

December 20, 2024

To whom it may concern:

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## Action to Implement Management that is Conscious of Capital Cost and Stock Price (Progress Report)

Nice Corporation (“the Company”) announces that at its Board of Directors meeting held today, it reviewed the implementation status of the “Policy for Improvement” outlined in the disclosure dated November 10, 2023, titled “Action to Implement Management that is Conscious of Capital Cost and Stock Price,” and resolved to undertake the following initiatives to further improvement in its corporate value.

### 1. Progress Report

	FY3/2026 targets	FY3/2023 results	FY3/2024 results	December 19, 2024
PBR				0.37x
PER				6.06x
ROE	9% or higher	8.1 %	8.3 %	
Equity Ratio	30% or higher	30.6 %	32.8 %	
D/E Ratio	1.0x or lower	1.0x	0.8x	
ROIC	5% or higher	4.9 %	3.9 %	

#### (1) Our PBR, PER, and ROE status

Our cost of equity capital, estimated based on the CAPM model, is recognized to be between 8% and 9%. We believe that the fact that the ROE has been trending below the estimated cost of equity capital has been a factor inhibiting the improvement of the PBR. To improve the PBR, we recognize that achieving an ROE above the cost of equity capital and reducing volatility to control the cost of equity capital are crucial. Therefore, we have established a system within the “Materiality Subcommittee,” which is an organization under the Sustainability Committee responsible for overseeing risk management. This subcommittee monitors indicators related to “business risks” listed in the securities report and formulates improvement measures based on the results.

Moreover, we recognize that improving the PBR is inseparable from enhancing the PER, and that the continued qualitative and quantitative improvement of our IR activities related to business operations and profitability is essential for achieving this goal.

#### (2) Our equity ratio and D/E ratio status

Improving financial leverage is a direct factor in enhancing ROE. However, an increase in borrowings or the acquisition of treasury stock, which compresses equity capital, can lead to a decline in the equity ratio and potentially undermine the company’s financial soundness. Therefore, in pursuit of sustainable growth, we have established a cash allocation policy as a guideline for the source and distribution of funds, pursuing an appropriate balance among “growth investment,” “Strengthening of financial position,” and “shareholder returns.”

#### (3) Our ROIC status

Our WACC, estimated based on the CAPM model, is approximately 5% on a book value equity basis and around 3% on a market capitalization basis. We believe that improving the PBR requires ongoing efforts to ensure that ROIC consistently exceeds WACC. Therefore, we have set a benchmark of exceeding the WACC and implemented a 5% hurdle rate for investment decisions, starting from FY3/2024.

## 2. Implementation status of the “Our Policies for Better Performance”

In the disclosure dated November 10, 2023, titled “Action to Implement Management that is Conscious of Capital Cost and Stock Price,” we outlined five approaches as a policy aimed at improving capital profitability. The status of implementation for each of these is as follows:

Five Approaches	Implementation Status
[1] Profit growth	<p><b>(1) Efforts to achieve "Medium-Term Management Plan 2023"</b></p> <ul style="list-style-type: none"> <li>- Formulation of a medium- to long-term business portfolio</li> <li>- Formulation of cash allocation</li> </ul> <p><b>(2) M&amp;A investment, DX investment, capital investment</b></p> <ul style="list-style-type: none"> <li>- Establishment of the De-plasticization and Wood Promotion R&amp;D Center (Promoting the use of wood in the living sector)</li> <li>- Commenced construction for a new sawmill in Tokushima (Strengthening the supply system for structural laminated lumber using domestic wood)</li> <li>- Establishment of a joint venture with TOBISHIMA CORPORATION (Promoting the use of lumber and lumber in the non-residential building sector)</li> <li>- Entering into a capital and business alliance agreement with Sharing Energy Co., Ltd. (Expansion of energy-related product sales)</li> <li>- Acquisition of shares of SEREX Holdings Co., Ltd. (Expansion of sash and exterior product offerings)</li> </ul>
[2] Better capital efficiency	<p><b>(1) Introduction of ROIC-based management</b></p> <ul style="list-style-type: none"> <li>- Conducting of group management meetings, management improvement of low ROIC businesses, profitability enhancement</li> <li>- Utilization, selling, etc. of non-operating assets</li> </ul> <p><b>(2) Business portfolio optimization</b></p> <ul style="list-style-type: none"> <li>- Conducting of share transfers in subsidiaries (2 companies), liquidation (1 company), merger (1 company)</li> </ul>
[3] Shareholder return	<p><b>(1) Implementation of interim dividend and increase in dividend for the full FY3/2024</b></p> <p><b>(2) Introduction of progressive dividends</b></p> <p><b>(3) Introduction of shareholder benefit program</b></p>
[4] Achieving environmental objectives	<p><b>(1) Formulation of environmental policy</b></p> <ul style="list-style-type: none"> <li>- Promotion of the circulation and sustainable use of forest resources</li> <li>- Promotion of environmentally friendly products and services</li> </ul> <p><b>(2) Attaining Scope 1 and 2 carbon neutrality</b></p> <ul style="list-style-type: none"> <li>- Achievement of carbon neutrality for greenhouse gas emissions (Scope 1 and 2) in FY3/2024</li> <li>- Renewable energy adoption rate of 33%, with carbon dioxide absorption of 10,071 tons of CO<sub>2</sub> through company-owned forests</li> </ul>
[5] Promotion of human capital management	<p><b>(1) Enhancing employee engagement</b></p> <ul style="list-style-type: none"> <li>- Conducting of an engagement survey</li> <li>- Introduction of a self-development tool through group-wide e-learning</li> <li>- Introduction of the “Life Support Leave” system, which allows employees to accumulate unused annual paid leave</li> <li>- Holding of “Open Communication Meetings” between directors and frontline employees</li> <li>- Holding of “Roundtable Meetings” aimed at creating an environment where women can thrive</li> </ul> <p><b>(2) Talent management and succession planning</b></p> <ul style="list-style-type: none"> <li>- Introduction of a talent management system</li> <li>- Conducting of 360-degree evaluations</li> </ul> <p><b>(3) Putting Health and Productivity Management in practice</b></p> <ul style="list-style-type: none"> <li>- Obtaining of recognition as part of the “2024 Certified Health &amp; Productivity Management Outstanding Organizations”</li> <li>- Obtaining of platinum certification as a “Kanagawa Work and Treatment Integration Promotion Company”</li> <li>- Conducting of the “Women's Health Course” through e-learning</li> </ul>

## 3. Implementation status of cash allocation

On May 24, 2024, we formulated a cash allocation plan as part of our efforts to achieve the “Medium-Term Management Plan 2023.” This plan aims to, while maintaining long-term financial soundness, allocate the resources generated through cash flow from operating activities, liquidation of assets, and effective use of interest-bearing debt to various growth investments, while also implementing returns to employees and shareholders.

The status of implementation for each of these is as follows:

Allocation	Estimated amount	Implemented	Future	Remarks
● New business investment (M&A, R&D investment)	¥10 billion+	¥100 million ¥500 million ¥9.4 billion	¥3 billion	Investment in Wood Engineering, Inc. (joint venture) Investment in Sharing Energy Co., Ltd. Acquisition of shares in SEREX Holdings Co., Ltd. Other M&As
● Growth investment (existing businesses)	¥11.5 billion+	¥800 million	¥700 million	The building materials business system, etc.
- IT investment	(¥2.5 billion)	¥1.4 billion	¥1.3 billion	Arborex Co., Ltd. 2nd Factory
- Capital investment	(¥8.5 billion)	¥500 million	¥1.7 billion	Woodfirst Co., Ltd. 2nd Factory
New capital investment		¥2 billion		Osaka logistics center repair, etc.
Existing equipment renovation investment		¥2.2 billion		
- CATV investment		¥300 million	¥200 million	YOU Communications Corporation FTTH conversion project
- Human capital investment	(¥500 million)			
● Shareholder return	¥2.2 billion+	¥700 million		¥30 per share at the end of FY3/2023 + ¥20 per share for the interim of FY3/2024
FY3/2024		¥800 million		¥40 per share at the end of FY3/2024 + ¥25 per share for the interim of FY3/2025
FY3/2025			¥800 million	
FY3/2026				

#### 4. Implementation status of shareholder return

In order to stabilize and enhance the return of profits to shareholders, we have revised our dividend policy. While considering the funding needs for future growth and strengthening competitiveness, we have introduced progressive dividends through medium- to long-term sustainable growth.

For FY3/2025, we forecast an interim dividend of ¥25 per share and a year-end dividend of ¥40 per share.

	Unit	FY3/2024 (Results)	FY3/2025 (Forecast)	FY3/2026 (Based on the medium-term management plan)
Net profit attributable to parent company shareholders	Million yen	4,204	3,200	5,000
Dividend on retained earnings (total amount)	Million yen	708	771	-
Dividend on retained earnings (per share)	yen	60	65	-
Consolidated dividend payout ratio	%	16.8	24.0	20% or higher
Latest stock price (as of December 19, 2024)	yen	1,638	1,638	-
Dividend yield	%	3.7	4.0	-

Moreover, we have introduced a shareholder benefit program with the aim of increasing the attractiveness of investing in our company's stock and encouraging more shareholders to hold our shares for a longer period, while also expressing our gratitude for the ongoing support from our shareholders.

“Notice Regarding the Introduction of the Shareholder Benefit Program,” dated June 27, 2024

[https://www.nice.co.jp/uploads/2024\\_06\\_27\\_01.pdf](https://www.nice.co.jp/uploads/2024_06_27_01.pdf)

#### 5. Efforts for sustainable improvement of corporate value, growth, and evolution

##### (1) Challenges and concerns for improving capital profitability

Approaches	Challenges and Concerns
[1] Profit growth	- Downward trend in new housing starts - Addressing rising construction costs driven by soaring material prices, higher labor costs, and extended construction periods - Increase in mortgage interest rates
[2] Better capital efficiency	- Visualization of ROIC by business division and company (subsidiaries) - Review of core and non-core businesses
[3] Shareholder return	-
[4] Achieving environmental objectives	- Addressing the increase in greenhouse gas emissions due to M&As, etc. - Promoting the circular use of forest resources in company-owned forests
[5] Promotion of human capital management	- Improving employee engagement scores - Encouraging career autonomy for employees, creating an environment where diverse talents can thrive in suitable roles - Reducing health risks for employees and decreasing the number of high-risk individuals

##### (2) Balance sheet improvement

Approaches	Key Considerations
[1] Review of appropriate cash holding levels	- Clarification of the usage of surplus cash and deposits (planning for cash allocation for the next term) - Group-wide cash management (effective utilization of idle cash)
[2] Identification and response to low-efficiency and underutilized assets	- Review of the policy on holding policy-related stocks - Sale of idle real estate - Exploration of business models without asset ownership (warehouses, factories, offices, manufacturing machinery, vehicles, IT infrastructure)
[3] Improvement of cash conversion cycle	- Strengthening earning capacity - Improving capital turnover speed - Reviewing methods to increase motivation and understanding of frontline employees towards improvements
[4] Review of business portfolio management	- Review of consolidation and elimination of unprofitable businesses - Co-creation with business partners
[5] Review of optimal capital structure	- Exploring the capital structure to maximize corporate value (the best combination of shareholder equity and debt) - Ensuring financial safety

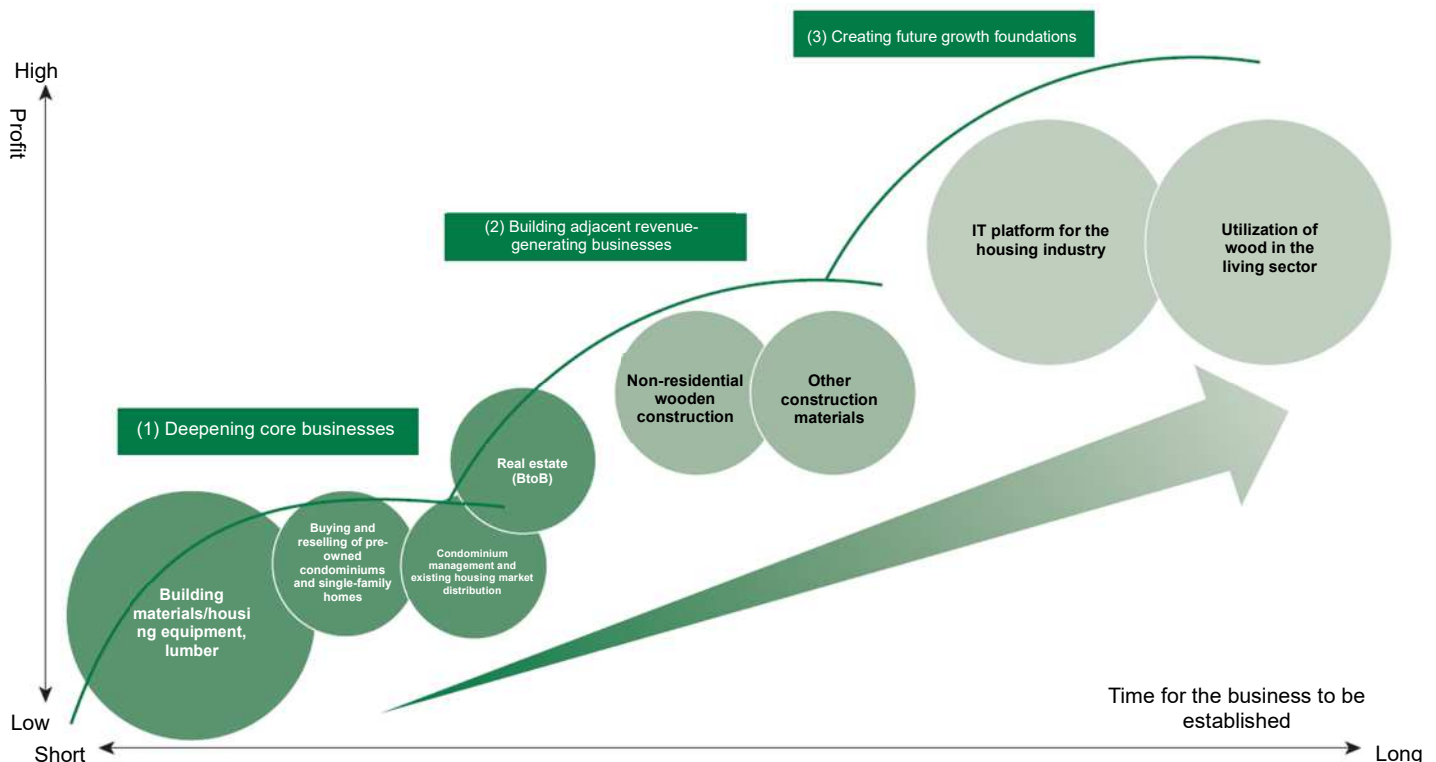
### (3) External environment and company strengths

[1] PEST analysis	<ul style="list-style-type: none"> <li>- Politics: Decarbonization, wood utilization, energy conservation, work style reforms (increased labor costs)</li> <li>- Economy: Geopolitical risks, inflation, rising resource prices, interest rate hikes, exchange rate fluctuations</li> <li>- Society: Population decline, decrease in new housing starts, increase in single-person households</li> <li>- Technology: Progress in DX, concentration and scaling of manufacturing and processing industries</li> </ul>	
[2] 5 forces analysis	<ul style="list-style-type: none"> <li>- Threat of competitors: Price competition, competition for scale expansion through M&amp;A</li> <li>- New entrants: Entry of general contractors into wooden construction, expansion of regional coverage by large-scale builders, M&amp;A by companies from other industries</li> <li>- Bargaining power of buyers: Oligopoly in pre-cut materials, oligopoly in builders, elimination of intermediary distributors</li> <li>- Bargaining power of suppliers: Oligopoly in sawmill manufacturers, rise of trading companies</li> <li>- Substitutes: Imported lumber with high price competitiveness</li> </ul>	
[3] Our strengths	<ul style="list-style-type: none"> <li>- Procurement capabilities for domestic wood and building materials</li> <li>- Nationwide sales network and product proposal capabilities</li> <li>- Supply chain from upstream to downstream</li> <li>- Proposal functions for the use of wood and lumber in buildings</li> <li>- Research and development department for the promotion of the use of lumber</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic areas with high urban strength</li> <li>- Long-standing achievements and customer base in strategic areas</li> <li>- Know-how in creating homes that protect lives and utilization of domestic wood</li> <li>- Group synergy in the Yokohama area</li> </ul>
[4] Medium- to long-term business portfolio	<ol style="list-style-type: none"> <li>(1) Deepening core businesses</li> <li>(2) Building adjacent revenue-generating businesses</li> <li>(3) Creating future growth foundations</li> </ol>	
[5] Creating future growth foundations	<ol style="list-style-type: none"> <li>(1) Formulating a business model for the use of lumber in the lifestyle domain</li> <li>(2) Building an IT platform</li> </ol>	

### (4) Execution of the medium- to long-term business portfolio

Taking into account the aforementioned “Challenges and Concerns for Improving Capital Profitability” and “External Environment and Company Strengths,” we will deepen our existing core businesses, which are the foundation of our revenue, while also expanding into adjacent income-generating areas such as non-residential wooden buildings, building materials, housing equipment, and construction materials other than wood. Furthermore, we will expand our business domain from housing to incorporate the use of wood in daily life, among other efforts, to create future growth foundations.

#### Medium- to long-term business portfolio



## 6. Execution status of the medium- to long-term business portfolio

### (1) Deepening core businesses

#### [1] Expanding the handling volume of structural laminated lumber

In December 2023, we entered into an agreement with Okura Industrial Co., Ltd. and our consolidated subsidiary, Woodfirst Co., Ltd., to collaborate through the production and related sales business of structural laminated lumber, with the goal of mutually developing each other's businesses. In addition, based on this agreement, a new factory will be constructed within the site of the Woodfirst Co., Ltd. Tokushima Saw Mill to produce materials for structural laminated lumber, and it is scheduled to begin operation in April 2025. The entire Tokushima Saw Mill plans to increase the volume of raw logs processed to approximately 90,000 m<sup>3</sup> five years after the factory starts operating.

#### [2] Expanding orders for structural frames

In December 2023, we expanded production facilities at our consolidated subsidiary Nice Pre-Cut Corporation's Shiga Factory. As a result, the company's pre-cut processing volume for the FY3/2024, including processing at affiliated factories, increased by approximately 5% from the previous fiscal year, reaching around 220,000 tsubo ("Tsubo" is a traditional Japanese unit of area, and 1 tsubo is equivalent to approximately 3.3 square meters). In an environment where the number of new housing starts continues to decline, we aim to increase the order value per house by supplying not only structural frame materials but also building materials such as interior and exterior materials, as well as plumbing products.

#### [3] Initiatives in Shikoku

On May 20, 2024, we signed an "Agreement for the Promotion of Wood Use in Buildings to Promote the Use of Wood Produced in Tokushima and Kagawa Prefectures" with Tokushima Prefecture, Kagawa Prefecture, and Okura Industrial Co., Ltd.

Through the initiatives based on this agreement, we will expand our forestry practices nationwide to promote recycling and utilization for the regeneration of Japan's forests, contributing to the stable supply of domestic wood.

#### [4] Expanding housing stock services based in Yokohama and strengthening the distribution of existing homes

Our consolidated subsidiary, Nice Community Corporation, specializes in comprehensive management of condominiums and buildings, renovation services (including large-scale renovations and remodeling), and non-life insurance agency services. It currently manages over 68,000 units, primarily in the Kanagawa and Tokyo areas. Moreover, our consolidated subsidiary, Nice Asset Corporation, celebrated its 35th anniversary last year and has expanded its managed units to over 7,500. Along with advancing the corporate brokerage business and handling single-building income properties, we are also working to further expand our existing home purchase and resale business by establishing a new division that directly acquires real estate from individual customers.

#### [5] Supplying seismic-isolated and strong earthquake-resistant condominiums

As of the end of September, all units in "Noblesse Yokohama Tsurumi Mid Park (59 units)," "Noblesse Tsurumi Kagetsu Sojiji (43 units)," and "Qualitis Tokyo Rokucho (77 units)," which are scheduled for recognition in the FY3/2025, have been contracted. We will focus on acquiring land in areas with an existing customer base, carefully selecting locations and other conditions, to ensure the stable supply of seismic-isolated and strong earthquake-resistant condominiums.

#### [6] Standardization of 100% domestic wood and "Ultra-Seismic" feature in single-family homes

We provide single-family homes in the Tokyo metropolitan area, primarily focused on Yokohama and Kawasaki, as well as in Sendai, Niigata, Utsunomiya, Hamamatsu, and Toyota. Until now, we have been providing homes with high seismic resistance, excellent insulation, and energy-saving performance. Starting from the FY3/2024, we have standardized the use of 100% domestically sourced structural materials for our subdivision homes and also adopted a new standard of "Ultra-Seismic" feature, which surpasses the previous standard of seismic grade 3 and exceeds twice the seismic strength required by the Building Standards Act.

## **(2) Building adjacent revenue-generating businesses**

### **[1] Establishment of a new company specializing in mid-rise wooden non-residential building projects**

In May 2024, we entered into an agreement with TOBISHIMA CORPORATION to establish a joint venture company, leading to the formation of Wood Engineering, Inc. With the global rise in decarbonization investments and support from forestry policies, the market for wooden non-residential buildings in Japan is expected to continue expanding in the coming years. The market size for wooden non-residential buildings in FY2024 is estimated to be ¥880 billion, with projections suggesting it will expand to ¥1.14 trillion by FY2030 (according to estimates by Yano Research Institute Ltd.). Our company also regards the mid-rise wooden non-residential building sector as a growth area and has been actively promoting the use of wood and lumber in buildings. Moving forward, we will work to further expand our business in this field.

### **[2] Entering into a capital and business alliance agreement with Sharing Energy Co., Ltd.**

In July 2024, we entered into a capital and business alliance agreement with Sharing Energy Co., Ltd. Our group has outlined in the basic policy of our “Medium-Term Management Plan 2023” the promotion of providing products and services that contribute to energy conservation and zero energy, with a commitment to reducing greenhouse gas emissions. To achieve this goal, we will focus on expanding the adoption of energy-related products, including solar power systems and storage batteries.

### **[3] Acquisition of shares in SEREX Holdings Co., Ltd.**

In October 2024, we entered into a share transfer agreement with SEREX Holdings Co., Ltd. and acquired its shares.

SEREX Holdings Co., Ltd. operates SEREX Co., Ltd. as its business entity, focusing on the sale and installation of residential building materials, including sashes and exterior products, primarily in the Chukyo region. Particularly in the area of sashes, the company boasts an industry-leading supply capacity, with an annual supply record of 6,000 units.

With the mandatory compliance to energy efficiency standards set to take effect in April 2025, the enhancement of residential building performance is expected to accelerate. By fully leveraging the strengths of both companies, we aim to contribute to the realization of a decarbonized society. This will be achieved by offering a comprehensive range of products, including sashes, which significantly impact building envelope performance, as well as structural materials, insulation, high-performance equipment, and solar power systems.

## **(3) Creating future growth foundations (utilization of wood in the living sector)**

### **[1] Establishment of the De-plasticization and Wood Promotion R&D Center**

In October 2023, we established the “De-plasticization and Wood Promotion R&D Center” with the aim of expanding the use of wood in the living sector. At the center, research is being conducted on methods to enhance the surface strength and dimensional stability of wood, with the aim of expanding the potential of solid wood. We are working to further promote the use of wood for interior and exterior finishes and expand the utilization of wood in areas outside the construction sector.

In the future, we will focus on the development of new materials using domestically sourced solid wood, with an eye toward expanding into overseas markets.

### **[2] Holding of the “Wood and Living Expo”**

On November 27th and 28th, 2024, we held the “Wood and Living Expo®” at Pacifico Yokohama. At this exhibition, over 80 manufacturers and other exhibitors participated, and more than 7,000 visitors attended, including retailers, construction companies, and architectural firms.

Among the highlights, we strengthened the “Domestic Wood and Wood Utilization Proposal Area” and showcased products using our unique surface compression technology, “Gywood®,” along with various application scenarios in residential, non-residential, and non-construction fields. We made efforts to present the new potential of domestically sourced wood to the visitors.

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(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.

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