02.pdf](https://www.nice.co.jp/files/2023/05/2023_05_12_02.pdf)

##### **(i) Supply chain for stable supply of domestic wood building materials**

In our supply chain intended to promote adopting wooden buildings and using wood, ranging from forest cultivation to material distribution, sawmilling, processing, product distribution, design, construction and housing supply, our Group is able to stably procure and supply high-quality wooden products by making use of our networks fostered over our 70-year history, without excessively depending on specific production areas. Moving forward, we aim to serve as the top company in the sales volume of domestic wood products (lumber and laminated lumber) by making specific efforts to stably improve the sales volume with around 700 trusted suppliers with whom we have built relationships over many years.

In addition, we also promote active use of domestic wooden materials for buildings, cooperating with designers, contractors and consumers, and intensifying appropriate reforestation efforts.

##### **(ii) Pre-cut production capacity through 6 company-owned factories nationwide**

Our consolidated subsidiary Nice Pre-Cut Corporation runs 6 pre-cut factories, including the headquarters factory in Yokohama as well as other factories in Sendai, Ishioka, Kisarazu, Shiga and Kyushu, and delivers processed lumber to construction sites. The subsidiary's pre-cut processing volume in the fiscal year ended March 31, 2023 stands at approximately 700,000 square meters, including processing volume by partner plants. In addition to supplying custom-made assembled/precut materials for each house according to the wide-ranging needs of housing suppliers, etc., and delivering interior/exterior materials, kitchen, bathroom, etc., along with building frame materials, we are able to create synergies between the lumber division and the building materials/housing equipment division.

Recently, we have added new production facilities equivalent to approximately 120,000 square meters of annual production capacity at our Shiga Plant, which will start full-scale operations in December. This will strengthen our supply capabilities in the western Japan area.

##### **(iii) Solution capability to promote adopting wooden buildings and using woods**

We are promoting wood use for interiors and exteriors for buildings under the concept of Wood Building Network<sup>\*1</sup>. We are able to propose optimal solutions by providing complementary and necessary functions at "structural design," "wood building materials procurement," "production processing" and "construction" stages indispensable for medium- to large-scale wooden building construction projects, by paying attention to customer needs and project's characteristics or content. Our wooden building-related first call center “Wooden Technical Center<sup>\*2</sup>” provides a wide range of consultation services on adopting wooden buildings and using wood, such as providing responses within about one week from receiving questions on feasibility to adopting wooden buildings and using wood or approximate costs related with building frames based on simple sketches or drawings received from our clients. The number of first-call consultations received by Wooden Technical Center has exceeded 1,200 since it was established in 2020. Approximately 95% of these consultations are related to low-rise buildings of three stories or less, the area in which we can take advantage of our strengths. We have received approximately 160 new orders on a cumulative basis through first-call consultations.

**\*1 Wood Building Network**

A network that suggests optimal proposals for each project in terms of adopting wooden buildings purposes by working with our Group's capabilities and our customers.

**\*2 Wooden Technical Center**

Our wooden building construction-related first-call center that responds within approximately one week in most cases in terms of possible feasibility of wood construction or the estimated cost of the frame, after performing simple structural calculations based on drawings or some other information.

**(iv) Enhance the business of wood use for interiors and exteriors by formation of De-plastic and Wood Promotion R&D Center**

We launched our new brand "WoWood®" in 2022 as commitment to the woodification of interiors and exteriors. This is the brand for domestically produced wooden interior/exterior materials based on our concepts that more and more people will understand the advantages of wooden products and feel more familiar with human-friendly wooden products. Through developing the materials such as "ObiRED®<sup>\*3</sup>" and "Gywood®<sup>\*4</sup>," our original products made from big-diameter domestic softwoods, and expanding their use, we have been promoting our value-added and domestically produced wooden building materials and cultivating demand for these items. In order to further promote material development as a fables manufacturer, we established the new Product Development Division this April and the "De-plastic and Wood Promotion R&D Center" in October. By developing new materials that utilize the advantages and potential of domestic wooden building materials, we aim to cultivate the wooden interior/exterior materials market from residential to non-residential and even the non-building sectors.

**\*3 ObiRED®**

Our original material that is made only from large-diameter Obi cedar duramen grown in Miyazaki Prefecture. It is highly durable due to its rich extracts and also enjoys high shape stability, backed by our original drying technique.

**\*4 Gywood®**

Solid wood material with enhanced surface hardness and shape stability by densifying the surface layer of softwood in particular, while maintaining softness, lightness, low thermal conductivity, etc., that are the natural characteristics of softwood.

**(v) Providing Nice Group's original metal joint technique "Power Build Method"**

From April 2025, due to reconsideration of the so-called Subparagraph 4 Special Exception, which alters the scope of building verification/inspection and the examination omission scheme, submission structure-related rules or energy-saving-related drawings/documents will be required, except for some small-scale buildings such as wooden houses. In addition, structural calculation is anticipated to become more important due to law amendments, such as reconsideration of ZEH-level building's wall volume and post's small diameter criteria.

Our original metal joint building construction technique "Power Build Method<sup>\*5</sup>" can smoothly respond to such legal revisions because it is able to perform structural calculations in conjunction with pre-cut data. Furthermore, as shortening the time required to submit structural calculations in writing will shorten the time required to start construction, this technique has a competitive advantage over conventional methods or any other metal hardware methods. Because Nice Group is able to offer two different building construction approaches (Power Build Method and Technostructure Method<sup>\*6</sup>) that will yield structural calculation sheets in conjunction with pre-cut data, we intend to expand our sales of structural frames through suggesting proposals for wood structure construction in response to law amendments.

**\*5 Power Build Method**

The Nice Group's original building construction method that achieves high structural reliability through joints made with high-performance hardware and dedicated CAD based on three-dimensional analysis and allowable stress calculations.

**\*6 Technostructure building construction method**

In addition to performing structural calculations for all buildings, this technique provides an earthquake-resistant structure and freely designed large spaces because it uses "Techno Beam," a high-strength beam made of wood and steel.

#### **(vi) Providing residential building materials EDI service and business administration systems**

Our Group has been promoting DX in the building materials distribution process through its order-acceptance/placement platform system for building materials and housing equipment, including the housing construction materials EDI "Nice Addvan<sup>®\*7</sup>" and corporate management system "Kitaro<sup>®\*8</sup>" for our customers. This January, we developed our new cloud-type service "Kitaro 6," which improves usability by making the latest version available all the time. Currently, as part of the DX initiatives in "Hyper-Logistics" described in the "Medium-Term Management Plan 2023," we are in the process of renewing our order-acceptance/placement platform system. By expanding the functions of our operation management software "Kitaro" for our customers as well as the platform system "Nice Addvan<sup>®</sup>" for placing orders with us, and by mutually linking these two solutions, we will be able to better respond to inventory inquiries, improve order placement capabilities, and actualize delivery date management that includes not only store delivery but also on-site delivery.

\*7 Nice Addvan<sup>®</sup>

An online order placement system for building materials, housing equipment, and wooden building materials. It is able to offer speedy order placement, inventory inquiry, and timely delivery date confirmation services.

\*8 Kitaro<sup>®</sup>

Business administration system capable of preparing estimates, invoices and delivery slips, and improving operational efficiency by linking tasks such as estimates, sales, invoicing, purchasing, and order acceptance/placement.

#### **(vii) Existence of customer base centered in Yokohama**

To date, Our Group has supplied approximately 72,000 housing units and managed approximately 68,000 condominium units. Especially in "Yokohama" area, we have a number of customer bases related with stock business, including Nice Community Corporation, Nice Asset Corporation, Renice Co., Ltd., and YOU Communications Corporation., which covers approximately 290,000 households. In addition, we provide one-stop solutions to our customers' problems, ranging from purchase/sale of housing units to leasing, renovation, and even asset management. By further enhancing mutual synergies among our group companies, we will expand our housing stock services and strengthen the distribution of existing houses, so that the "Nice in Yokohama" brand will take root.

#### **(viii) Providing life-protecting housing through seismic-isolated condominiums**

Based on our strong belief that "a housing unit should protect lives," we began supplying seismic-isolated condominiums in 1997. Until the fiscal year ended March 31, 2023, we had supplied 8,128 units in 83 condominiums, becoming as the top supplier of seismic-isolated condominiums in Kanagawa, Tochigi and Miyagi prefectures. We will keep focusing to seismic-isolated structures, in principle, for condominiums that we supply. We also intend to add further value and expand our supply in areas where we have a strong base by strengthening our competitive edge through better performance and promoting wood use for interior/exterior in condominiums' common use spaces.

(Note on forward-looking statements, etc.)

The earnings forecasts and other forward-looking statements presented in this document are based on information that is currently available to Us and certain assumptions that We deems reasonable, and We does not guarantee to achieve them. In addition, actual financial results, etc., may differ significantly due to a wide range of factors.