

150

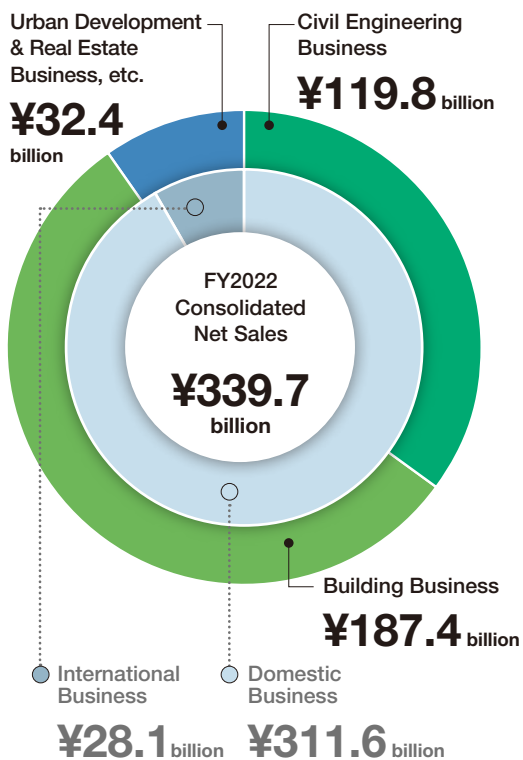
NISHIMATSU
150th Anniversary



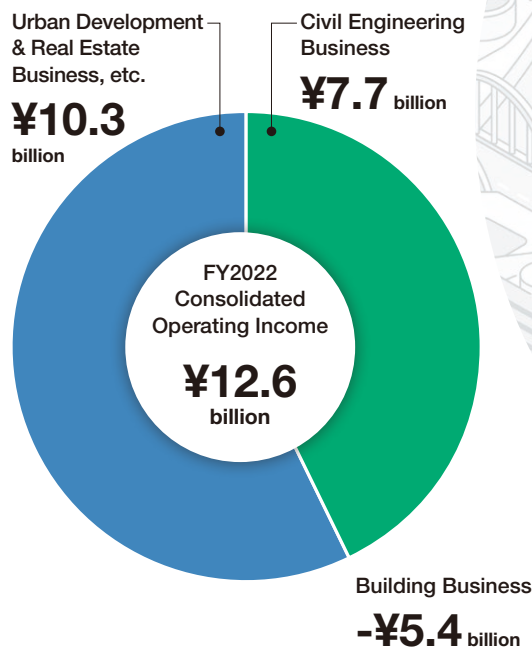
Integrated Report 2023

At a Glance

Consolidated Net Sales



Consolidated Operating Income



External Evaluations



**FTSE Blossom
Japan Sector
Relative Index**

FTSE Blossom Japan Sector
Relative Index



**SCIENCE
BASED
TARGETS**

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SCIENCE BASED TARGETS



DISCLOSURE INSIGHT ACTION

CDP DISCLOSURE INSIGHT
ACTION



S&P/JPX Carbon Efficient
Index



JHEP CERTIFIED



WELL PLATINUM
2021



WELL HEALTH-SAFETY



DX Certification



ROE

6.4%

Capital to Assets Ratio

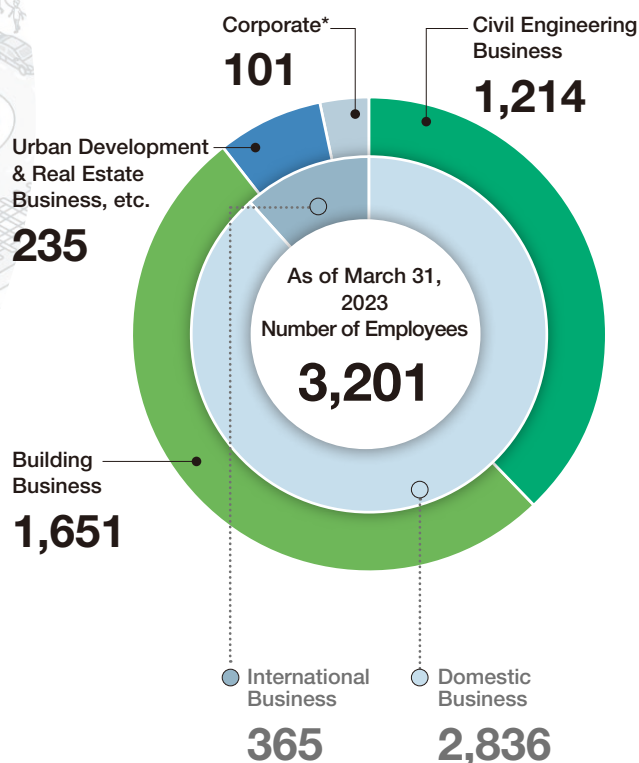
29.0%

D/E Ratio

1.1 times

Number of Employees

* Corporate: The number of employees in the administrative departments of Nishimatsu Construction Co., Ltd. Headquarters



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Nishimatsu Construction's Corporate Philosophy/Vision

Corporate Philosophy

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

Nishimatsu-Vision 2030

Amid a rapidly changing social and business environment, we have dug deep into the 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.

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.

Nishimatsu-Vision 2030

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

Changing social and business environment

Nishimatsu-Vision 2027

Transforming into a company with overall capabilities that provides new value

Our will

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

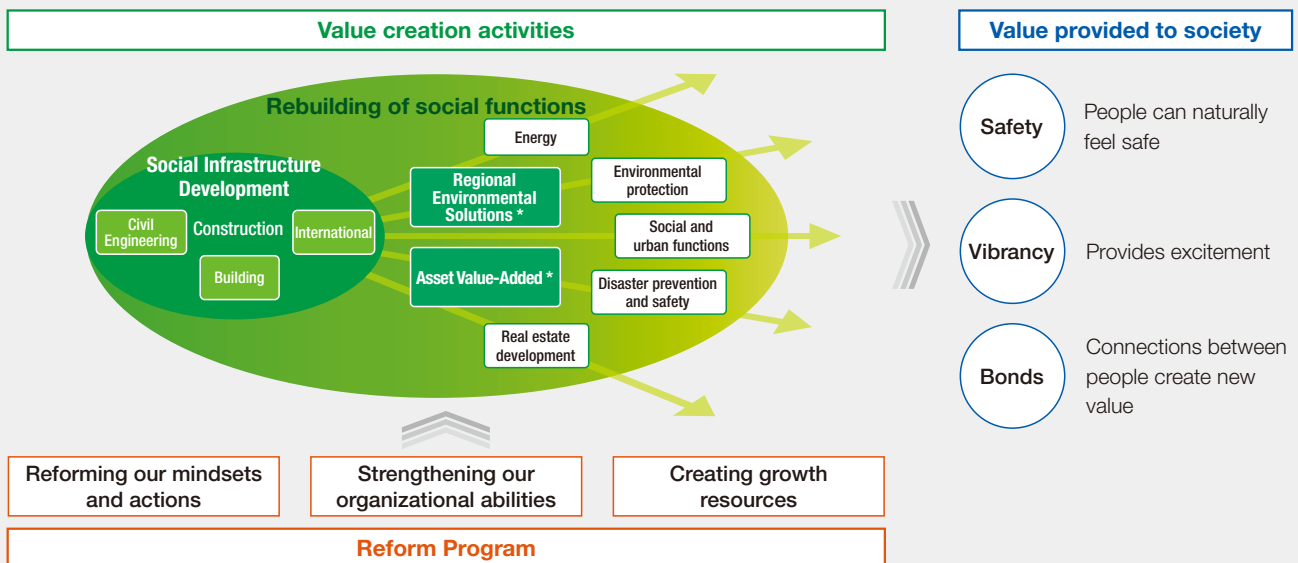
Our strengths

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

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.



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

*Regional Environmental Solutions Business (formerly Environmental and Energy Business)

Message from the President



Nobutoshi Takase

Representative Director and President

高瀬伸利

Reforming the mindsets and actions of employees through nationwide dialogue is essential to realizing our long-term vision.

Drawing on lengthy deliberations on our will and strengths by all staff, from management to young employees, we established Nishimatsu-Vision 2030 as a revamped long-term vision.

Even in the midst of substantive changes in value systems and societal attitudes, we will work together with people, companies, and local communities to envisage regions and communities that naturally provide people with safety, excitement, and vibrancy.

To realize our new vision, we will vigorously promote value creation activities through internal and external collaboration and implementation of the Reform Program. To this end, I am traveling throughout the nation to talk to employees as an important first step in reforming mindsets, actions, and our corporate culture.

Formulating Nishimatsu-Vision 2030

Revamping Our Long-Term Vision in Response to Unexpected Changes in the Business Environment

The social and business environment has changed dramatically since we formulated Nishimatsu-Vision 2027 in 2018. In addition to changes in global conditions owing to such factors as the COVID-19 pandemic and conflict in Ukraine, our operating environment was notably impacted by the greater-than-expected sharp rise in commodity prices. In light of the advances in AI technology and other changes that took place at a pace that was entirely unprecedented when we formulated our previous vision, we recognized the critical need to once again review our long-term vision.

In this review of our vision, we were especially careful to involve employees in the formulation process and incorporate specific details to ensure that employees sufficiently “buy in,” which we recognize is essential to bringing the vision to fruition.

After analyzing the business environment in which the Company operates, we called for members to take part in a study group around September 2022 to consider and deliberate on the Company’s future vision. Staff from management to the Company’s younger employees came together to discuss at length changes in the social and business environment as well as express their own will and comment on what they saw as the Company’s strengths. Based on these deliberations, we revamped our vision and announced details of Nishimatsu-Vision 2030 in February 2023.

A Company with Overall Capabilities That Works Together to Make Regions and Communities That Are Naturally Safe and Vibrant

Though even the things we once took for granted have become more difficult as of late, Nishimatsu Construction has maintained a commitment to providing peace of mind as a matter of course throughout its 150-year history. Accordingly, we have helped bring vitality to society through business activities that are finely attuned to the community and region. As the basis of our overarching will, we will continue to hold on to this commitment. Even in the midst of substantive changes in value systems and societal attitudes, we will work together with people, companies, and local communities to build communities that naturally provide people with safety and vibrancy. I am convinced that the Company’s strength lies not only in its ability to develop social infrastructure, but also in its ability to bring together a diverse range of skills to fulfill goals. Moving forward, we will significantly leverage these strengths to realize our new vision.

Internal and External Coordination Essential for Rebuilding Social Functions

In addition to our efforts to develop social infrastructure, we have decided to ramp up measures for rebuilding social functions by engaging in value creation activities, which are designed to realize our new vision. Recognizing that social functions encompass such areas as social and urban functions, disaster mitigation and safety, energy, and real estate development, we will work together to address the issues and needs of communities. To this end, the Civil Engineering and Building Businesses, which develop social infrastructure, the Asset Value-Added Business (formerly the Urban Development & Real Estate Business), which focuses on real estate and development, and the Regional Environmental Solutions Business (formerly the Environmental and Energy Business), which addresses regional needs centered on renewable energy, must work together more closely than ever. Moreover, collaboration with external resources outside of Nishimatsu Construction is also essential to meet any and all challenges and needs. Further progress in cooperating with players in other industries is also required. Though these internal and external collaboration efforts have yielded positive results to date, I strongly believe that we must expand the circle of cooperation if we are to achieve even greater results.

The Reform Program That Underpins Internal and External Coordination

Our new vision includes the Reform Program, which encompasses reforming our mindsets and actions, strengthening our organizational abilities, and creating growth resources, newly incorporated in a bid to put internal and external coordination into action. Put simply, the Reform Program entails reforming the Company’s corporate culture. Nishimatsu Construction takes great pride in its experience, achievements, and long history of providing value through the development of social infrastructure. While this is clearly a positive aspect, one could argue that this track record has contributed to the Company adopting an overly cautious approach toward taking on new challenges. Looking at each of the Reform Program’s constituent parts, reforming our mindsets and actions entails instilling in employees a heightened awareness toward taking on challenges and linking this awareness to concrete action. Strengthening our organizational abilities necessitates bringing together a wide range of values, knowledge, and experience to enhance and demonstrate the ability to work together toward a common goal. Taking the aforementioned into consideration, we will assess the need for reorganization, if necessary, to create a sense of unity within the Company. Finally, in order to create growth resources, we must develop human

Message from the President

resources who are able to take on new challenges and create the time for them to do so. Lack of manpower is becoming the number one issue not only for our Company, but also for the corporate sector as a whole. On a collective basis, we must optimize construction site tasks and promote DX while generating resources for the future. Looking ahead, we will vigorously promote value creation activities through internal and external collaboration and the implementation of the Reform Program, and as a result, aim to provide society with the three values of security, vibrancy, and bonds.

Toward Realizing Nishimatsu-Vision 2030

Looking Back On the Medium-Term Management Plan 2023

Nishimatsu Construction decided to revamp its Medium-Term Management Plan one year in advance in conjunction with its review of its vision. In FY2021, the first year of our Medium-Term Management Plan 2023, results exceeded targets despite the lingering effects of the COVID-19 pandemic and the trend toward higher commodity prices from the second half of the fiscal year. In specific terms, operating income came in at 23.5 billion yen compared with the target of 21 billion yen. However, FY2021 and FY2022's fortunes were in sharp contrast. In the Building Business, where most orders are from the private sector, price hikes were especially marked in design and construction projects amid significantly higher construction materials prices. Taking into account these price hikes from the time orders were received, through the detailed design period, to the start of construction, profitability deteriorated substantially. Operating income fell significantly to 12.6 billion yen, owing to additional construction costs incurred in the overseas civil engineering business.

Regarding collaborations with partner companies from different industries, one of the basic policies established under Medium-Term Management Plan 2023, collaborative measures under the capital and business alliance agreement with ITOCHU Corporation (hereinafter referred to as "ITOCHU") have begun to move forward. In particular, we have already achieved a certain level of success in Circular Real Estate Business Model Collaboration, and we will continue to consider and work on collaboration for many more projects in Japan and abroad. Construction-related projects are increasing, and in addition to orders for public-private partnership projects, there is also an increasing number of collaborative projects with ITOCHU-affiliated companies. As far as the procurement of construction materials is concerned, transaction volumes are also increasing due to initiatives that are beneficial to both parties.

Other collaborations include comprehensive partnership agreements with local governments, cooperation with various companies in renewable energy projects, and progress in the hotel business in cooperation with the Okura Hotel Group. While we have made some progress, we still believe that we need to further expand collaboration and step up our efforts.

Toward Implementation of Medium-Term Management Plan 2025

One of the key themes of Medium-Term Management Plan 2025, the first three years of Nishimatsu-Vision 2030, is to improve profitability. From a profit perspective, earnings continue to be significantly affected by the surge in construction material prices. We anticipate that the impact on the Building Business will cause earnings to deteriorate through to FY2024. Learning from the recent sharp rise in commodity prices, we have revised our order policy in the Building Business. Adhering strictly to this policy, we will promote the shift to construction projects that improve earnings and return to a state of normalcy over the three years of the Medium-Term Management Plan.

Another major theme is the application of regulations limiting overtime hours, which will begin in FY2024. Even before the new plan, we have taken a number of actions in this area, including setting up departments to back up worksites, encouraging outsourcing, and utilizing DX tools, and we are now in the final stages of these efforts. Buffeted by a harsh business environment, we are currently in a now-or-never situation. The construction business is labor-intensive, meaning people are the key source of our business activities. Japanese society faces a declining population, and the construction industry, without exception, is confronting a shortage of labor. This is a situation impeding any simple enhancements to our own employee base, and we feel it is necessary to engage the entire supply chain in exploring and implementing specific measures on how to best maintain construction systems going forward.

We are well aware that the three years of Medium-Term Management Plan 2025 are vital to rebuilding the Company's foundation as we engage in the value creation activities identified in Nishimatsu-Vision 2030. Moving forward, we will implement measures to enhance our corporate value as a company capable of sustainable growth.

Nationwide Dialogue with Employees to Create a More Open Organization

Nishimatsu Construction entered into discussions with its employees from May of 2022 as a first step in reforming

Dialogue rules:

- Participants are to refer to each other using honorifics
- Participants are to speak freely when expressing their own opinions
- Participants are to refrain from objecting to or interrupting others while talking
- Participants are to help create a facilitative atmosphere (nodding, positive reinforcement, listening with a smile)
- Participants are to express their interest and ask questions
- Participants are to express their opinion at least once

mindsets and actions, a key component of the Company's Reform Program, which itself underpins efforts to realize Nishimatsu-Vision 2030. With this first step to reform our corporate culture, our goal is to engage in dialogue with all employees over several years. We have set an initial target of 1,000 employees for FY2023, starting with those in the pre-management age group who will become the next generation of leaders. Aiming to deepen cooperation among businesses and improve openness among divisions, we set up groups with 10 employees from diverse positions and established our own rules for dialogue.

The themes selected for our dialogue were "worthwhile structures and services" and "a sustainable society for people to live with peace of mind," key components of the Company's corporate philosophy that are familiar to employees. The opinions I heard from our younger employees in this dialogue are truly diverse. From our conversations, I have gained a strong sense of the broad new insights and values being created by our employees. On the topic of worthwhile structures and services, employees offered up multifaceted stakeholder viewpoints, expressing opinions based on diverse value systems. With respect to the topic of a sustainable society for people to live with peace of mind, several employees offered their thoughts on contributing to society, the Company's survival, and their own work styles. Through dialogue with our employees, I was struck by the somber duty they have taken on to create and realize the Company's future vision, as well as by the fulfillment from their work and the pride they take in their work as Nishimatsu employees. Knowing that our Company culture cannot be changed overnight, I will continue putting one foot in front of the other, emboldened by each of my colleagues' aspirations.



Sustainability Management

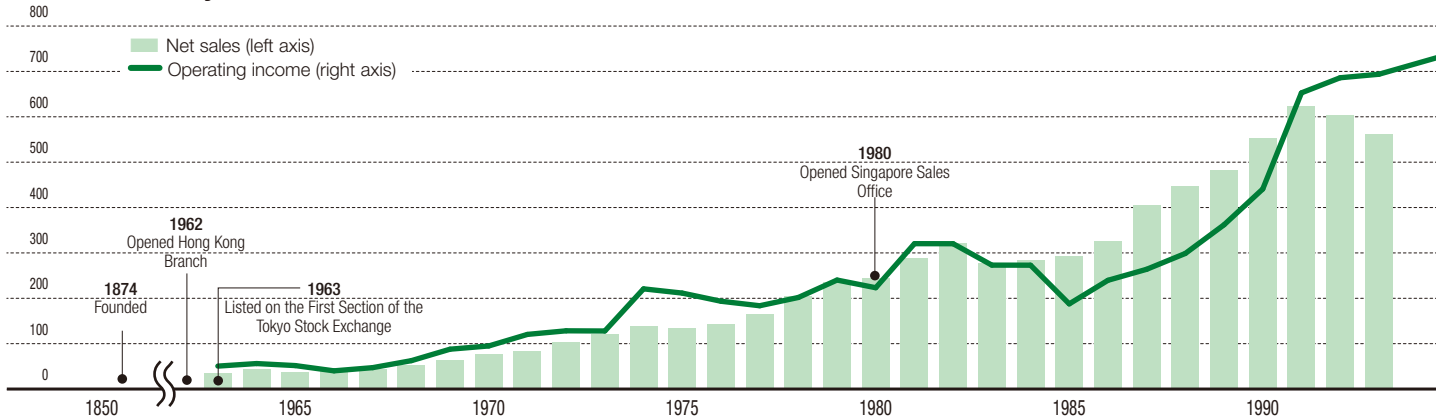
The main thrust of Nishimatsu-Vision 2030 is to provide sustainable value to society, which is in turn the very essence of Nishimatsu's sustainability management. In order to strengthen its sustainability management, Nishimatsu Construction reorganized its sustainability promotion system in April 2023. Established as an advisory body to the Board of Directors, the new Sustainability Committee will deliberate on sustainability issues related to both society and the Company in order to identify solutions. Simultaneously, this committee will review the Company's materiality based on its corporate philosophy and revamped long-term vision.

To Our Stakeholders

Each stakeholder, whether they are a shareholder, employee, family member of an employee, or a partner company or other peer company, will have a different value that they cherish the most. The challenge at hand is how to identify and incorporate each of these values, which are becoming increasingly diverse, and how to ensure equitable and positive action based on these. Human resources are important management capital, especially as we look to our future growth and sustainable development. With this in mind, training and motivating employees through various means, including raising wages, is a critical issue that must be addressed. As we work toward achieving our established goals, I would ask for the continued support and understanding of all stakeholders.

History of Co-Creation of Value

History of Nishimatsu



Major Events

1872 Japan's first railroad opened (Shinbashi to Yokohama)	1945 End of WW2	1960s Period of high economic growth	1973 Oil shock	Late 1980s Trade friction	Early 1990s Collapse of Japan's economic bubble
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Nishimatsu Construction's Cultivated Technologies and Experience

The Spirit of Our Founding

Historical Backdrop and Nishimatsu Construction's Role

In the roughly 150 years since its establishment in 1874, the Company has been involved in the construction of numerous public facilities, such as roads, railroads, and dams, and high-rise buildings both in Japan and overseas, based on the strength of its advanced technological capabilities. Bringing to bear the wisdom that overcomes hardships, the spirit of being dedicated to improving social infrastructure and providing a safe and comfortable living environment is still today passed down from generation to generation. We are currently working to expand our range of business domains to include urban redevelopment, as well as environment and energy, and are contributing to the development of society by providing important structures and services.



Founder Keisuke Nishimatsu



The Waju Area (Gifu Prefecture) circa 1980

1850 to 1926

Kaei, Meiji and Taisho Eras

Keisuke Nishimatsu, the Company's founder, was born in 1850, the third year of the Kaei Era, in Anpachi-gun in Mino Province, now Gifu Prefecture Japan. This area is known as the Waju Region, and being surrounded by the Kiso, Nagara, and Ibi rivers, since ancient times it has been prone to flood damage. It is quite possible that these circumstances had something to do with setting the founder off at an early age on the path to becoming a civil engineer. After building Nishimatsu into a leading subcontractor of the Hazama Corporation, Keisuke handed over the reins of the Company to his eldest son, Kojiro. In 1914, when Nishimatsu was awarded the sole contract for the construction of the new 12th construction section of the Kyushu-Miyazaki Line, Kojiro charged ahead, risking the fate of the Company's independent foundation to complete the Construction.

Taking Action and Solving Social Issues

- Building an infrastructure base
→ Developing domestic and international infrastructure

1927 to 1944

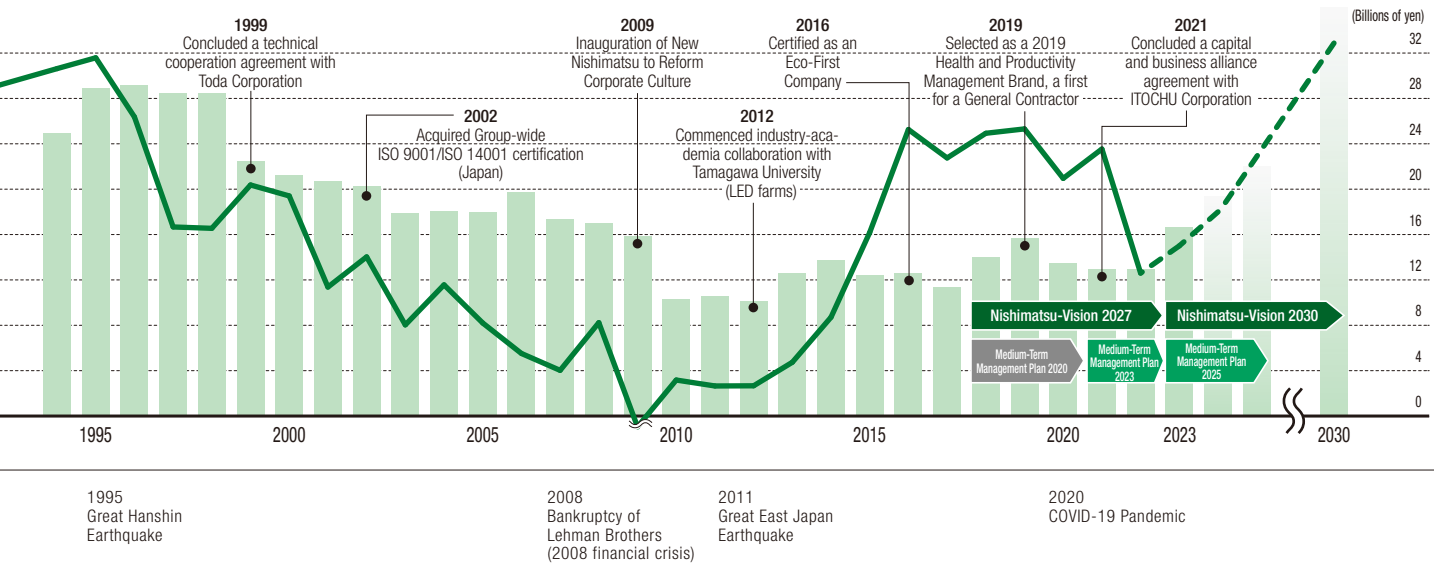
Showa Era / Prewar

In 1929, Nishimatsu Gumi, a limited partnership, was established to become a corporate entity. In 1931, the Company relocated its headquarters from Kyoto to Tokyo and expanded its sales base to eastern Japan. In 1935, following the death of Kojiro Nishimatsu, Yoneshichi Hayashi became the second president of the Company. In 1937, construction began on a large dam that would block the Yalu River, a major river on the China-North Korean border, and the Company became involved in the construction of the Manchurian side, the right bank, of the river. The construction of the Yalu River Dam, said to be Asia's preeminent dam at the time, is representative of the Company's prewar work.

- River flood disasters caused by typhoons and torrential rains, and contributing to economic base
→ Dam construction, tunnel development

Major Events

1850 Founder Keisuke Nishimatsu was born	1927 Nippon Chisso Hiryo K.K. (Chosen Hydroelectric) constructed Hunnam Factory
1874 Foundation of Nishimatsu	1929 Established limited partnership Nishimatsu Gumi
1903 Keisuke Nishimatsu withdrew from civil engineering operations	1931 Nishimatsu Gumi headquarters transferred to Tokyo
1906 Period of cooperation with Hazama Corporation. Conclusion of 39 regulations	1932 Established the Manchuria Dalian Branch Office
1914 Nishimatsu awarded sole contract for construction of 12th construction section of Kyushu-Miyazaki Line. A fateful construction project	1933 Chosen Nagatsu River Hydroelectric Power Plant waterway and dam construction
1916 Company name changed to Nishimatsu Gumi	1935 With passing of Kojiro Nishimatsu, Yoneshichi Hayashi became the Company's second president
1926 Nippon Chisso Hiryo K.K. (Chosen Hydroelectric) constructed the Poseun River Power Plant waterway (3rd and 4th construction sections)	1937 Established Nishimatsu Gumi Co., Ltd.
	1940 Established Manchuria Nishimatsu Gumi



1945 to 1968

Showa Era / Postwar

With Japan's loss of the war, the Company lost all of its foreign assets and most of its operating base. Amid such conditions, in 1945 the Company established its Morioka Branch, and in the following year, branches in Nagoya and Hiroshima, which in addition to the existing branch in Kumamoto, gave it a four-branch network to relaunch its business. In 1948, the Company changed its name to Nishimatsu Construction Co., Ltd. The construction of the Arase Dam in Kumamoto Prefecture in 1953 was the Company's first mechanized construction project. In 1960, the Company won the business to construct a government office complex in Tokyo's Otemachi District, and although Nishimatsu Construction lacked experience in large-scale construction projects at the time, it overcame a broad field of obstacles to complete the project.

- Postwar reconstruction
→ Tackling the challenges of mechanization and large-scale construction

- 1946 Constructed Japan's first rock-fill dam, Ishibuchi Dam, on the Kitakami River (Iwate Prefecture)
- 1948 Company name changed to Nishimatsu Construction Co., Ltd.
- 1953 Constructed the Arase Dam (Kumamoto Prefecture), a model for mechanized construction
- 1960 Constructed a government office complex in Tokyo's Otemachi District.
- 1961 Constructed Amagasaki Steel Plant Sakai steel-making plant. Honored with the BCS award in 1964
- 1965 Adopted the freezing method on the Kanasugibashi section of the No. 1 Line, Toei Subway
- 1967 Constructed the world's largest bowling alley (at the time)

1969 to 1989

Late Showa Era

In 1969, the Company constructed the Keiyo Railway Line's Haneda-Oki Tunnel using the world's first large-section slurry shield tunneling method. The success of this construction project led to a surge in the number of applications of this method in Japan. The construction of the Japanese-style annex to the State Guest House in Tokyo (Yushintei) in 1972 brought together traditional and modern techniques under strict construction management. The Gassan Dam in Yamagata Prefecture, which began construction in 1988, is one of the largest gravity concrete dams in Japan, and was completed in 2001 using the RCD method with a belt conveyor system and other techniques.

- High economic growth
→ Honing techniques, responding to diverse needs

- 1971 Constructed Hong Kong container yard. Received UK civil engineering international award
- 1984 Won order for Singapore subway construction
- 1984 Constructed Nagai River Bridge on the Kan-Etsu Expressway. Japan's tallest bridge pier rises.
- 1984 Constructed ultra-high-rise building in Thailand
- 1986 Tsubayama Dam (Wakayama Prefecture) received the Minister of Health, Labour and Welfare Award of Excellence
- 1987 Constructed the Daimon Dam (Yamanashi Prefecture). Received the 1986 Outstanding Civil Engineering Achievement Award from the Japan Society of Civil Engineers
- 1988 Won order for the Tate's Cairn Tunnel on Build, Operate, Transfer (BOT) project basis
- 1988 Commenced construction of Tsukiyama Dam (Yamagata Prefecture), one of Japan's largest gravity concrete dams

1990 onwards

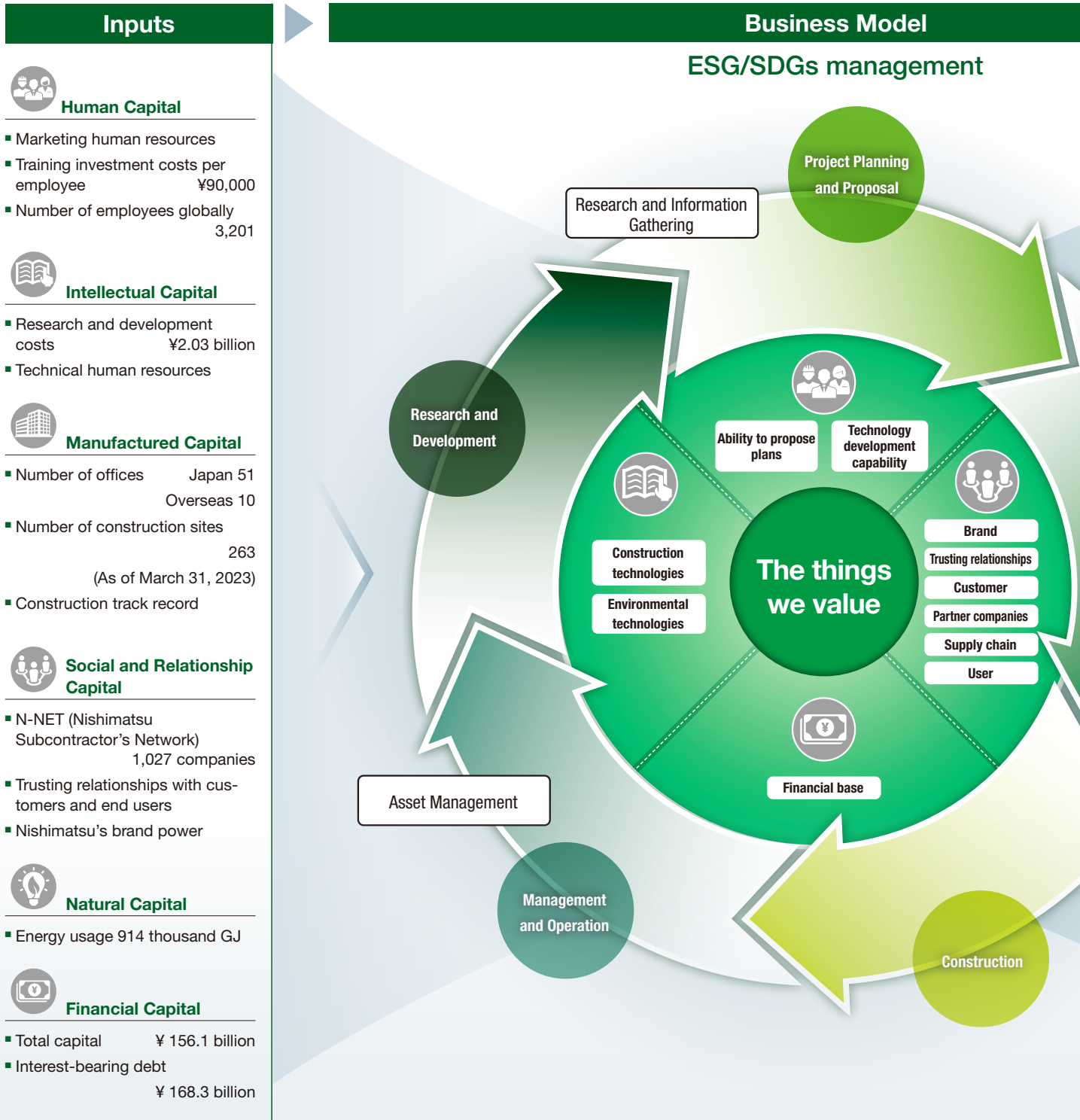
Heisei Era to the Present

In 1998, the Company established the Aikawa Technical Research Institute (Aiko-gun, Kanagawa Prefecture), which houses a device that can recreate the shaking of Japan's Great Hanshin-Awaji Earthquake to clarify the mechanism behind the damage to buildings as a result of the powerful shocks and vibrations caused by that earthquake. In 2015, the Company became the first Japanese general contractor to establish a joint venture in Laos. In FY2022, the Company opened Hotel JAL City Toyama, Nishimatsu Construction's first foray into the hotel business.

- Earthquake damage, rising social demands
→ Providing buildings that are safe and secure
- Building a sustainable foundation for society
→ Redevelopment of social functions

- 1998 Established the Aikawa Technical Research Institute
- 2003 Nishimatsu Construction, in Japan's first PFI project, participated in Esaka Minami Parking Service
- 2015 Became the first Japanese general contractor to establish a joint venture in Laos
Formulated a new corporate slogan, "Successful Building a Better Future"
- 2017 Started the Company's first commercial facility development and operation business, "hareno terrace"
- 2022 Opened Hotel JAL City Toyama, Nishimatsu Construction's first foray into the hotel business
Acquired certification from the SBT initiative for targets at reduction of greenhouse gas emissions
Certified by the Ministry of Economy, Trade and Industry as a "DX Certified Business Operator"

Nishimatsu Construction's Model for Co-Creation of Value



External Environment	Material Issues	→P.12
Nishimatsu-Vision 2030		→P.2
Corporate Philosophy		→P.2

Outputs

Domestic Civil Engineering Business →P.20

- Mountain and shield tunneling
- Infrastructure renovation
- Offshore wind power generation projects
- Smart construction sites

Domestic Building Business →P.22

- Logistics facilities, facilities applying design and construction technologies
- Environmental facilities (waste incineration plants)
- Urban redevelopment projects
- Smart construction sites

International Business →P.24

- ODA construction projects
- Construction projects for foreign companies

Asset Value-Added Business →P.26

- In-house development business/Equity investment business
- Urban redevelopment projects/Land readjustment projects
- International Business
- Investment management business/Property management business
- Responding to decarbonization

Regional Environmental Solutions Business →P.28

- Renewable energy business
- Community creation

Outcomes



Human Capital →P.44

- Number of training participants (non-consolidated) 6,393 (total)
- Employee satisfaction (non-consolidated) 3.65 (5-level evaluation)



Intellectual Capital

- Number of patents owned 259



Manufactured Capital

- Number of new projects started 203
(Contract amount of ¥50 million or more)



Social and Relationship Capital →P.48

- Number of occupational injuries requiring four or more days of absence from work 11 (8 less than in previous fiscal year)
- Number of certified Nishimatsu meisters 118
- Ministry of Land, Infrastructure, Transport and Tourism construction evaluation Score (average) 76.3
- Percentage of S/A ratings in customer surveys 96.5%



Natural Capital →P.64

- Reduction of CO₂ emissions 9,200 t-CO₂
(Renewable energy, diesel fuel combustion improvers, N-TEMS, etc.)



Financial Capital →P.18

- Dividend payout ratio 90.4%
- TSR +58.5% (5 years)

Reception of Orders and Investment

Planning and Design

Procurement

Medium-Term Management Plan 2025 →P.17

Material Issues, Opportunities and Risks

Nishimatsu Construction has recognized changes in the external environment surrounding the Company and our stakeholders, and has identified the material business challenges that we should address based on an understanding of both opportunities and risks. We are formulating and implementing specific measures to address the identified materiality while contributing to the SDGs and creating business and social value.

Value provided to society	Step1	Step2	
	External environmental changes	Main opportunities	Main risks
Security	<p>Global environmental changes</p> <ul style="list-style-type: none"> Global warming Destruction of the natural environment and declining biodiversity Increased natural disasters 	<ul style="list-style-type: none"> Increased demand for buildings with low GHG emissions Increased demand for adoption of renewable energy Demand for the development of social infrastructure (civil engineering infrastructure and buildings) for disaster prevention and mitigation 	<ul style="list-style-type: none"> Health hazards (e.g., heat-stroke) and decreased productivity at construction sites due to rising temperatures Increased costs due to carbon pricing Risks related to tighter environmental laws and regulations Risks related to preserving biodiversity
	<p>Social changes</p> <ul style="list-style-type: none"> Deterioration of social infrastructure (civil engineering infrastructure & buildings) Acceptance of diversity (diversity & inclusion) Change of generation (to Generation Z) Falling birthrate and aging population Concentration of population in urban areas and rural depopulation Coexistence with infectious diseases Widening disparity Food and water shortages Full-fledged development of DX Growing importance of corporate governance 		
Vibrancy			
Bonds			

Step3

Material issues	
Superior environmental technology	<p>Initiatives for carbon neutrality</p> <p>Preserving biodiversity and creating a recycling-oriented society</p>
Diverse services	<p>Building sustainable social infrastructure (civil engineering infrastructure and buildings)</p> <p>Providing comfortable construction-related services for users</p>
Appealing work styles	<p>Creating rewarding workplaces</p> <p>Creating safe construction sites</p>
	<p>Ensuring thorough compliance and risk management</p>

Step4

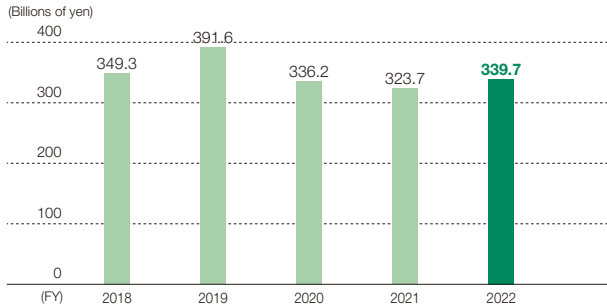
Measures	
<p>Establishment of ZEB technology</p> <p>Renewable energy business</p> <p>Wooden construction technologies</p> <p>ZERO30</p>	<p>▶ P.22, 34</p> <p>▶ P.28</p> <p>▶ P.31</p> <p>▶ P.38</p>
<p>Promoting 3R activities</p> <p>Initiatives to preserve biodiversity</p>	<p>▶ P.41</p> <p>▶ P.41</p>
<p>Continuous efforts for tunnel projects with a high level of difficulty</p> <p>Initiatives for renewable energy-related construction</p> <p>Utilization of BIM (consistent use from design, construction, maintenance and management)</p> <p>Improving technical capabilities for civil engineering infrastructure renovation</p> <p>Unmanned and automated tunnel construction</p>	<p>▶ P.20</p> <p>▶ P.21, 28</p> <p>▶ P.22</p> <p>▶ P.30</p> <p>▶ P.30</p>
<p>Expand initiatives in real estate growth fields</p> <p>Asset management</p> <p>Land readjustment projects/Urban redevelopment projects</p> <p>Participation in PPP/PFI projects</p> <p>Community development</p>	<p>▶ P.26</p> <p>▶ P.26</p> <p>▶ P.26</p> <p>▶ P.28</p> <p>▶ P.28</p>
<p>Human resource development</p> <p>Diversity and inclusion</p> <p>Reducing the number of overtime hours</p> <p>Health and productivity management</p> <p>Preventing occupational accidents</p> <p>Training programs that support training skilled construction laborers</p>	<p>▶ P.44</p> <p>▶ P.45</p> <p>▶ P.46</p> <p>▶ P.46</p> <p>▶ P.48</p> <p>▶ P.49</p>
<p>Quality management</p> <p>Compliance</p> <p>Risk and opportunity management</p> <p>Information security</p>	<p>▶ P.47</p> <p>▶ P.60</p> <p>▶ P.61</p> <p>▶ P.61</p>

Contribution to SDGs	
	
	
	
	

Financial and Non-Financial Highlights

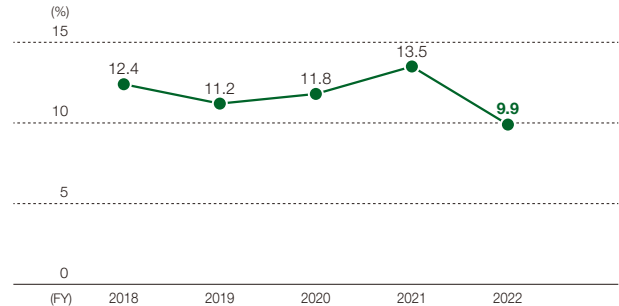
Financial

Net sales (consolidated)



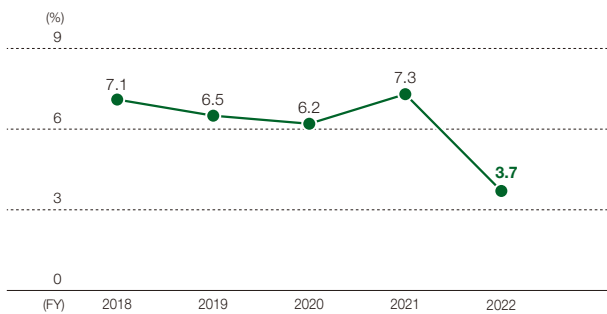
Net sales increased 4.9% year on year, to 339.7 billion yen. Although revenue fell in the Company's non-consolidated construction business, the main factors for the increase were a significant upswing in operating revenues from the sales business in the Urban Development & Real Estate Business and other businesses, and an increase in the amount of completed construction projects at overseas construction subsidiaries.

Gross profit margin (consolidated)



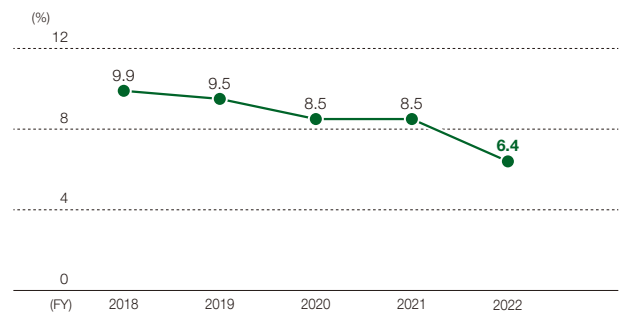
Gross profit decreased significantly from the previous fiscal year on a downturn in the gross profit margin, which fell 3.6 percentage points year on year, to 9.9%. In addition to the deteriorating profitability of domestic building projects due to soaring material costs and other factors, the Company was severely impacted by additional costs incurred due to construction issues in overseas civil engineering projects.

Operating margin (consolidated)



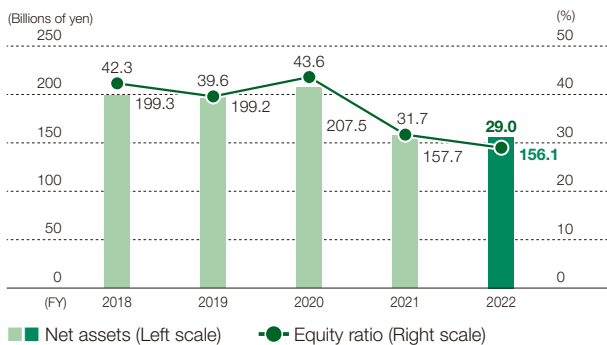
While net sales increased, the gross profit margin deteriorated and general and administrative expenses rose 871 million yen compared with the previous fiscal year, resulting in an operating margin of 3.7%, down 3.6 percentage points year on year. We will steadfastly implement the Earnings Improvement Plan of Medium-Term Management Plan 2025 to improve profitability.

Capital efficiency (ROE) (consolidated)



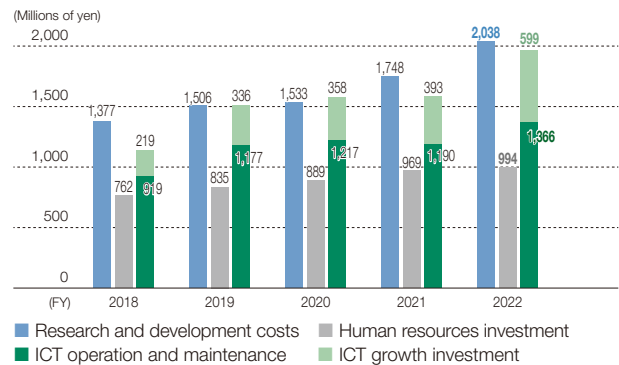
Due to the significant decrease in profit attributable to owners of the parent, ROE fell 2.1 percentage points compared with the previous fiscal year, to 6.4%. We will work to achieve ROE of 8% or more by achieving operating income of 22.0 billion yen, which is the target set under Medium-Term Management Plan 2025.

Net assets/equity ratio (consolidated basis)



Although the equity ratio declined due to the purchase of 54.3 billion yen of the Company's own shares in FY2021, the ratio continues to trend at a level that does not pose a problem in terms of financial soundness. We will implement appropriate financial strategies to ensure that we can continue to maintain a healthy financial condition while making aggressive investments for growth.

Investments in technology, human resources and ICT (non-consolidated)



Investments in ICT growth amounted to 599 million yen. To cope with the shortage of engineers and skilled workers as well as the regulations that limit overtime work that will come into effect in FY2024, we are working to improve operational efficiency by applying ICT technology. We are also increasing our investment in human resources and expanding measures to enhance employee performance, including health and productivity management and the Nishimatsu Employees' University.

Non-Financial

Environmental Data

		FY2020	FY2021	FY2022	Targets	
Global warming prevention						
Nishimatsu Group's CO₂ emissions (Scope 1 and 2)	(t-CO ₂)	70,210	62,650	43,030	FY2030	31,700 t-CO ₂
Nishimatsu Group's CO₂ emissions (Scope 3)	(t-CO ₂)	3,928,700	3,237,500	2,776,700	—	
Nishimatsu Group's CO₂ emissions (Scope 3) Category 11	(t-CO ₂)	3,191,800	2,481,200	1,847,600	FY2030	2,328,000 t-CO ₂
Creating a recycling-oriented society						
Final percentage of construction waste sent for landfill disposal*	(%)	2.2	2.4	2.4	FY2025	Less than 3%
Water usage volume in the domestic business (Total)	(m ³)	948,100	647,700	723,100	—	
Water usage volume in the international business (Total)	(m ³)	84,800	365,800	373,600	—	

* Final percentage of waste sent for landfill disposal: Excludes "industrial waste containing asbestos" and "specially controlled industrial waste"

Social Data

		FY2020	FY2021	FY2022	Targets	
Basic information						
Number of employees (consolidated)	(Persons)	3,060	3,106	3,201	—	
Number of employees (non-consolidated)	(Persons)	2,762	2,794	2,804	—	
Human resource development						
Training costs	(Millions of yen)	291	345	356	—	
Diversity and inclusion						
Number of female managers	(Persons) (%)	0 (0%)	3 (0.3%)	4 (0.4%)	FY2025 2% or above	
Percentage of female workers (career-track positions)	(%)	17.5	17.8	18.5	FY2025 20% or above	
Percentage of male employees taking childcare leave (career-track positions, general positions)*1	(%)	6.1	17.6	55.6	From FY2024 100%	
Employment percentage of persons with disabilities	(%)	1.96	2.37	2.45	2.3% (legal employment rate) or above	
Health						
Percentage of patients receiving periodic full examination health checkups	(%)	19.7	62.3	69.1	FY2025	80%
Ease of work and productivity						
Personnel turnover rate (career-track positions)	(%)	1.83	2.05	2.68	FY2025	Less than 1.5%
Percentage of employees working overtime*2 exceeding 45 hours per month	(%)	21.3	22.7	17.2	FY2023	5% or below
Percentage of worksites achieving 7 days off per 4 weeks (civil engineering sites)	(%)	65.4	63.5	77.1	—	
(building sites)	(%)	65.4	61.1	64.5	—	
Remote work usage ratio	(%)	—	55.5	45.6	FY2025	100%
Supply chain						
Employment ratio of certified Nishimatsu meisters and senior forepersons under the program for high-caliber technicians	(%)	—	63.7	60.6	FY2025	100%
Construction Career Up Card scan rate	(%)	—	24.0	46.7	FY2025	90%

*1 Includes leave associated with the Post-birth Papa Leave System (effective October 2022)

*2 Total work hours - fixed working hours (8 hours per day)

Review of FY2022 and Medium-Term Management Plan 2023

Nishimatsu Construction positioned Medium-Term Management Plan 2023 (FY2021-2023) as a transition period for becoming a company with overall capabilities and focused on efficiently undertaking investment for growth and improving corporate value on a sustainable basis based on the foundation built during the three years of Medium-Term Management Plan 2020 (FY2018-2020).

Medium-Term Management Plan 2023: Basic Policies	<p>1. Organic Partnerships on Various Projects</p> <p>Overseas development business: Construction of the Grand Nikko Bangkok Sathorn hotel commenced, and is scheduled to open for business in 2025 (Urban Development & Real Estate Business × International Business)</p> <p>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)</p> <p>PFI project: Received order for funeral hall PFI project in Kurashiki City (Environment and Energy Business × Domestic Building Business)</p>
	<p>2. Initiative for the Realization of a Decarbonized Society</p> <p>Wood biomass power generation business: The subsidiary Sanyo-Onoda Green Energy Co., Ltd. was established, and is scheduled to begin operations in FY2024.</p> <p>Geothermal power generation business: A hot spring binary power plant began operation in the town of Oguni in Kumamoto Prefecture's Aso District.</p> <p>Medium-to-large sized wooden buildings: Individual rating was jointly acquired from The Building Center of Japan for the medium-to-large-sized wooden construction method.</p>
	<p>3. Collaboration with Partners from Other Industries</p> <p>Formed a capital and business alliance agreement with ITOCHU Collaboration with ITOCHU (Shibata General Gymnasium Development Project, Hotel JAL City Toyama)</p> <p>Formed a comprehensive partnership agreement for the realization of a decarbonized society with a local government in Kyushu</p>
	<p>4. Shareholder Returns</p> <p>Provided stable annual dividends of 221 yen per share for FY2021 and FY2022</p> <p>Based on the shareholder return policy under Medium-Term Management Plan 2023, in FY2021 treasury shares valued at 54.39 billion yen were acquired</p>

Results		FY2021	FY2022	
			Initial Performance Targets	End Results
	Net sales	¥323.7 billion	¥338.5 billion	¥339.7 billion
Operating income	¥23.5 billion	¥24.0 billion	¥12.6 billion	

Factors behind the significant deterioration in operating income:

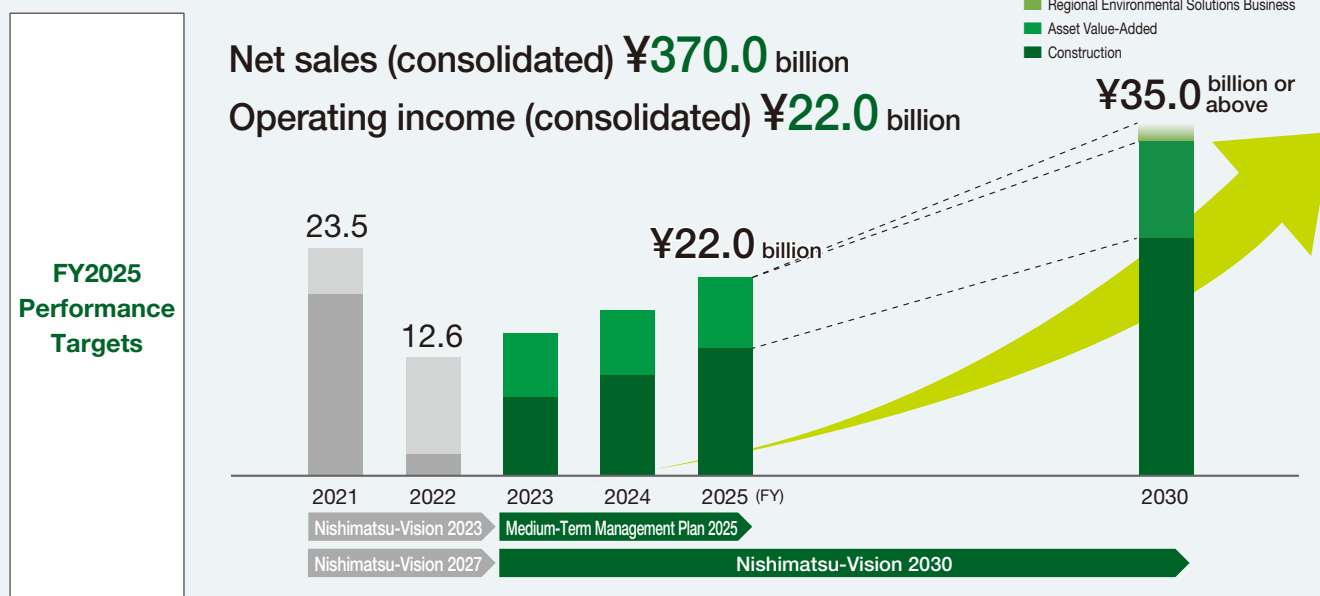
- Soaring material prices in the Domestic Building Business
- Construction issues and soaring material and energy costs in the International Business

Finance		FY2021	FY2022
	ROE	8.5%	6.4%
	Capital to assets ratio	31.7%	29.0%
	D/E ratio	1.1	1.1
	Dividend payout ratio	70.8%	90.4%
	Annual dividend per share	¥221	¥221

Medium-Term Management Plan 2025

Under Nishimatsu-Vision 2030, we will pivot from construction project-focused social infrastructure development, and aim to expand and grow the rebuilding of social functions in areas covered by the Group's value creation activities through growth of the Asset Value-Added and the Regional Environmental Solutions Businesses.

From FY2023 to FY2025, the Company will improve earnings in the Building Businesses and International (civil engineering) Businesses and focus on medium- to long-term initiatives aimed at achieving Nishimatsu-Vision 2030.

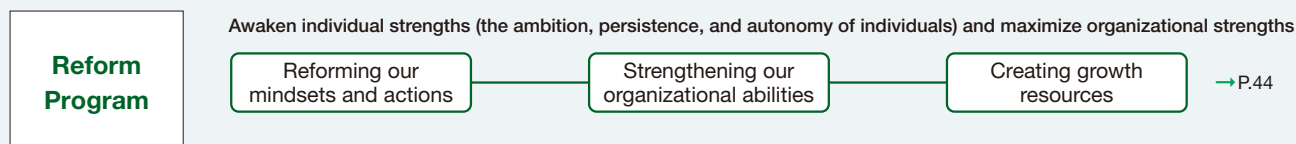


FY2025 Financial Indicators

Financial Indicators	FY2025	FY2030
ROE	8% or more	10% or more
Capital to assets ratio	Approx. 30%	35% or more
D/E ratio	Approx. 1.5 times	Approx. 1.0 times
Dividend payout ratio	FY2023-FY2025 70%	

FY2025 Investment Plan

Investment classifications	Major investments	FY2023-FY2025	FY2023-FY2030
GX Community creation	Renewable energy Community creation	¥40.0 billion	¥150.0 billion Investment ¥250.0 billion Recovery ¥100.0 billion
Asset value-added	Five growth areas	¥70.0 billion Investment ¥110.0 billion Recovery ¥40.0 billion	
Human resources development DX Technological development, etc.	Management foundation Development and cultivation of human resources, DX Research and development in construction field Labor savings, workplace environment improvement, infrastructure renovation, environment, etc.	¥10.0 billion	
Total		¥120.0 billion	



Message from the General Manager of the Management Division

We will focus on improving profitability while promoting investment in growth sectors to continuously provide more stable returns to shareholders.

Yuichi Kono

Representative Director and Executive Vice President,
General Manager of the Management Division,
in charge of Investor Relations



Looking Back On Medium-Term Management Plan 2023

In FY2022, the second year of Medium-Term Management Plan 2023, earnings in the Domestic Building Business and Overseas Civil Engineering Business deteriorated significantly due to the surge in construction material prices and other factors. Construction orders received, including those from subsidiaries, increased 1.9% year on year, to 340.3 billion yen. Net sales climbed 4.9% year on year, to 339.7 billion yen owing mainly to the increase in real estate business. On the earnings front, however, operating income decreased 46.4% compared with the previous fiscal year, to 12.6 billion yen owing to such factors as the downturn in gross profit on completed construction contracts for domestic building and overseas projects. Ordinary income declined 43.9%, to 13.1 billion yen, and profit attributable to owners of the parent fell 36.1%, to 9.6 billion yen. Nishimatsu Construction reported a poor operating performance with profit falling below 10 billion yen for the first time since FY2014.

As far as key financial indices are concerned, ROE dropped 2.1 percentage points compared with the previous fiscal year, to 6.4%. The Company's equity and D/E ratios came in at 29.0% and 1.1x, respectively. None of these indices reached our targets.

Due to the difficulties encountered in achieving the performance targets and financial indices identified in Medium-Term Management Plan 2023 owing to this prevailing operating environment, we reviewed our numerical targets and formulated Medium-Term Management Plan 2025, which ends in FY2025.

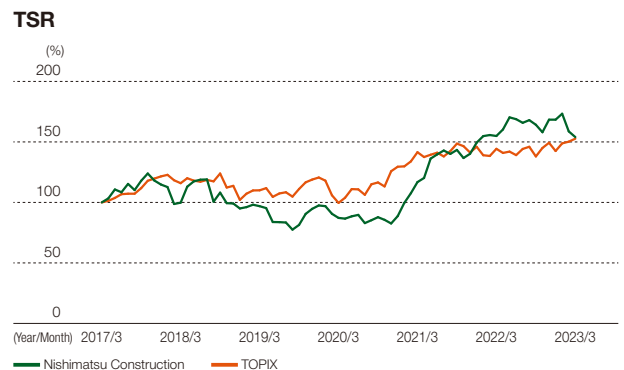
Making Investments in Growth of 120 Billion Yen on a Cumulative Basis Over Three Years

Under Medium-Term Management Plan 2025, we will make investments totaling 120 billion yen over three years to expand

our value creation activities. First, in the area of GX and community creation, we will invest 40 billion yen, mainly in the renewable energy activities undertaken by the Regional Environmental Solutions Business (formerly the Environmental and Energy Business). Currently, we are focusing on small-scale hydraulic power generation, woody biomass power generation, geothermal power generation, biogas power generation, and pumped-storage power generation projects.

Next, we will continue to promote a circular reinvestment model in the Asset Value-Added Business (formerly the Urban Development & Real Estate Business) and plan to invest 110 billion yen and recover 40 billion yen for a net investment of 70 billion yen. In pushing forward asset strategies, we will work to build a competitive portfolio by investing in five growth areas (working spaces, residences, tourism and entertainment, lifestyle support and healthcare, and data centers and logistics). Our focus will be on development projects conducted jointly with ITOCHU, as well as land readjustment, urban redevelopment, and overseas development projects. We also plan to launch a private REIT in FY2023 and increase its asset size to around 100 billion yen by FY2027.

Moreover, we will actively invest in human resources development, DX, technological development, and other areas to improve corporate value on a sustainable basis. In addition to



(Billions of yen)

Investment classifications	FY2022 results	FY2023-FY2025
GX and community creation	1.5	40.0
Asset value-added	27.5	70.0 <div style="display: flex; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 5px;">Investment</div> <div style="padding: 0 5px;">110.0</div> </div> <div style="display: flex; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 5px;">Recovery</div> <div style="padding: 0 5px;">40.0</div> </div>
Human resources development / DX / Technological advances, etc.	4.3	10.0
Total investment	33.3	120.0

promoting DX through the Nishimatsu Employees' University, which is responsible for human resources development and training, and creating smart construction sites, we will work to improve productivity in the Construction Business and develop high added-value buildings through the development of labor-saving technologies such as operator-less construction and technologies for ZEB and ZEH. We will invest 10 billion yen over three years to strengthen these management foundations and develop technologies in the construction field.

Financial Strategy Under Medium-Term Management Plan 2025

The financial index targets of Medium-Term Management Plan 2025 are to maintain an ROE of at least 8%, an equity ratio of approximately 30%, and a D/E ratio of approximately 1.5x. With our investments in growth expected to bear fruit in two to three years at the earliest, we will raise medium- to long-term funds while keeping financial costs low through such ESG financing as the sustainability link bonds issued recently. We will also implement appropriate financial strategies, keep a close eye on interest rate trends going forward, and maintain a balance

between financing, redemption, and investment. Moreover, we will look to maintain financial soundness by separating and managing the balance sheets of our Construction and Asset Value-Added Businesses, and by developing financial strategies for each.

Nishimatsu Construction has already implemented a dividend payout ratio of 70% and a large-scale purchase of its own shares, and is now managing the Company with financial leverage in mind. Looking at its stock price as of the end of August 2023, however, the Company's P/B ratio currently stands at slightly less than 1.0. We will gradually improve the profitability of our Domestic Building and Overseas Civil Engineering Businesses based on the Earnings Improvement Plan of Medium-Term Management Plan 2025 to achieve a return on capital in excess of the cost of capital. Furthermore, we intend to maintain and improve our stock price earnings ratio by proactively disclosing information on our path to future growth. Through these means, we aim to achieve a P/B ratio of at least 1.0.

Shareholder Return Policy

Comprehensively taking into consideration the operating environment and the Company's results, Nishimatsu Construction has adopted the basic policy of providing stable and continuous returns to shareholders while upgrading and expanding internal reserves. The Company's dividend payout ratio, which was set at 70% or more during the period of the previous Medium-Term Management Plan, is set at 70% until FY2025, the final fiscal year of Medium-Term Management Plan 2025. First, we will focus on improving profitability and promote investment in growth areas to realize more stable returns to shareholders on an ongoing basis.

Initiatives to enhance corporate value



Domestic Civil Engineering Business



General Manager of Civil Engineering Division
Makoto Isshiki

Significance of the Civil Engineering Division

Infrastructure construction to create a sustainable society in which people can live with peace of mind

Nishimatsu Construction’s Civil Engineering Division utilizes its technologies, which have been acquired over 150 years, to build social infrastructure, such as roads, railways, power facilities, and dams. By utilizing this knowledge for development of seamless consolidated national land and disaster prevention measures in preparation for the future of Japan given its declining population, we will contribute to carrying out Japan’s national spatial plans and building resilient national infrastructure. Further fine-tuning our strength in tunnel technology to make use of underground space, we will continue to take on challenges in new fields such as renovations and offshore wind power. In addition to promoting DX by creating “smart construction sites,” we will make headway in strengthening our organizational capabilities.

Looking Back On Medium-Term Management Plan 2023

Having considered large-scale government construction, renovation construction and land readjustment projects, and the development of automation technology for tunnel construction as our strategic initiative fields, and further having adopted investments and measures for growth, the Civil Engineering Business has been engaged in business activities under Medium-Term Management Plan 2023. In FY2022, we completed construction projects for tunnels, dams, sluices, and other public sector works, and large-scale solar power generation facilities in the private sector. Generally, good progress was made with public construction projects in FY2022, and overall net sales and operating income for the Civil Engineering Business were roughly in line with initial plans.

Orders received were 102.4 billion yen (target: 110 billion yen) in FY2021 and 107.5 billion yen (target: 115 billion yen) in FY2022, thus slightly short of the initial plan for the second consecutive year. In addition to mainly tunnel construction, dam construction, and Shinkansen viaduct construction, we also received orders for private land readjustments, Linear Shinkansen viaduct construction and other projects.

As the difficult order environment is expected to continue for some time, from now on we will increase the number of bids we make and strengthen our bidding system for public works.

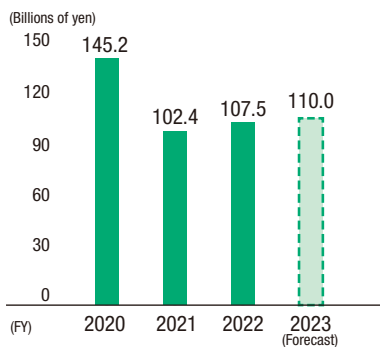
The ratio of completed private sector construction projects in Japan has remained at 22–23% over the past two years. Although we received orders for large-scale construction work at the end of FY2022, we will continue to focus on renewal work and land readjustment projects.

With respect to the development of automation technology for tunnel construction, we are conducting on-site trials of a remote operation system for each construction machine and working on improvements while incorporating feedback from the site. We will continue to develop this system toward the goal of automating construction.

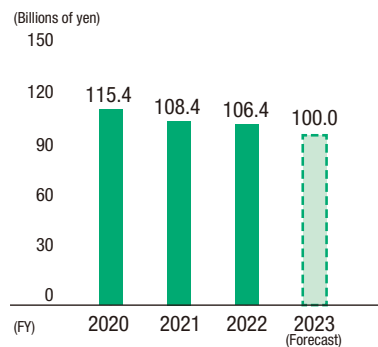
Issues and Initiatives Toward Achieving Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

In Nishimatsu-Vision, we aim to solidify the foundations of the Civil Engineering Business and strengthen our personnel and organizational capabilities, targeting net sales of 110 billion yen and gross profit of 17 billion yen in FY2025. This period

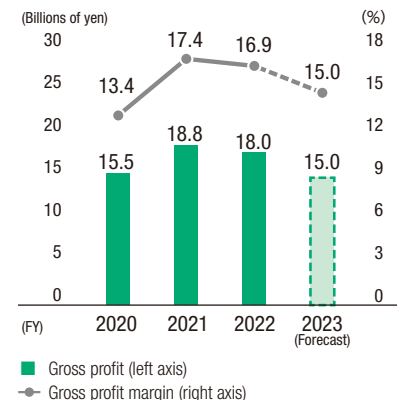
Orders received (non-consolidated basis)



Net sales (non-consolidated basis)



Gross profit/Gross profit margin (non-consolidated basis)



Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Priority Measures	Initiatives
Building sustainable social infrastructure (civil engineering infrastructure and buildings)	Strengthen personnel and organizational capabilities	<ul style="list-style-type: none"> • Increase staffing of bidding departments by 20% (compared with FY2022) and utilize external resources • Form teams for comprehensive evaluation analysis and exploration, streamline proposals
	Take on challenges in new fields	<ul style="list-style-type: none"> • Develop and improve technologies for tunnel lining refurbishment • Promote the development of technologies for road slab replacement • Take part in offshore wind power generation projects
Creating rewarding workplaces	Develop new production systems	<ul style="list-style-type: none"> • Promote DX to accelerate smart construction site activities

will serve as a stepping stone for our transformation into a company with comprehensive capabilities.

New construction work ordered by government offices is expected to increase slightly or remain flat. We will continue to position tunnel construction as the core of the Civil Engineering Business, leverage our existing technology and track record, and maintain our sales scale by strengthening our system for large-scale and highly complex construction projects. In particular, we will promote automation in mountain tunnel and shield tunnel construction to bring about improvements in productivity while optimizing staffing, aiming to achieve high profitability.

We will allocate management resources to disaster prevention and mitigation-related construction, which is expected to increase in the years to come, infrastructure upgrades and renewable energy-related construction, which are growing

fields, and private sector facility upgrades. We also plan to increase sales of land readjustment projects through horizontal collaboration with the Asset Value-Added Business Division.

In April 2024, overtime cap regulations will be applied to the construction industry. We have long been implementing a range of initiatives to reform work styles to reduce long working hours, and we will continue these efforts and make further improvements. Therefore, in addition to developments in construction technology, we will promote DX using ICT technologies such as BIM/CIM and AI to further improve on-site efficiency. As most of the carbon dioxide emitted from construction sites is emitted by civil engineering operations, we will also focus on environmental measures in accordance with the ZERO30 road map by utilizing electricity from renewable energy sources and implementing energy conservation measures.

Contributing to SDGs (construction completed in FY2022)

Received Japan Society of Dam Engineers technology award for contributions to technological development



Construction of Biratori Dam body (Phases 1 to 3), part of Saru River Dam Comprehensive Development Project

Nishimatsu Construction undertook the construction of the dam body for a concrete gravity dam with a levee height of 55 m, a crest length of 350 m, and a levee volume of 178,000 m³ in Biratori Town, Hokkaido Prefecture. As rare birds of prey were confirmed to be inhabiting the area, we gave consideration to the breeding season (suspension of



Dam body construction at the Biratori Dam

construction work and periods to allow the birds to become accustomed to our presence), carefully selected equipment and machinery color schemes (use of low-luminosity paint), and adjusted lighting angles for night operations. Having achieved flood control, the maintenance of normal running water functions, and the supply of tap water, this project received the 2022 Technology Award from the Japan Society of Dam Engineers in recognition of its significant contribution to the development of dam technology.

Construction of large-scale solar power generation facility, including site preparation



Construction of solar power generation facility in Minamiyamashiro, Kyoto Prefecture, and Shimagahara, Mie Prefecture

Nishimatsu Construction carried out the site preparation and panel installation work for a large-scale solar power generation facility construction project that straddles the Kyoto-Mie



Large-scale solar power generation facility that straddles Kyoto-Mie prefectural border

prefectural border. In addition to a development area of approximately 80 hectares, an earthworks volume of approximately 2.9 million m³, 15 regulating ponds, and large-scale river channel replacement, the scale of construction included the installation of approximately 140,000 solar panels. The facility's power generation capacity is approximately 60.5MW, which is equivalent to approximately 15,000 ordinary households. The reduction in CO₂ emissions is equivalent to that of 8,000 ordinary households, contributing to the realization of a decarbonized society.

Domestic Building Business



General Manager of Building Division

Kazutoyo Hamada

Leveraging our strengths in design and construction to establish differentiating factors in our fields of specialization

Rebuilding our portfolio, achieving a transformation to a high-profit corporate structure

In the Building Business, we are working to deepen dialogue with customers and improve our planning and proposal capabilities, develop sales by fully making use of our internal and external relationships, and establish differentiating factors in our fields of specialization that leverage our strengths in design and construction. We will achieve a transformation to a high-profit corporate structure by building a portfolio that remains unaffected by the ebb and flow of economic tides. We will further solidify the social infrastructure development capabilities that we have been cultivating, seeking improvements in customer satisfaction and continuing to grow as a company with comprehensive capabilities by working together toward the rebuilding of social functions.

Looking Back On Medium-Term Management Plan 2023

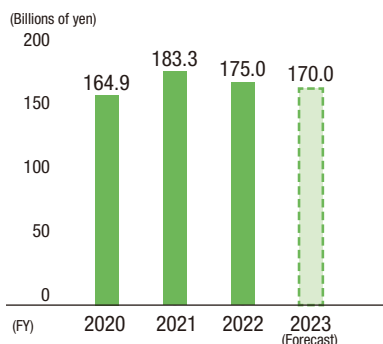
In FY2022, construction profitability worsened as a result of soaring material prices, leading to a significant decrease in operating income. As a result of having reviewed our risk countermeasures and switched to placing emphasis on profitability midway through the period, our target for orders received was not achieved. In addition to internal restructuring and continuing negotiations with customers regarding construction work affected by price increases, we worked to minimize the risk from price fluctuations on future construction orders. Of all construction projects completed in FY2023, 54% remain affected by price increases. However, it is expected that this will decrease to 27% in FY2024 and to 4% in FY2025, and business performance is expected to continue improving.

While the individual initiatives focused on as priority areas under Medium-Term Management Plan 2023 achieved certain

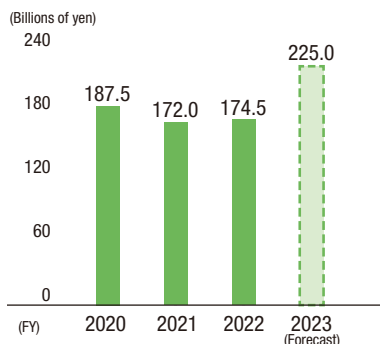
results, the following tasks remained: (1) In logistics facilities, even in the fierce competition for orders, becoming able to receive orders at appropriate profit levels; (2) For environmental facilities (incineration plants), collecting medium- to long-term business information and systematically cultivating people with experience in design and construction; and (3) In urban redevelopment projects, although we have been able to demonstrate our strengths by leveraging our overall capabilities, we must also handle price fluctuations in the business plan over the long term.

From front loading that utilizes BIM, which is one of our priority measures, I am sensing a positive effect in reducing production costs by improving construction efficiency and believe that the results will take visible shape in Medium-Term Management Plan 2025. Construction of our Company facility, which was designed using advanced ZEB technology, was completed in FY2022. Going forward, we will conduct a variety of quality and performance verifications and aim to establish our environmental design technology.

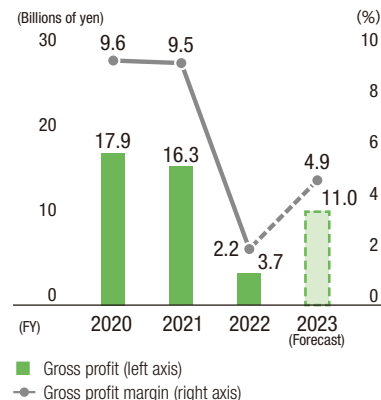
Orders received (non-consolidated basis)



Net sales (non-consolidated basis)



Gross profit/Gross profit margin (non-consolidated basis)



Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Priority Measures	Initiatives
Building sustainable social infrastructure (buildings)	Improve capabilities to develop plans and proposals	<ul style="list-style-type: none"> Improvements to planning departments and planning design departments: Engage in deeper dialogue with customers to propose optimum plans that include costs
	Fully utilize internal and external relationships to engage in sales	<ul style="list-style-type: none"> Form alliances with partners in different industries (ITOCHU Group, etc.) Strengthen internal coordination in urban redevelopment projects
	Establish differentiating factors in priority fields	<ul style="list-style-type: none"> Data centers and refrigerated/frozen goods warehouses: Application of logistics facility design and construction technologies Environmental facilities (waste incineration plants): Pass on and improve design and build technologies with extensive track records, leverage relationships with plant operating companies
Creating rewarding workplaces	Develop new production systems	<ul style="list-style-type: none"> Promote DX to accelerate smart construction site activities

Issues and Initiatives Toward Achieving Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

In addition to working to transform to a high-profit corporate structure to achieve Nishimatsu-Vision 2030, we will engage our capabilities in creating worthwhile structures —that is, our sales, planning, design, and construction capabilities—and involve the relevant people while bringing together diverse capacities and further strengthening our abilities to achieve our goals. By establishing ZEB and wooden construction technologies, we will respond to social issues such as climate change and decarbonization. Evolving from our Building Division, we will also contribute to the growth of our Asset Value-Added Business and Regional Environmental Solutions Business.

As part of our efforts to transform to a high-profit corporate structure under Medium-Term Management Plan 2025, the

planning and design departments will be actively involved from early project stages. We will propose optimal plans, which will include cost controls, by delving more deeply into customer needs. In addition to creating synergies with partners in different industries, including the ITOCHU Group, we will promote horizontal collaboration within the Company on urban redevelopment and land readjustment projects. We will also focus on data centers as an area in which we can ascertain customer needs and capture market share by leveraging the expertise we have cultivated through the design and construction of logistics facilities. In environmental facilities, we aim to secure stable orders by passing on technology and strengthening relationships with plant companies. Additionally, we will promote DX in building new production systems that will contribute to improved productivity, such as developing IT solutions for on-site inspections.

Contributing to SDGs (construction completed in FY2022)

Local community-based 3R activities win Grand Prize at the 2022 Kinki Region Construction Recycling Awards



Takuma Co., Ltd. Harima Factory reconstruction

This project involved rebuilding a factory in Takasago City, Hyogo Prefecture, operated by Takuma Co., Ltd., which manufactures biomass boilers and other products.

For this construction project, we implemented 3R activities that included: Reduce (reducing waste generation by utilizing BIM, reducing wood waste generation by using steel molds); Reuse (reuse of construction soil on site and at



View of exterior on northeast side of factory

other sites, reuse of existing stone walls and gutter iron covers); and Recycle (internal use of construction sludge, thorough separation of industrial waste, a public-private partnership agreement for horizontal recycling of plastic bottles). We also worked to reduce CO₂ emissions by utilizing energy-saving heavy construction machinery and adding combustion accelerators to heavy construction machinery fuel. In recognition of these efforts, in February 2023 we received the Grand Prize at the 2022 Kinki Region

Construction Recycling Awards, hosted by the Kinki Regional Construction & Demolition Waste Measure Liaison Council.

Other initiatives implemented that are grounded in local community interests included: installing citizens' awareness SDGs signs jointly with Takasago City; the holding of on-site lectures on community development SDGs; participating in local food loss reduction activities; and a food donation charity event in aid of the Takasago City Children's Cafeteria.



Sign to increase SDGs awareness

International Business



General Manager of International Division

Yoshikuni Nakano

Restructuring markets and mitigating business risks while expanding our International Business

In the civil engineering field, we are leveraging the underground construction experience we have cultivated over the years to expand our efforts in ODA construction. In the building field, we are promoting localization in Thailand, Laos, and Vietnam, and strengthening our implementation structure for receiving orders from foreign-affiliated companies. To strengthen collaboration between business divisions, the Asset Value-Added Business Division is responsible for the construction of hotel businesses that are being promoted overseas. As a project that will contribute to the rebuilding of local social functions, we are also aiming to participate in a pumped storage power generation project in Australia in collaboration with the Regional Environmental Solutions Business Division.

Looking Back On Medium-Term Management Plan 2023

Under the Medium-Term Management Plan 2023's focus on ODA projects for transportation infrastructure in newly entered countries, the civil engineering business received an order for the construction of a subway tunnel in the Philippines. In anticipation of gaining projects in a newly entered country, we also established a preparatory office and put in place preliminary investigation and preparation systems in Australia. In the building business, we began construction for an in-house development project in Bangkok in June 2022 as part of our efforts in building projects. Regarding local- and foreign-affiliated clients, we worked to increase orders from local clients, including CP ALL Public Company Limited. With an eye toward localization, we have also established a training center in Thailand and commenced training sessions for local staff and partner companies.

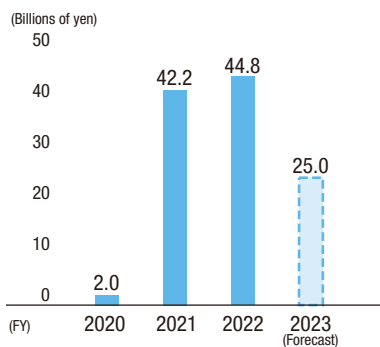
As for our business results, in FY2021 the building business fell below plan targets due to the impact of the prolonged

COVID pandemic. Contrastingly, in the civil engineering business we received an order for tunnel construction in Singapore and secured completed construction revenue as the progress of construction exceeded plans. As a result, the International Business as a whole achieved its operating profit target. In early 2022, however, material and energy prices soared due to the conflict between Russia and Ukraine, increasing construction costs. In addition to construction project delays and project cancellations brought about by the weak yen, operating income for FY2022 was significantly lower than planned due to additional costs incurred caused by construction issues in Singapore and a deterioration in profit.

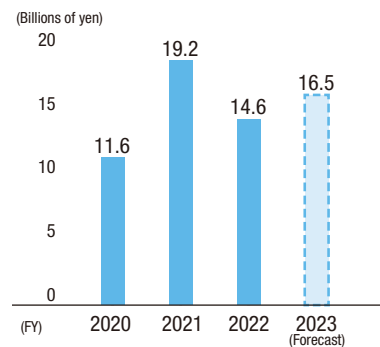
Issues and Initiatives Toward Achieving Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

Under Medium-Term Management Plan 2025, we will implement priority measures designed to mitigate market environ-

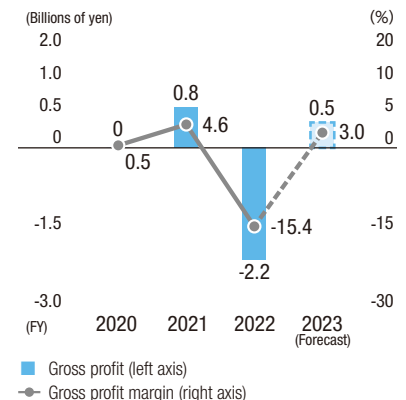
Orders received (non-consolidated basis)



Net sales (non-consolidated basis)



Gross profit/Gross profit margin (non-consolidated basis)



Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Priority Measures	Initiatives
Southeast Asia Construction of transportation infrastructure	Strengthen implementation structure for ODA construction projects	<ul style="list-style-type: none"> • Aim rapidly to build an implementation structure with local partners based on past cases • Conduct risk analyses, aim to receive construction orders in Bangladesh • Continue surveys in Indonesia, Vietnam, etc
Expanding business at existing locations and securing stable profits	Strengthen systems to work on construction projects for foreign-affiliated companies	<ul style="list-style-type: none"> • New construction management system through promotion of localization • Construction system based on collaboration with local partners • Achievement of one-stop solutions through collaborations with engineering companies • Ongoing efforts in building construction using in-house development projects as a foothold

ment risks while securing stable profits.

In international bids for civil engineering projects, price competition with overseas contractors is intensifying for underground infrastructure projects at existing bases such as Hong Kong and Singapore. Furthermore, profits have deteriorated due to rising prices brought about by the soaring materials and energy prices and the emergence of construction risks, making it necessary to review the structure and scale of the business. Going forward, we will specialize in tunnel construction, in which we possess a high degree of technological superiority, and strive to mitigate market environment risks. In the ODA market, where efforts are being strengthened, there are also concerns about the impact on business due to differences in legal systems and business practices in newly entered countries. We will therefore focus on winning construction orders while quickly building a framework for working with local partners and conducting risk analyses.

In the building business, although construction investment by Japanese-affiliated companies has slowed due to factors that include the weaker yen, construction investment by foreign-affiliated companies has remained steady. Up to now, our orders have largely been from Japanese-affiliated companies, and we have been influenced by their trends. In the years to come, however, we will promote collaboration with local partners, localize our organization, and establish a new construction management system by which to strengthen construction for foreign-affiliated companies and the horizontally-linked hotel business. Establishing a one-stop solution through collaboration with specialized contractors and engineering companies, we are working to set ourselves apart from local competitors by responding to demand not only for design and construction but also for facility maintenance and management, which will lead to expanding our customer base.

Contributing to SDGs (construction completed in FY2022)

Construction of food processing manufacturing facility in Vietnam
Contributing to food supply to meet population growth



Kowa General Foods (Vietnam) Co., Ltd. factory construction work

In Vietnam, we have constructed a processed food manufacturing and supply factory capable of providing a stable



Kowa General Foods (Vietnam)'s factory

supply of safe food. In this country where the population has exceeded 100 million and is continuing to grow, awareness of food safety is increasing as people become more health conscious. During this construction project, we significantly reduced the use of forming materials (wood) by pre-casting the columns and also worked to reduce construction byproducts by using most of the excavated soil as backfill.

Singapore subway infrastructure construction

Contributing to improved lifestyle convenience



Keppel Station tunnel construction on Singapore's subway Circle Line

Construction of Singapore's urban mass rapid transit (MRT)



The Keppel Station tunnel on Singapore subway's Circle Line

system Circle Line began in 2002, with the subway route extended several times since. In the sixth and final stage of construction, we undertook construction of the tunnel that connects the existing system to the current terminal station. Construction of this tunnel began in 2017 and concluded in May 2023, completing a loop line of 40 km that, as its name suggests, forms a complete circle.

Asset Value-Added Business



General Manager of
Asset Value-Added Business Division
Yoshiyuki Sawai

At astounding speed, creating living spaces that excite users

- (1) Embracing customer-oriented ideas, working to expand our solid customer base by globally creating exciting assets (living spaces that excite users).
- (2) Actively expanding value-added business investments with a focus on growth areas, creating a system for sustainable growth based on a circular reinvestment model.
- (3) As professionals, each and every one of us aims to fine tune our talents and remain a top-notch producer of exciting projects.

Looking Back On Medium-Term Management Plan 2023

Together with making active investments based on an asset strategy that has focused on growth areas, under Medium-Term Management Plan 2023 we have been working to enhance profitability and improve asset efficiency by evolving into the circular reinvestment model through timely asset replacements. At the same time, we have been strengthening organic collaboration with our Building Business Division while aiming to expand the Group's revenue.

Our efforts during the plan period in the hotel business, which is one of our key assets in the tourism and entertainment area, include the opening of the Korinkyo boutique hotel (Kanazawa City) and Hotel JAL City Toyama (Toyama City) in FY2021 and of the Prince Smart Inn Hakata (Fukuoka City) in FY2022. We are currently engaged in the hotel business not only in Japan but also overseas, with the Grand Nikko Bangkok Sathorn scheduled to open in the Thai capital of Bangkok in 2025.

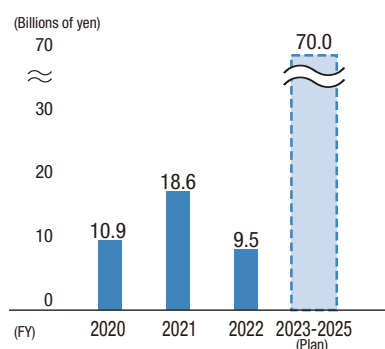
In the residence sector, we are also engaged in the business of university student dormitories. In this business, we are proposing one-stop solutions that include planning and development, design and construction as well as subsequent ownership, management and operation by a Group company. In addition, for Keio University's Shonan Fujisawa Campus H Village, which began joint operation in March 2023, we are actively incorporating environmentally friendly initiatives such as solar power generation facilities and storage battery equipment.

In FY2022, we also started the formation of private placement funds, taking steps toward the circular reinvestment model.

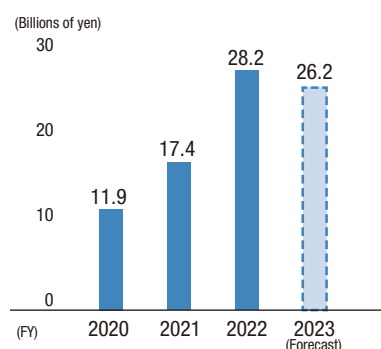
Issues and Initiatives Toward Achieving Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

Under Medium-Term Management Plan 2025, we will steadily build up our revenue base, evolve into the circular reinvestment model, and contribute to the Building Business, thereby

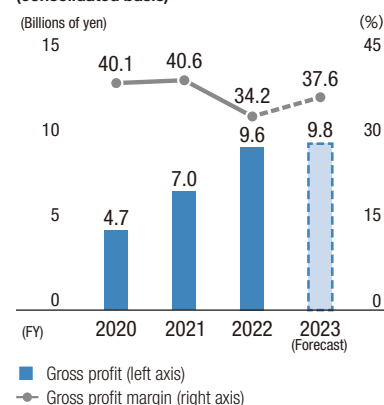
Net investment



Net sales (consolidated basis)



Gross profit/Gross profit margin (consolidated basis)



Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Priority Measures	Initiatives
Providing user-friendly construction-related services	In-house development business/ Equity investment business	<ul style="list-style-type: none"> Investment in growth fields asset strategy Customer network creation
	Urban redevelopment projects/Land readjustment projects	<ul style="list-style-type: none"> Establishment of a model for horizontal collaboration × cross-industry collaboration Formation of businesses that fully utilize newly created real estate
	Overseas Business	<ul style="list-style-type: none"> Stable growth through high efficiency, risk diversification and carefully selected investments
	Investment management business/ Property management business	<ul style="list-style-type: none"> Expansion of assets under management by Nishimatsu Asset Management Co., Ltd. Strengthening of PBM functions of Nishimatsu Jisho Co., Ltd.
	Responding to decarbonization	<ul style="list-style-type: none"> Implementation of ZERO30 road map

achieving sustainable growth for the Nishimatsu Construction Group.

Our asset strategy aims to build a portfolio with a competitive advantage by creating exciting assets through investment in growth areas and timely asset replacements.

Specifically, while speeding up the preparation and commercialization of in-house development projects, we will actively engage in equity investment development projects. Our plan is to form a private REIT in FY2023 and further increase the speed of capital recovery, making net investments of 70 billion yen in five key asset areas over three years. In overseas business, we will also increase capital efficiency, focusing on real estate investment and development

businesses in developed country markets and growth markets, and expand our scope for earning revenue. In addition, we will strive to expand business opportunities and increase profitability for the Nishimatsu Group by organically collaborating with the Civil Engineering Business Division and the Building Business Division, for example by organizing land readjustment projects and urban redevelopment projects. We will also strengthen our investment management, property management, and building management operations across the Group. We will contribute to the realization of a decarbonized society by making our owned properties energy efficient and renewable energy-oriented, and by promoting specifications that meet the ZEB Ready standards for new properties.

Contributing to SDGs

Adopting cutting-edge technologies and universal design to create comfortable spaces for everyone



Prince Smart Inn Hakata

We planned a hotel that would take full advantage of the location potential of the Hakata exit area of Hakata Station and satisfy domestic travel and growing inbound tourism demand.

As we took universal design into consideration and proactively incorporated ICT and AI technologies to support human activity, the hotel provides increased



Prince Smart Inn Hakata

convenience for guests and a comfortable working environment for its employees. An open space on the premises that can be used by people other than hotel guests also serves as an everyday rest area.

Safe and secure housing that is environmentally friendly and equipped with disaster response equipment



Keio University Shonan Fujisawa Campus H Village

Keio University's first on-campus student dormitory project provides a place for students from Japan and overseas to live in and engage in international exchange.

This project has received CASBEE Kanagawa A Rank rating as a result of the environmentally friendly measures taken, such as the rooftop installation of solar panels to supply electricity.

To enhance preparedness for earthquakes and other natural disasters, the dormitories are fully equipped with emergency storage batteries and disaster relief supplies. In the event of a disaster, this campus village can also serve as an evacuation center, making it a residence with safety and peace of mind.



Keio University Shonan Fujisawa Campus H Village

Regional Environmental Solutions Business



General Manager of Regional Environmental Solutions Business Division
Masakazu Hosokawa

Aiming for further business co-creation through proposal and implementation of solutions to regional issues

From Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025, our business name has been changed from the Environmental and Energy Business to the Regional Environmental Solutions Business. Building on the renewable energy and town development businesses that we have been involved in until now, the Regional Environmental Solutions Business aims to co-create further business by working closely with urban and regional areas and proposing and implementing solutions to the issues they are facing. Up until now, our Company's business activities have focused on social infrastructure development such as civil engineering and building projects. Going forward, in addition to social infrastructure development projects, we will make the expansion of value creation activities an important policy and work to ensure that the Regional Environmental Solutions Business plays a part in growth strategy business and becomes a new Nishimatsu strength.

Looking Back On Medium-Term Management Plan 2023

In the Regional Environmental Solutions Business, we have been able to achieve the following results mainly through co-creation with local governments and partners in other industries, which we have built up through our civil engineering and building business, and collaboration with other divisions in our Company.

1. Initiatives for the Realization of a Decarbonized Society

- Wood biomass power generation business: Established in April 2022, subsidiary Sanyo-Onoda Green Energy Co., Ltd. is scheduled to begin operations in FY2024
- Geothermal power business: A hot spring binary power plant began operation in the town of Oguni in Kumamoto's Aso District → P.35

2. Collaboration with Partners from Other Industries

- Formed a Comprehensive Partnership Agreement for the Realization of a Decarbonized Society with a local government in Kyushu

3. Organic Partnerships on Various Projects

- PPP/PFI business
 - Kurashiki City central funeral hall facility maintenance project (representative company)
 - Tohoku University research base facility improvements project
 - New funeral hall maintenance and operation project in Osaki City

As mentioned above, although we made progress in accumulating track records and know-how, the amount of investment was lower than planned as most of the projects were small-scale. Going forward, in addition to establishing an initiative framework to increase the number of high-quality projects, we will also aim to strengthen organizational cooperation.

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.



Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Priority Measures	Initiatives
Carbon neutral initiatives	Active business investment	<ul style="list-style-type: none"> • 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 a local government as a model • CVC investment in/M&A of companies whose businesses are on track (later stage)
Providing user-friendly construction-related services	Development of high added-value businesses	<ul style="list-style-type: none"> • Introduction of pioneering technologies through collaboration between academia and industry, and investment in venture companies • Effective use of experts and the knowledge of co-creation partners

Issues and Initiatives Toward Achieving Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

To achieve profitability by FY2030, as set forth in Nishimatsu-Vision 2030, for Medium-Term Management Plan 2025 we will focus on two key measures: proactive business investment and high added value in our business. In particular, we plan to invest approximately 40 billion yen in growth over three years, with the period up to FY2025 being that of proactive business investment. I would like to use this investment to grow our renewable energy and urban development businesses.

Specifically, we are considering a growth scenario as shown in the diagram at the bottom left.

One example from our growth scenario is our geothermal

power generation business in Oguni Town, Aso District, Kumamoto Prefecture. In December 2022, we took over operations of a hot spring binary power plant from a local business. Through this power plant, we will supply stable renewable energy to the local community. Although we are still at the beginning with Step 1, we aim to use this long-established community power plant to coexist and associate symbiotically with the local community and build a sustainable local recycling society by returning surplus heat and hot water generated from power generation projects to the local community and contributing to its further development. Through business operations that are deeply rooted in the local community, we will also aim to identify local issues and propose and implement solutions to them.

Contributing to SDGs

Using solar power generation installation business as a gateway to proposing solutions to resolving local issues



Munakata City Tourism and Local Product Center

We were selected as a business operator in a power purchase agreement (PPA) project to install solar panels on the



Munakata City Tourist and Local Product Center

roof of a tourism and local product center in Munakata City, Fukuoka Prefecture. The project duration is planned to be 20 years starting from 2023, and the expected power generation and CO₂ emission reduction amounts are 120,000 kWh/year and 35.9 t-CO₂/year, respectively, contributing to the reduction of local CO₂ emissions by the supply of clean energy. We also aim to use this project as a starting point to identify local issues in Munakata City and to propose solutions to resolve them.

Selected for JOGMEC subsidy project for resource survey towards implementation of geothermal power generation



Geothermal resources survey of Mt. Usu

The geothermal resource survey that our Company is conducting in the southern area of Mt. Usu, Date City,



Geothermal resources survey of Mt. Usu

Hokkaido, has been selected for the 2023 Japan Oil, Gas and Metals National Corporation (JOGMEC) subsidy project. This study aims to assess the amount of resources for geothermal power generation available in the area. Once the amount of resources has been confirmed and the viability of the business determined, our policy will be to drill geothermal wells and construct and operate a power plant. This is expected to lead to decarbonization and the creation of industry and employment through the effective use of local resources.

Technology Development

In working to achieve Nishimatsu-Vision 2030, the Technical Research Institute has taken the lead in developing technologies intended for infrastructure renovation and smart construction sites, as well as those that contribute to decarbonization and a recycling-oriented society.

Moving forward, we will continue to develop and provide new technologies that both support social infrastructure and create the future.

Renewal of infrastructures

Renewing tunnels without regulating traffic

We undertook the Project of technology development of renewal of the mountain tunnel lining for the Hokuriku Expressway from Central Nippon Expressway Company Ltd. (FY2021-FY2022) and conducted the technology development work.

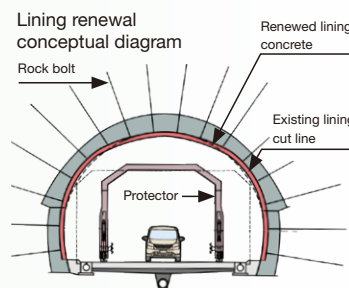
Assuming the renewal works of tunnel lining would be carried out while the traffic was in service, we developed the technologies of Cutting of existing lining, Design and Manufacturing of protectors, and Cast in-situ concrete.

Finally, the requirements by the client were fully satisfied.

Moreover, we conducted the transport test of tunnel

lining shutter using a multi-axis trolley assuming the condition that expressway would be allowed to be closed one night. The availability of delivery of tunnel lining shutter roughly one kilometer away from the site was verified and confirmed.

We leverage these results and aim to receive the orders for actual projects in the future.



Water jet cutting was used to develop the technology to cut the existing lining



A life-size collision test used to develop the protective work technology



Completed development pouring for renewed lining technology



Slide form transport test using a multi-axis trolley

Smart construction sites

Accelerating initiatives to enable operator-less mountain tunnel construction

In order to improve safety and reduce labor requirements for underground operations during mountain tunnel projects, we are developing Tunnel RemOS, an operator-less construction system for mountain tunnels, with a practical application target of FY2027.

During the first phase of the project, we sought to develop the remote-control systems (underlying technologies) for each of the seven main construction machine types, including wheel loaders, drill jumbos, and shotcrete machines. We have already completed development of the wheel loader remote-control system (Tunnel RemOS-WL), and are conducting on-site tests for actual operations.

During the second phase, we will effectively combine each of these underlying technologies with the aim of organizing a comprehensive system that enables the entire construction to be operator-less and automated.

Remote-control operations room Remotely operated wheel loader



On-site tests for the wheel loader remote-control system (Tunnel RemOS-WL)



Technologies for decarbonization

Developing AAM* Concrete as a new cement-free construction material

Completely free of any cement, AAM Concrete instead uses blast furnace slag, a byproduct generated during the steel making process, as the powder and fine aggregate, and a uniquely formulated alkali solution to drive the reaction and curing process. AAM Concrete is a new construction material that reduces CO₂ emissions at the time of concrete

production by more than 70% compared with conventional concrete, offers excellent strength development and freeze-thaw resistance, and can also be used for onsite construction and precast concrete products. This material was jointly developed with JFE Steel Corporation, Tohoku University, and Nihon University.

*AAM: Alkali Activated Materials



Concrete fluidity



Placing (bucket)



Placing (agitator car's shoot)



Precast concrete block

We received an individual rating from the Building Center of Japan for a medium- to large-sized wooden construction method for realizing medium- and large-scale wooden buildings

Against the backdrop of growing interest in the SDGs, expansion of ESG investments, activity to promote the use of timber resources, and the increasing availability of high-strength wooden building materials, medium- to large-sized wooden buildings have been attracting attention in recent years.

The Building Technique Research and Development Group, in which Nishimatsu Construction participates, developed a medium- to large-sized wooden construction method using a hybrid approach primarily based on a wooden framework, which received an individual rating from the Building Center of Japan in

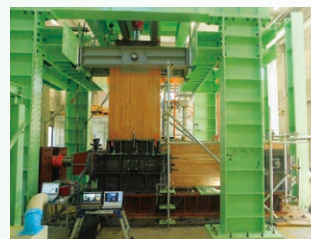
October 2022. By applying this method, we have enabled the construction of wooden buildings up to ten stories tall.

This method applies a steel rod insertion and adhesive bonding joint construction technique that was newly developed for the post and beam joint sections. The method also incorporates high-strength shear walls made of laminated veneer wooden panels, thereby dramatically increasing earthquake resistance compared to conventional wooden buildings.

The development of this method progressed through a joint research and development project with the Building Technique Research and Development Group, represented by ICHIURA HOUSING & PLANNING ASSOCIATES CO., LTD. Going forward, we will promote the application of this method in the actual construction of properties.

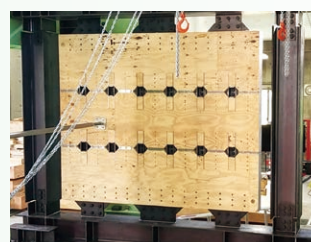


Medium- to large-sized wooden building construction method for which an evaluation has been acquired



Rigidity and strength testing for the post and beam joint section

A strength test loading jack was used to apply a horizontal force (equivalent to the force of an earthquake) to the post and beam joint section as part of a test to confirm the rigidity and strength of the post and beam joint section.



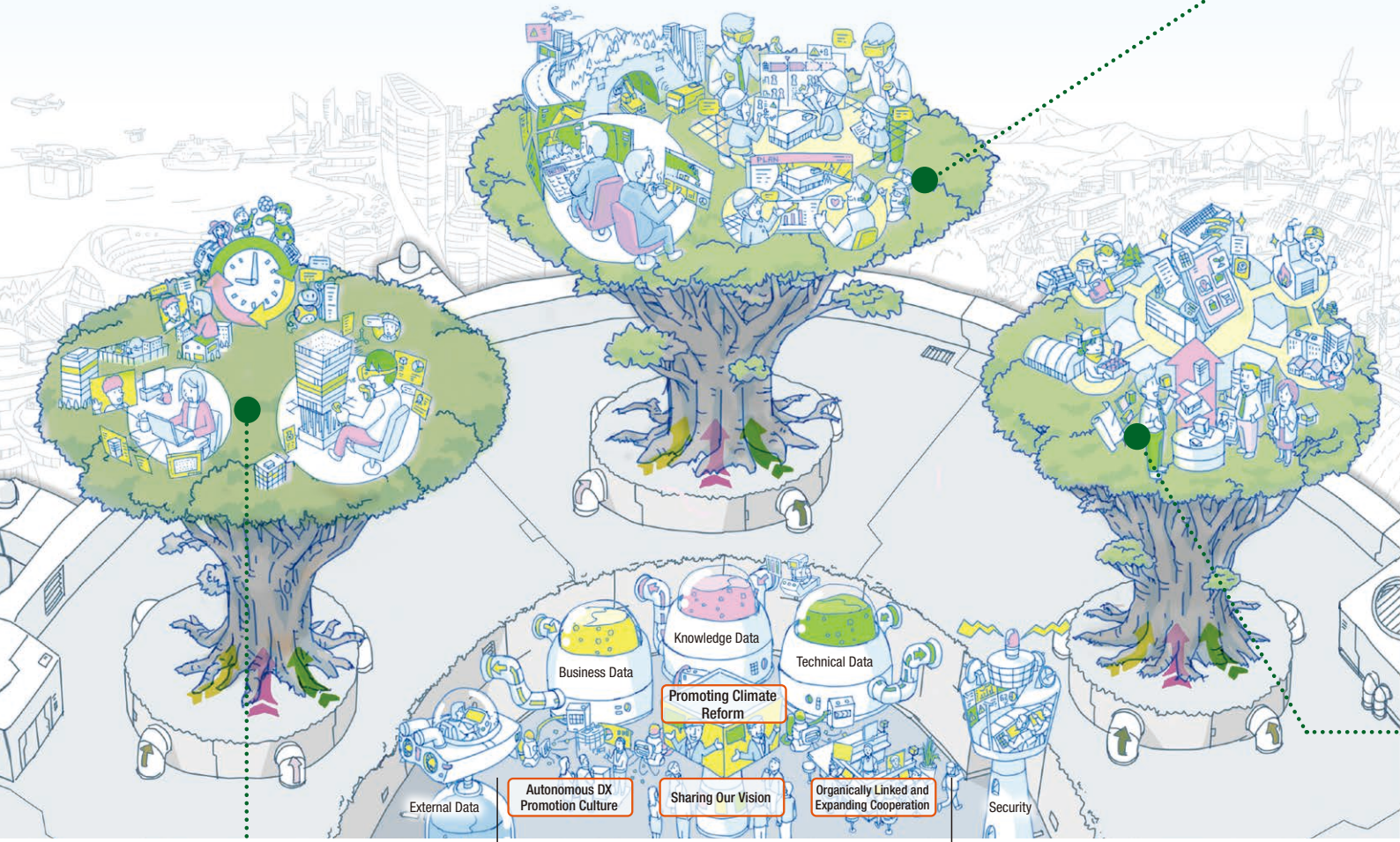
Rigidity and strength testing for shear walls

A loading jack was used to apply a horizontal force (equivalent to the force of an earthquake) to the shear walls as part of a test to confirm the rigidity and strength of the shear walls.

Nishimatsu DX Vision & Road Map

2030 and Beyond “We will Innovate Spaces Digitally”

Nishimatsu Construction will create security, vibrancy, and bonds between people at worksite “spaces,” “spaces” related to workstyles, and “spaces” that create and use buildings, real estate, and energy. In this way we will transform these into unconventional “spaces.” At the same time, we will provide these “spaces” to all those involved, including our employees, partner companies, and customers, as well as to society, communities, and towns.



A “Workstyle” Where Every Individual Can Play an Active Role in the Fusion of the Virtual and the Real

Together with the aim of creating an “I” that allows each individual to have a sense of fulfillment in their work, we will create growth resources by ensuring everyone demonstrates a high level of performance while maintaining a good work-life balance.

Workstyle DX that Guarantees Both Job Comfort and Job Satisfaction While Maximizing Capabilities

Step 1: 2023-2026			Step 2: 2027-2030	
Workstyle DX that enhances engagement			Workstyle DX that maximizes capabilities	
	Concept	Goals	Concept	Goals
Job Comfort	Work comfortably (flexible hours)	Freeing up time	Ability to focus on creative work	Ability to maximize one's capabilities
	Freely select one's work location			
	Share what needs to be done with colleagues	Ability to work with peace-of-mind		
	Play an active role in various situations			
Work under conditions that ensure health	Ability to improve oneself and feel appreciated	Ability to take on the challenge of creative work		
Learn on one's own				
Job Satisfaction	Feel appreciated by customers and the Company			

Culture that Promotes Autonomous DX
We will promote autonomous DX initiatives by improving transformation skills through an individual transformation mindset and challenges

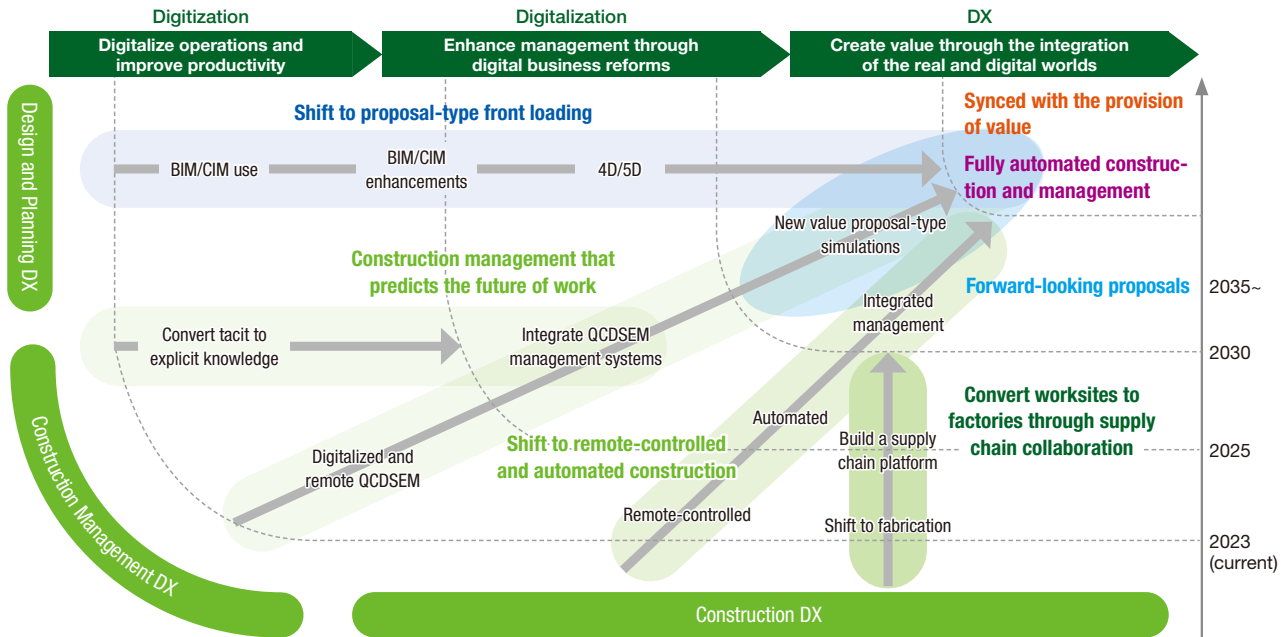
Organic Linkage and Expanding Cooperation
We will discover new opportunities for taking on challenges through information cooperation across organizations, and further expand our network through cross-organizational initiatives

See the Company's website for details regarding our approach to DX. [WEB https://www.nishimatsu.co.jp/dx/](https://www.nishimatsu.co.jp/dx/)

Smart “Construction sites” with Synced/Integrated On-site Capabilities

We aim to create “smart (highly efficient) construction sites” that are able to correctly understand past and present conditions using data and technology, and predict the future (evolve), while applying digital technologies to further improve (deepen) the on-site capabilities that we have acquired thus far, through which we will support social infrastructure.

Development of new production systems



Businesses that Create New Services and Spaces in the Ecosystem

We will create an ecosystem that circulates data on construction, energy, and real estate in order to create new businesses that provide customers and society with unconventional and ideal spaces, and to contribute to the rebuilding of social functions.

Maximizing regional value and creating vibrancy by multiplying the creation of physical spaces with the creation of experiences

2023~2025 Create vibrant spaces through the combination of business and digital tools		2030~
Business Concept	Create convenient, comfortable spaces to revitalize regional economic activity	Provide urban planning services offering a variety of physical spaces and experiences that revitalize regions
	Create attractive lifestyles and amusements in virtual spaces	
	Fully understand regions and provide secure lifestyles	
	Provide content support for regional vitality	
	Create new experiences through a combination of the Metaverse and AR/MR	
	Improve efficiency of space management costs	

Promote DX in the creation of physical spaces and human resources by the construction industry, aim for industry-wide quality improvements and supply capacity increases

2023~2025 Provide know-how possessed by the construction industry in creating physical spaces and human resources		2030~
Business Concept	Bring manufacturing up to date and instill construction DX	Provide a fully digital construction platform for training, worksites, materials, and construction equipment, etc.
	Increase the population involved in construction and raise performance	
	Build an ecosystem to optimize the supply chain	
	Reduce workloads in the construction industry	
	Improve the working environment and solve the technical skill succession problem	
	Improve the flow of operations involved in transporting construction materials and equipment, etc.	

Special Feature Collaboration with ITOCHU Corporation

Through collaboration with ITOCHU Corporation (hereinafter referred to as “ITOCHU”) and the ITOCHU Group, and by combining each other’s management resources and know-how, Nishimatsu Construction will go beyond the boundaries of construction and provide people with security, vibrancy, and bonds.

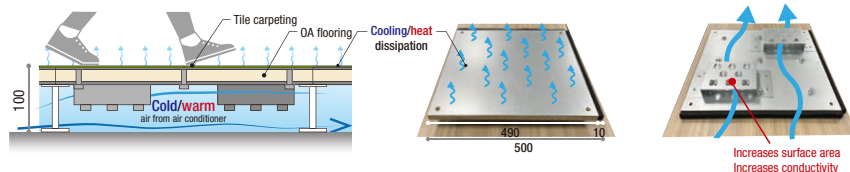
Collaboration Topic 1

Office version of Yukarela all-air floor radiant air-conditioning system jointly developed



Nishimatsu Construction has jointly developed an office version of the Yukarela all air-blown floor radiant heating and cooling system with DAIKEN Corporation (hereinafter referred to as “DAIKEN”), an ITOCHU Group company.

Going forward, we will work with DAIKEN to verify the product’s energy efficiency and comfort, while aiming to find practical applications.

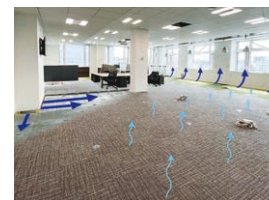


Trials in Aikawa Technical Research Institute’s ZEB technology demonstration space

We completed the renovation work of the elemental technology demonstration space at Aikawa Technical Research Institute in March 2023, with the goal of strengthening ZEB design capabilities was completed in March 2023. For this renovation, we installed a different air-conditioning technology in each of the office spaces, for which the usage patterns were assumed to be different. From now on, the plan is to undertake the verification of their energy efficiency and comfort.



Exterior view of Aikawa Technical Research Institute



Yukarela air-conditioning system
While transmitting heat to the OA flooring by flowing air under the floor, solar radiation load is reduced by releasing it into the office from recirculating ports near windows

Collaboration Topic 2

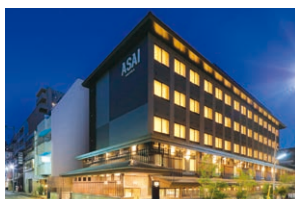
Hotel development project "ASAI Kyoto" attracted Dusit International

Aiming to expand its Asset Value-Added Business, Nishimatsu Construction is investing in tourism-related assets as a growth area on which to focus.

Kyoto is one of the most popular tourist cities in the world, and we have been actively exploring business opportunities there. Planning to remain competitive over the long term, the Company and the ITOCHU Group attracted Japan’s first hotel brand from Dusit International (hereinafter referred to as “Dusit”), Thailand’s leading hospitality company, and ASAI Kyoto Shijo opened in June 2023. Thailand is also known as

a country that is pro-Japan, and the number of visitors to Japan is expected to increase further in the years to come. Dusit is also committed to realizing a sustainable industry in Thailand, where the tourism industry is well-developed, by operating an educational business aimed at training the human resources involved in the hospitality industry. The fusion of Japanese and Thai tradition and culture provided by this hotel will add value, and we are aiming for ASAI Kyoto Shijo to become the hotel of choice for people from around the world.

In the years to come, we will continue to collaborate with ITOCHU, which is developing a range of businesses both domestically and internationally, to create businesses that are in line with Nishimatsu Construction’s asset investment strategy.



Special Feature Measures that Bring Solutions to Social Issues

We are committed to supplying stable renewable energy to the region and contributing to the further development of local communities.

Geothermal power generation (Waita Green Energy Geothermal Power Plant) Operations commence at the hot springs binary power generation plant

Nishimatsu Construction has launched a geothermal power generation project in Oguni Town, Kumamoto Prefecture. This project took its first steps after we obtained the business of a hot springs binary power plant that had been owned by Ishimatsu Noen Limited (Head office: Oguni Town, Aso District, Kumamoto Prefecture; President: Yuji Ishimatsu) . This hot springs binary power plant will make effective use of surplus steam from the hot spring wells. As the first project in our geothermal power generation business, we will acquire expertise in the development and operation of geothermal power plants coexisting with local communities, and position this facility as a pilot project to promote further geothermal development projects. In addition, since there is excess steam to be utilized, we plan to conduct various initiatives as a worksite that acquires know-how for future geothermal development, including demonstrations of smaller-scale binary power generation and field trials for the utilization of excess heat and excess hot water. We will continue to develop geothermal power projects as a purely domestic baseload power source, taking advantage of Japan's potential as one of the world's preeminent countries in terms of volcanic resources.



Power generation plant overview

Name: Waita Green Energy Geothermal Power Plant

Location: 2831-1 Nishisato, Oguni Town, Aso District, Kumamoto Prefecture

Power generation type: Hot springs binary power generation

Rated power output: 49kW

Building a Regional Recycling-Oriented Society

In our efforts to build a regional recycling-oriented society, we are planning to provide surplus hot water generated from hot springs binary power generation to Circulife, Inc., a company that taps the unused resource of Oguni cedar trees to produce wooden thread-derived herb dyes. Under the Nishimatsu Construction version of the zero-emission city concept, we aim to realize a regional recycling-oriented society by returning excess heat and hot water to local industries and supplying stable renewable energy to the region.



Herb-dyed products provided by Circulife

Co-Creation and Coexistence with Local Communities

With the aim of implementing this as a long-term project in Oguni Town over a period of 10 to 20 years, our goal is to position the power plant as a member of the community, and to contribute to the further development of the town while working with it in close cooperation to co-create and coexist with its residents.

Together with the local neighborhood association, we are engaged in activities to support the community. This includes covering aqueducts used for local agriculture and other purposes with metal plates that prevent sediment from blocking water passage.



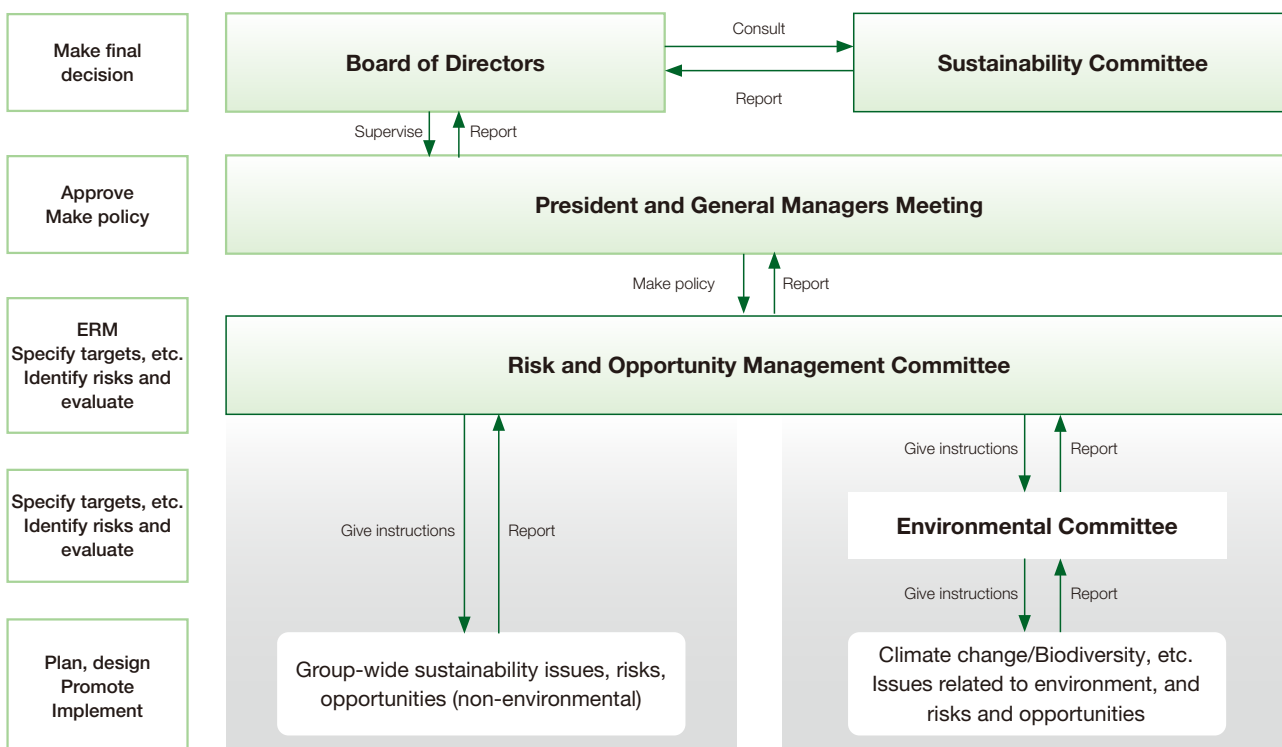
Installation of metal plates on local aqueducts in collaboration with the local neighborhood association

Sustainability

We developed a sustainability promotion system in April 2023 with the aim of establishing a sustainable society for people to live with peace of mind, as is written in our corporate philosophy.

We will strengthen our sustainability management to help solve social problems as a member of society.

Sustainability promotion system



Sustainability Committee

We established the Sustainability Committee as an advisory body to the Board of Directors. It consists of outside experts, external directors, and internal directors. Incorporating the diverse values of internal and external committee members, the Committee discusses and reports on Group-wide sustainability issues in response to inquiries from the Board of Directors. These issues include materiality from a long-term, multi-stakeholder perspective as well as the risks and opportunities associated with materiality.

In the first year of its establishment, the Sustainability Committee has worked to identify materiality, set materiality-linked KPIs, and formulate a sustainability policy.

Risk and Opportunity Management Committee

We established the Risk and Opportunity Management Committee after revamping the existing Group-wide risk and opportunity management system. The Committee is composed of the assistant general managers of each business division, and operates and monitors the risk and opportunity management system in current business activities, which includes identifying risks and opportunities at the Group-wide management level based on the policy for addressing materiality.

→ See P.61

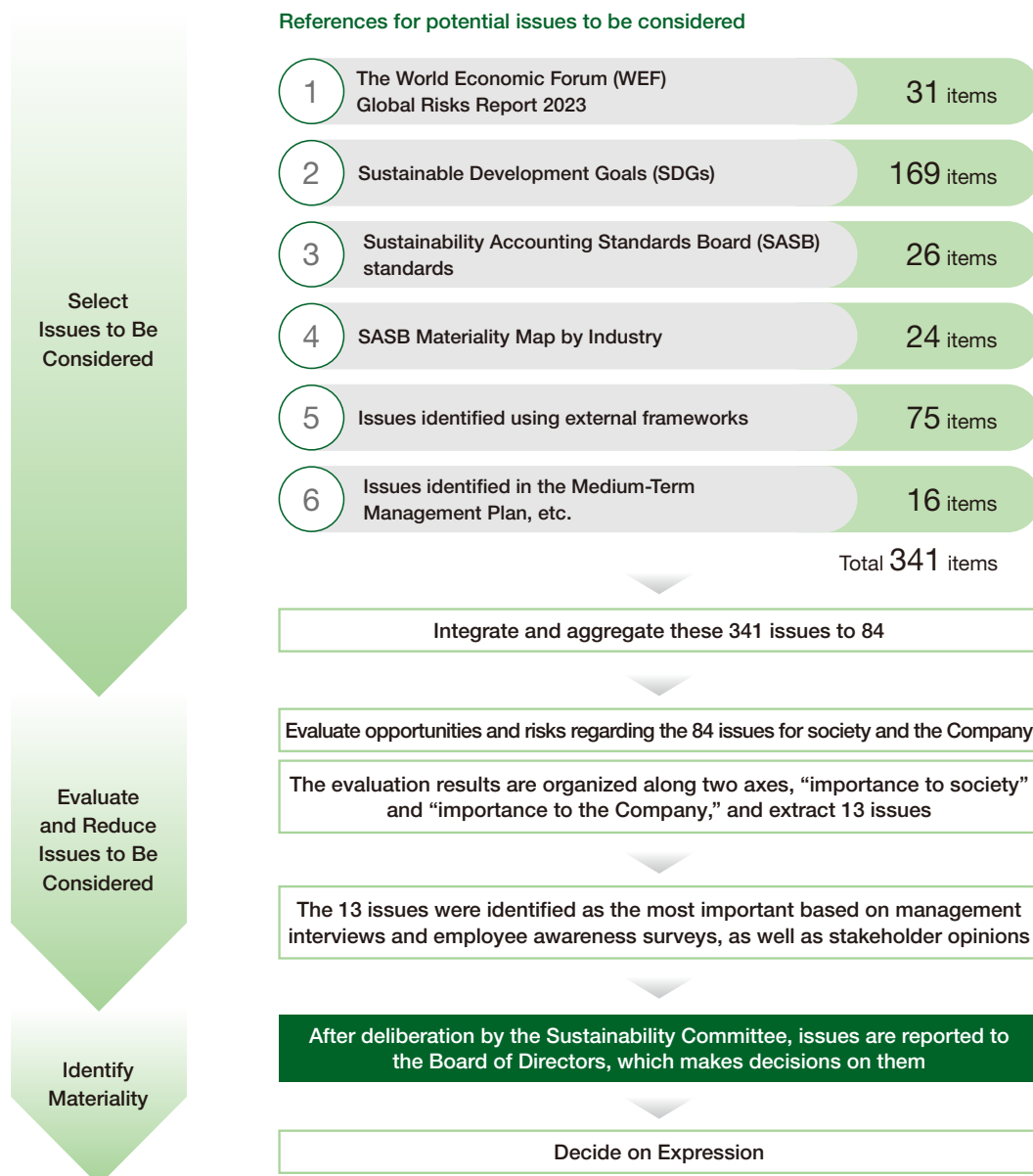
Identifying Materiality

The Company formulated a new long-term vision in February 2023, and in April, revised its corporate philosophy. In order to realize Nishimatsu-Vision 2030, we are working to identify key issues to be addressed with the aim of evolving existing materiality into a new materiality based on our new corporate philosophy and long-term vision.

Identification Process

We will establish an identification process that is acceptable to our stakeholders, encompassing a variety of global and other perspectives, while making use of management

interviews and employee awareness surveys. We aim to complete this identification process in autumn 2023.



The Risk and Opportunity Management Committee implements risk and opportunity management from a long-term perspective at the Group-wide management level based on the identified materiality.

Environmental Initiatives

Today's world is faced with climate-change issues that leave no time to waste, which has led to a growing movement unifying the environment, society, and the economy. Similarly, various initiatives are picking up speed with the aim of realizing a circular economy and a nature positive approach, both of which are seen as essential elements for achieving carbon neutrality. Nishimatsu Construction has also raised initiatives for carbon neutrality as an important issue that it must undertake with priority in order to achieve sustainable growth. We have formulated Zero30 Road Map 2023 in June 2023 as our plan for reducing CO₂ emissions, we are also advancing activities that consider our relationship with resource circulation and biodiversity. Based on the implementation of environmental management systems that comply with ISO14001, we are committed to addressing other global standards, such as participating in the RE100, acquiring SBT certification, and disclosing information related to climate-related risks and opportunities in accordance with the TCFD. In this way, we will continue to meet the expectations of our stakeholders through various efforts intended to pass on a healthy, sustainable global environment to future generations.

Past and Future Environmental Management Efforts



Zero30 Road Map 2023 (Carbon Neutrality: Indicators and Targets)

Formulating Zero30 Road Map 2023

Under Zero30 Road Map 2021, we aimed to reduce Scope 1 and 2 emissions to which the Domestic Construction Business is subject. And since its formulation we have steadily reduced emissions, emitting 50,200 t-CO₂ in FY2021 against a target of at most 60,500 t-CO₂ and emitting 32,700 t-CO₂ in FY2022 against a target of at most 63,300 t-CO₂. More recently we formulated Zero30 Road Map 2023 as a new CO₂ reduction plan that covers the entire Group in line with the new Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025. The new Road Map also conforms to international standards by, for example, expanding the target from the Domestic Construction Business to all businesses, including the International Business.

Zero30 Road Map 2023 includes reduction targets regarding CO₂ emissions for all of the Group's business activities, as well as energy generation targets for the renewable energy business. The Road Map was also formulated with a target achievement year of

FY2030 in working towards achieving carbon neutrality in 2050. The first target aims to reduce the Group's Scope 1 and 2 emissions (CO₂ emissions from directly owned or controlled sources) by 54.8% compared with FY2020 [Target 1]. In order to achieve this target, we plan to fully engage in energy conservation activities, as well as introduce diesel fuel combustion improvers, N-TEMS, and a high standard of renewable energy power (77% by FY2030). The second target covers Scope 3 Category 11 emissions (CO₂ emissions coinciding with energy use during building operation after completion and delivery), and aims to reduce emissions by 27% compared with FY2020. Primarily, we plan to promote and expand Net Zero Energy Building (ZEB) standards for properties we design and construct [Target 2].

The third target covers renewable energy generation led by the Regional Environmental Solutions Business, and has been set to





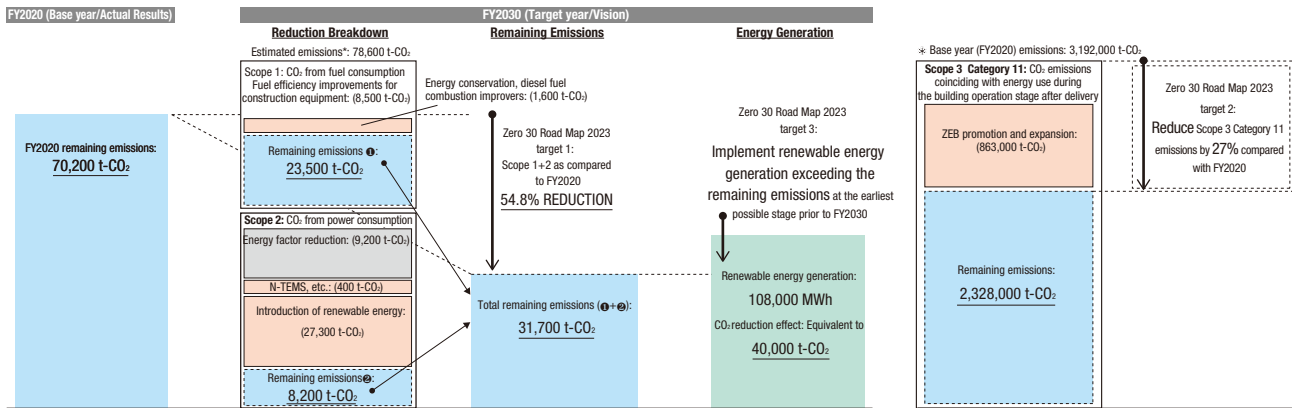
a level (40,000 t-CO₂) that exceeds the remaining emissions (31,700 t-CO₂) at the time target 1 is achieved. Here, we plan to deploy solar, biomass, small-scale hydroelectric, geothermal, and other forms of renewable energy generation throughout the

country in an effort to provide green energy to society. And we aim for the CO₂ reduction effects from renewable energy generation to equal the remaining Scope 1 and 2 emissions at the earliest possible stage prior to FY2030 [Target 3].

CO₂ Emissions and Energy Generation in FY2030

Vision for target 1 (Scope 1 and 2) and target 3 (energy generation)

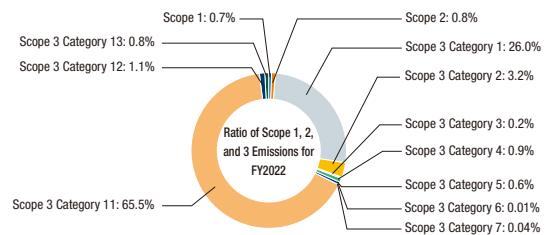
FY2030 Vision for target 2 (Scope 3 Category 11)



*Estimated emissions: Estimated CO₂ emissions in the case where no action is taken through FY2030. The portion reduced under the direction of the Company is accounted for by energy conservation and diesel fuel combustion improvers, N-TEMS, etc., and the introduction of renewable energy (approximately -29,300 t-CO₂)

[Reference] About Scope 3 Category 11

Scope 3 refers to indirect CO₂ emissions that occur upstream and downstream from a business, as opposed to CO₂ directly emitted by the business activities (Scope 1 and 2) of the business operator. Scope 3 is classified into 15 categories. In regard to the emissions of the Group falling under Scope 1, 2, and 3, Scope 1 and 2 together account for less than 2% of the total, whereas Scope 3 Category 11 (CO₂ emissions coinciding with energy use during building operation after completion and delivery) accounts for the largest portion at 65.5%.



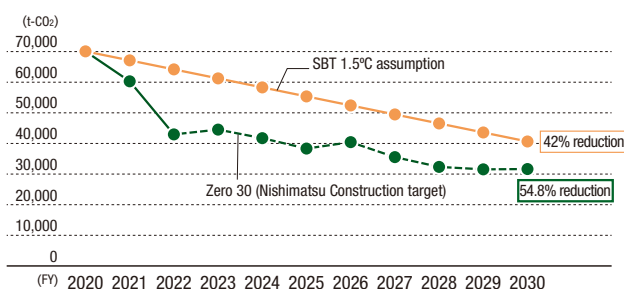
WEB See the Company's website for details related to Zero30 Road Map 2023. <https://www.nishimatsu.co.jp/eng/esg/environment/>

Comparison of the Reduction Levels in Zero30 Road Map 2023 Versus the SBT 1.5°C Certification Criteria

The CO₂ reduction levels in the Road Map were set with the intent of acquiring certification under the 1.5°C criteria defined by the SBT initiative, which can be considered the de facto international

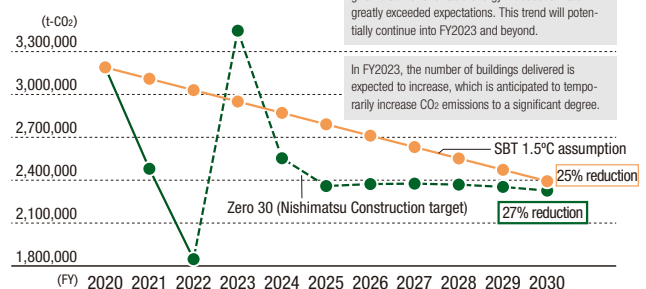
standard. In the case of a base year of FY2020 and a target year of FY2030, the SBT 1.5°C certification criteria require a reduction in Scope 1 and 2 emissions of at least 42%, and a reduction in Scope 3 emissions of at least 25%. The reduction levels set by the Group are ambitious in that they exceed both of these.

Target 1: Scope 1+2



* Zero30 Road Map 2021: Domestic Construction Business Zero30 Road Map 2023: All businesses

Target 2: Scope 3 Category 11



Environmental Initiatives

Carbon Neutrality Initiatives

Introducing New Diesel Alternative Fuels to Reduce Scope 1 Emissions

Nishimatsu Construction's Scope 1 CO₂ emissions are primarily due to the use of diesel fuel to operate construction equipment. In order to reduce these emissions, we have used biodiesel fuels and diesel fuel combustion improvers in the past, yet we have concerns, such as manufacturer assurances and quality consistency. For this reason, we have investigated the potential of new diesel alternative fuels.

In FY2022, we began introducing GTL (CO₂ emissions reduction of 8.5%) and RD/Renewable Diesel (zero CO₂ emissions) as new fuels on a trial basis. We will confirm the feasibility of introducing each, including their reliability as fuels, before rolling out their use Group-wide.



Comparative Investigation of GTL Versus Diesel in Terms of Fuel Efficiency when Used in Lighting Generators

(Chubu Branch, Kachigawa Yamada Worksite Office)



RD Use Impression and Fuel Efficiency Investigation in an Excavator

(Kanto Architectural Regional Headquarters, Keio Fujisawa Branch Office)

Shifting to Renewable Energy to Reduce Scope 2 Emissions

We are increasing the rate of renewable energy introduction by leveraging renewable energy options provided by power companies corresponding to RE100, as well as FIT non-fossil certificates.

To get a reduction of 27,300 t-CO₂ by FY2030, we plan to achieve a renewable energy introduction rate of 80% for the Domestic Building Business, 60% for the International Business, and 100% for activities conducted by the Asset Value-Added Business, Group company businesses, and offices. These efforts will realize an introduction rate of roughly 77% for the Group as a whole.

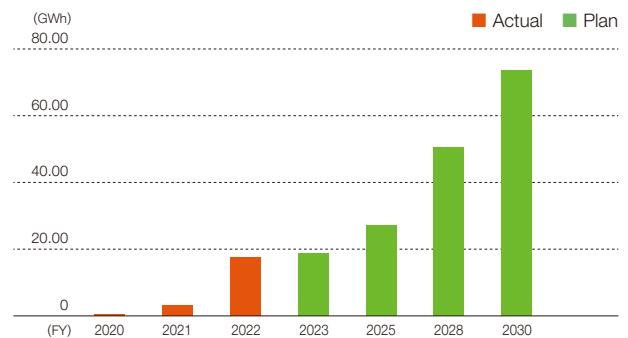


Tunnel construction site using renewable energy for 100% of construction power (Shikoku Branch, Fubahara Tunnel Branch Office)

Moreover, as we transition to renewable energy, we are also considering a scheme that uses some of the power from renewable energy generation undertaken by the Regional Environmental Solutions Business for use in business activities conducted by the Company (in-house renewable energy generation and consumption).

As it currently stands, the renewable energy introduction rate for FY2022 reached approximately 24% for the Group as a whole.

Nishimatsu Construction Renewable Energy Introduction Plan



Promoting ZEB Design to Reduce Scope 3 Emissions

To reduce Scope 3 Category 11 emissions (CO₂ emissions coinciding with energy use during building operation after completion and delivery), which account for the largest part of total Scope 1, 2, and 3 emissions, we are promoting ZEB design for properties that we design and construct. Likewise, we are working to perfect technologies to ensure design capabilities that reduce the primary energy consumption of buildings, excluding energy generation, by 75% (Nearly ZEB standard) for office building projects in FY2027. These design capabilities include construction planning that considers energy efficiency, improved insulation performance, the introduction of energy-saving facilities, and effective use of unharvested energy. Along with receiving our first ZEB certification for a design and construction project order, in FY2022, we also renovated our Technical Research Institute in a manner that demonstrates our ZEB design technology.



Landcube Ageo (warehouse, steel construction, four above ground stories, total floor area: 39,859m²)

* Received our first ZEB Certification for a design and construction project order. In addition, we have 10 successful ZEB Ready projects and five successful ZEB projects (including those scheduled to receive certification)

Circular Economy x Carbon Neutrality

Thorough Waste Sorting - Compliance with the Plastic Resource Circulation Act

To form a circular economy, we have put activities to ensure waste sorting and to avoid final disposal at the core of our activities regarding the handling of construction by-products generated at construction sites. Similarly, we have Nishimatsu Construction Waste Sorting Rules as a unique effort, have built sorting yards, and thoroughly manage construction by-product sorting together with partner companies in an effort to keep the final landfill disposal rate below 3%, which we have achieved each year.

Although various issues with plastics have grown increasingly severe in recent years, one particular problem is the high degree

of thermal recycling that continues to be used to recycle plastic waste. Following the enactment of the Plastic Resource Circulation Act in April 2022, we began conducting oral surveys of industrial waste disposal companies regarding the potential of shifting from existing thermal recycling methods to both material recycling and chemical recycling methods in working towards a circular economy and carbon neutrality.



Sorting Activity Based on the Nishimatsu Waste Sorting Rules

Nature Positive x Carbon Neutrality

Construction that Considers Ecosystem Conservation

Nishimatsu Construction recognizes that having consideration for plants and animals helps to conserve ecosystems and forests, and that this relationship ultimately contributes to achieving carbon neutrality through carbon fixation, for example. We therefore engage in biodiversity preservation activities from various approaches.

To minimize the impact of construction works on ecosystems, we conduct biodiversity preservation activities at all of our construction sites. At the Minami Koma Worksite Office of the Kanto Civil Engineering Regional Headquarters, for example, we are advancing construction in a way that considers plants and animals that live in the habitat around the worksite, namely by using earth-toned colors for temporary structures and by installing detours for small animals because the construction site is located in the mountains.



Temporary fencing using earth tones (Kanto Civil Engineering Regional Headquarters, Minami Koma Worksite Office)



Gutter staircase for small animals (Kanto Civil Engineering Regional Headquarters, Minami Koma Worksite Office)

JHEP Certification Renewal (Japan Habitat Evaluation and Certification Program)

JHEP certification is the only certification system in Japan that quantitatively evaluates and certifies initiatives to maintain or improve the biodiversity value before and after a project is implemented. Nishimatsu Construction received JHEP certification in 2017 for the Keio University Hiyoshi International Dormitory that we manage. This dormitory received a rank of AA+ when it was recertified in 2022 in recognition of the ongoing effectiveness of the design and construction approach's consideration of biodiversity. This Dormitory is therefore expected to continue serving as an important node in the ecosystem network of the city center. We will continue aiming to achieve nature positivity in terms of both design and construction.



Managed by Nishimatsu Construction, Keio University Hiyoshi International Dormitory was recertified by JHEP



The original ecosystem of the region is being preserved by selecting seedlings that grow naturally in the Kanto Region

TOPIC

Reduce, Reuse, and Recycle (3R) Promotion Merit Award

Nishimatsu Construction aims to eliminate all construction waste generated at every construction site in working towards a circular economy. As part of the Reduce, Reuse, and Recycle (3R) Promotion Merit Award, in FY2022 the Sapporo Branch Ishikari Shinko Nishi Branch Office (project name: Ishikari Shinko Nishi Project) received the Minister of Land, Infrastructure, Transport and Tourism Award and the West Japan Regional Headquarters Harima Architectural Branch Office received the Chairman's Award. We have received awards as part of this program a total of 21 times since FY2016. We will continue to promote efforts to eliminate all construction waste in an effort to create a circular economy.



Panorama of the Ishikari Shinko Nishi Construction Project. Award Theme: Proactive 3R activities for construction work in a large-scale industrial park subject to various restrictions

Environmental Initiatives

Nishimatsu Climate-related Information 2023 - Disclosures in Line with the TCFD Recommendations -

The Group recognizes that addressing climate change is an important management issue for promoting our business activities, and therefore endorsed the TCFD recommendations in June 2021. Likewise, we have disclosed climate-related information since June 2022. More recently, as part of Nishimatsu

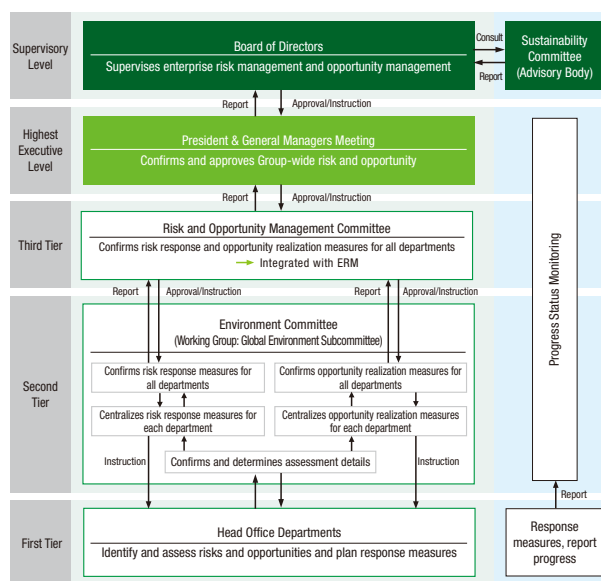
Climate-related Information 2023 (June 2023), we revised parts of our governance and risk management systems along with some of the assumptions for our scenario analyses. We also updated response measures to climate-related risks and opportunities, and reviewed our indicators and targets.

See the Company's website for details on Nishimatsu Climate-related Information 2023.
WEB <https://www.nishimatsu.co.jp/eng/esg/environment/climate.html>



Governance and Risk Management

Nishimatsu Construction has an Environment Committee (Second Tier) as a meeting body to discuss climate-change response (identify climate-related risks and opportunities, formulate specific responses, manage targets, etc.), and expanded the role of the previous meeting body above this committee in the hierarchy (the Internal Control Committee) by reorganizing it as the Risk and Opportunity Management Committee (Third Tier) in April 2023. With the Risk and Opportunity Management Committee, we have integrated our climate change response with Enterprise Risk Management (ERM), thereby forming a structure that reports to the President & General Managers Meeting (highest executive level). As in the past, the Board of Directors provides oversight after deliberations by the President & General Managers Meeting, and offers instructions as necessary. We engage in climate-related risk and opportunity management twice per year through the above process.



Strategy

Assumptions for scenario analysis

In anticipation of a highly uncertain future coinciding with the transition to a decarbonized society, as part of Nishimatsu Climate-related Information 2023 we conducted scenario analyses for a world in which temperatures rise 1.5°C and 4°C compared to pre-industrial temperatures covering every business activity conducted by the Group. We also revised the time frames, with short-term now covering up to FY2025 as the period addressed by the Medium-Term Management Plan, medium-term covering FY2026 to FY2030, and long-term covering FY2031 to FY2050.

Risk and opportunity extraction

The Head Office departments (First Tier) identified and extracted climate-related risks and opportunities, at which point the upper tiers (Tier 2 and above) assessed these using the three scales of Likelihood of Occurrence, Qualitative Impact if they become manifest, and Quantitative Impact, ultimately determining the important issues.

Climate-related Risks

Risk Category	Risk Details	Impact Period	Applicable Scenarios
Transition Risk	Legal and Regulatory: Introduction of Carbon Tax (cost increase)	Medium/Long	1.5°C
	Technical: Delayed technological response to wooden high-rise construction trends (sales decrease)	Medium/Long	1.5°C
Physical Risk	Chronic Risk: Decline in manpower caused by rising temperatures →Delayed response to the shift to pre-cast (sales decrease)	Medium/Long	1.5°C/4°C
	Chronic Risk: Decrease in labor productivity caused by rising temperatures →Loss of sales opportunities coinciding with longer construction times (sales decrease)	Medium/Long	1.5°C/4°C
	Chronic Risk: Decrease in labor productivity caused by rising temperatures →Higher construction costs (cost increase)	Medium/Long	4°C

Climate-related Opportunities

Opportunity Category	Opportunity Details	Impact Period	Applicable Scenarios
Resource Efficiency	Response to demand for decarbonization in real estate properties (energy-savings, ZEB-compliance, renewable energy use) (sales increase)	Short/Medium/Long	1.5°C
	Increasing demand for building ZEB-compliance (sales increase)	Medium/Long	1.5°C/4°C
Products and Services	Expansion of projects related to renewable energy (sales increase)	Medium/Long	1.5°C
	Greater demand for energy generation-related projects (solar power, small-scale hydroelectric, woody biomass, geothermal, biogas) (sales increase)	Short/Medium/Long	1.5°C
	Greater demand for decarbonization related urban development projects (smart grid, electricity storage related technologies) (sales increase)	Medium/Long	1.5°C
Resilience	Rapid recovery response to increasingly severe natural disasters (sales increase)	Short/Medium/Long	1.5°C/4°C
	Increase in disaster prevention and mitigation related projects (sales increase)	Medium/Long	1.5°C/4°C

Analysis time frame (FY): Short-term: 2020 - 2025 Medium-term: 2026 - 2030 Long-term: 2031 - 2050

Financial Impact Analysis (overview)

In regard to the risks and opportunities that we ultimately determined to be important issues, we verified the financial impacts for FY2030 and FY2050 (for both 1.5°C and 4°C scenarios) using FY2021 operating income as the basis for impact assessment. As a result, when including recovery through responses to risks and opportunities, the negative impact of climate-related factors on our financial standing (operating income) was found to be limited to 5%. Nishimatsu Climate-related Information 2023 more specifically illustrates the variation in impact value using waterfall charts.

Business Impact Responses and Their Relationship with Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

Nishimatsu Construction has incorporated forward-looking responses regarding climate-related risks and opportunities into our management strategy, and is working to strengthen our response to internal and external challenges related to climate change through ongoing investigations.

Business Impact Responses and Their Relationship with Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

	Impact on Business	Response	Financial Impact		Relationship with Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025
			1.5°C	4°C	
Construction Business	Loss of sales opportunities due to a delayed technological response to wooden high-rise construction	<ul style="list-style-type: none"> Acquire fire resistance technologies for wood materials Work to make wood construction practical (small/medium scale→high-rise construction) 	▼▼▼	▼▼▼	Acquire pioneering construction technologies: Wood construction technologies
	Loss of sales opportunities coinciding with lower labor productivity caused by rising temperatures	<ul style="list-style-type: none"> Develop and test construction robot technologies Develop autonomous and labor-saving tunnel construction technologies 	-	▼▼▼	<ul style="list-style-type: none"> Increase Construction Business productivity: Automated tunnel construction, construction RX (robotic transformation) Promote smart construction sites utilizing DX
	Rising construction costs coinciding with lower labor productivity caused by rising temperatures		▼▼	-	
	Loss of sales opportunities due to a delayed response to the shift to precast in preparation for less manpower caused by rising temperatures	<ul style="list-style-type: none"> Develop large-scale precast technologies Accumulate construction experience and expand orders 	▼▼▼	▼▼▼	Promote the development of technologies for road slab replacement
	Higher sales due to the increasing need for building ZEB-compliance	<ul style="list-style-type: none"> Conduct demonstrations of ZEB-compliance at our facilities Design, construct, and operate demonstration facilities that offer 75% energy savings 	▲▲▲	▲	Develop high added-value buildings: ZEB/ZEH
	Higher sales from renewable energy-related projects	<ul style="list-style-type: none"> Implement initiatives for wind power generation projects 	▲▲▲	-	Take part in offshore wind power generation projects
	Higher sales from rapid recovery response to increasingly severe natural disasters	<ul style="list-style-type: none"> Construct a rapid response system for emergencies Strengthen procurement capabilities for emergency materials, equipment, and manpower through collaborations with partners Implement construction technologies based on the application of autonomous construction technologies 	▲	▲▲	-
Asset Value-Added Business	Higher sales from disaster prevention and mitigation related projects	<ul style="list-style-type: none"> Maintain and improve construction capacity for projects related to disaster prevention and mitigation, including rainwater main construction using the shield method 	▲	▲▲▲	-
	Higher sales from responding to decarbonization demand for real estate properties (energy-savings, ZEB-compliance, renewable energy use)	<ul style="list-style-type: none"> Promote ZEB compliance and energy savings for new buildings Make energy-saving investments in existing real estate properties and engage in asset replacement Actively use renewable energy options 	▲	-	<ul style="list-style-type: none"> Existing properties: Promote energy savings (equipment upgrades), promote the shift to renewable energy New properties: Promote specifications that meet ZEB Ready standards
Regional Environmental Solutions Business	Higher sales from energy generation related business	<ul style="list-style-type: none"> Promote the energy generation business 	▲▲▲	-	PPA business, power generation business (small-scale hydroelectric, geothermal, woody biomass, etc.)
	Higher sales from decarbonization related urban development projects (smart grid, electricity storage related technologies)	<ul style="list-style-type: none"> Actualize EMS projects and demonstrate storage batteries with local government partners 	▲▲	-	Deploy comprehensive partnership agreement projects with multiple local governments
Group-wide	Higher business costs due to the introduction of carbon taxes.	<ul style="list-style-type: none"> Introduce and develop CO₂ reducing technologies for the construction stage Promote the introduction of renewable energy and decarbonized fuels 	▼▼▼	-	Zero30 Road Map

Risks: ▼(small)/▼▼(medium)/▼▼▼(large) Opportunities: ▲(small)/▲▲(medium)/▲▲▲(large)

We will contribute to solutions for social issues by appropriately advancing efforts to realize climate-related opportunities through the reduction, transfer, and avoidance of climate-related risks in

an ongoing manner. At the same time, we will ensure resilience as a company as a means of connecting to sustainable growth.

Indicators and Targets

The Group has defined greenhouse gas emissions (Scope 1, 2, and 3) as an indicator used to manage climate-related risks and opportunities, and formulated Zero30 Road Map 2023 regarding

the related targets. For details, see P. 38 Zero30 Road Map 2023 (Carbon Neutrality: Indicators and Targets).

Human Resource Strategy



Basic Approach to Human Resources

To put our corporate philosophy into practice and realize our vision, we share the following basic values: an enterprising spirit, a feeling of gratitude, and an ethical attitude. We have always been grateful to our stakeholders and committed to high ethical standards.

This stance will not change in the future, but in order to provide a higher level of diverse value to our stakeholders amid the increasing speed of social and environmental change, we must

view each of our employees as capital and take measures to continuously increase the value of our human capital. Based on the concept that the Company and the employees are partners who enhance each other, we will gather employees with diverse values, knowledge, and experience, and foster higher expertise and management skills. We also provide a work environment in which each individual can maximize their talents in a manner not bound by conventional norms.

Human Resource Strategy

To expand our value creation activities from social infrastructure development to the rebuilding of social functions as a part of efforts to generate new business opportunities, we will set the direction of our human resource strategy and pursue specific initiatives based on the three frameworks of reforming our mindsets and actions, strengthening our organizational abilities, and creating growth resources, which comprise the Reform Program outlined under Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025.

To create an environment in which all of our employees can maximize their potential, we will also continuously work to maintain and promote employee health, reduce long working hours, and prevent employee turnover, as well as promote the use of flexible work systems, such as flextime systems.

The Reform Program based on our human resource strategy

	Reforming our mindsets and actions	Strengthening our organizational abilities	Creating growth resources
Development of Nishimatsu Employees' University	○	○	
Promoting dialogue between officers and employees	○		
Promoting diversity		○	
Commencing operation of the Talent Management System		○	○
Revitalizing workplace communication		○	○
Creating an environment in which diverse human resources can maximize their abilities	○	○	○

Initiatives based on the Human Resource Strategy

Development of Nishimatsu Employees' University

In addition to cultivating advanced technical skills, the Company launched the Nishimatsu Employees' University in 2019 in order to foster employees able to accurately respond to changes in society with a broad perspective. The university defines the abilities that Nishimatsu employees should possess as resourcefulness, basic knowledge, and expertise. The university has offered a series of courses to provide systematic learning opportunities in each of these areas. By FY2022, we developed a training system centered on a standard course for young employees to develop their professional skills. Going forward, we will provide a higher level of education and create a mechanism for employees to learn independently. In addition, we will provide training programs to cultivate a spirit of taking on challenges and growth in new fields.

Developing an expert course

In Medium-Term Management Plan 2025, we will establish an expert course for mid-career and higher employees in an effort to continuously improve the system to enhance employee abilities and pass on skills.

Developing DX Human Resources

To develop DX human resources, we provided basic education on DX until FY2022. In FY2023, we will open a new DX Faculty to provide more advanced education with the aim of fostering digital talent who can provide new value to companies by utilizing cutting-edge digital technology.

Systems for employees to learn independently

We introduced a credit system in some faculties and courses from FY2022 that shows the accumulation of competencies acquired by the employees themselves as a mechanism to ensure that employees steadily develop their skills. In the current fiscal year, we will continue to introduce this credit system and develop a mechanism that allows employees with high motivation for growth to learn independently, including a flexible curriculum selection system.

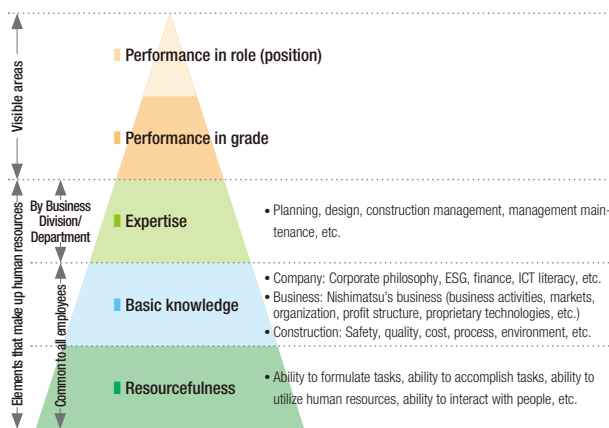
Developing candidates for management-level positions

To contribute to our sustainable growth and medium- to long-term corporate value enhancement, we have been implementing the Next Generation Management Development Plan since FY2021. Looking ahead, we will develop a system for the continuous training of young management personnel who will become candidates for management-level positions.

Nishimatsu Employees' University System

Grade	Resourcefulness	Basic knowledge	Expertise				Reskilling	Management (Succession plan)
	Education Faculty Business skill (Ability to formulate tasks, ability to accomplish tasks)	General Education Faculty Corporate philosophy, business, medium-term plan, etc.	Civil Engineering Faculty CIM, professional engineer preparation, research, etc.	Building Faculty BIM, architectural preparation and research, etc.	International Faculty Overseas civil engineering, building, research, etc.	Five other faculties	Matters related to issues in response to social change	Literacy, leadership, and education necessary for future management
Officers			Deepening research and exploring new areas in each field to further enhance corporate value					Plan for the development of the next generation of management
Grades 1-4	Training for those promoted to 4th grade	Training for mid-career hires	Expertise training for mid-career and higher employees (expert course)				SDGs Compliance ICT literacy and related training	
5th grade	Training for those promoted to 5th grade							
6th grade	Training for those promoted to 6th grade							
7th grade	Training for those promoted to 7th grade							
8th grade	Training for those promoted to 8th grade							
9th grade		Expertise training for young employees (standard course)						
10th grade	New employee follow-up training		Overseas on-site workshops					
	New employee training							

Nishimatsu employee skills



Promoting dialogue between officers and employees

Starting in FY2023, officers led by the President began visiting business sites nationwide to engage in dialogue with employees. Exchanging opinions about the corporate philosophy and the direction of the Company has enabled us to share a common direction while developing personnel who can take on challenges with an open mind.

Promoting Diversity

We are actively recruiting women for career-track positions and as mid-career hires to create a more dynamic organization where people with diverse abilities, skills, and values can come together and mutually enhance each other. From FY2020, we have set a target of increasing the percentage of females hired for career-track positions to 20% of all career-track recruitments. Since then, the number of women we have hired has been close to our target. As a result, the number of female career-track positions has increased to 6.5% of all career-track positions. Although the number of female managers is still low at 0.4% of all management-level positions, the number of female managers is increasing year by year, and we are steadily pursuing initiatives for diversity.

Commencing operation of the talent management system

We took steps to introduce a talent management system in FY2021 to maximize the abilities of our diverse array of personnel. We finished building this system in FY2022. Going forward, the system will incorporate data on the requirements for each position as well as the abilities, skills, and experience of employees, using this data for optimal placements and effective human resource development.

Initiatives for revitalizing workplace communication

Maximizing the talents of all employees requires the creation of a workplace culture with a high degree of psychological safety and where diverse opinions and ideas are freely and openly exchanged.

To this end, from FY2023 we will provide educational opportunities for employees to improve their communication skills and have introduced one-on-one meetings in workplaces.

Creating a workplace where a diverse array of employees can maximize their talents

To enable our diverse human resources to maximize their abilities, we have been promoting initiatives to create an environment that allows flexible work styles, as well as to manage and promote the health of our employees, such as the introduction of a flextime system, expansion of support systems for balancing work and childcare, and reduction of total work hours. Particularly in terms of measures to support a better balance between work and childcare, in October 2022 we established the Post-birth Papa Leave System (paid) in accordance with revisions to the applicable laws to develop an environment that facilitates the participation of male employees. This childcare leave system allows male employees to take up to 20 days in addition to annual paid leave, as a way to create an environment where men can easily participate in childcare. As a result, the percentage of male employees taking childcare leave reached 55.6%, significantly higher than the 17.6% in FY2021.

Looking ahead, we will continue to promote the use of various systems and implement measures to enable employees to maximize their abilities.

Health and Productivity Management



Employee happiness is the source of corporate vitality, and the foundation of happiness is health

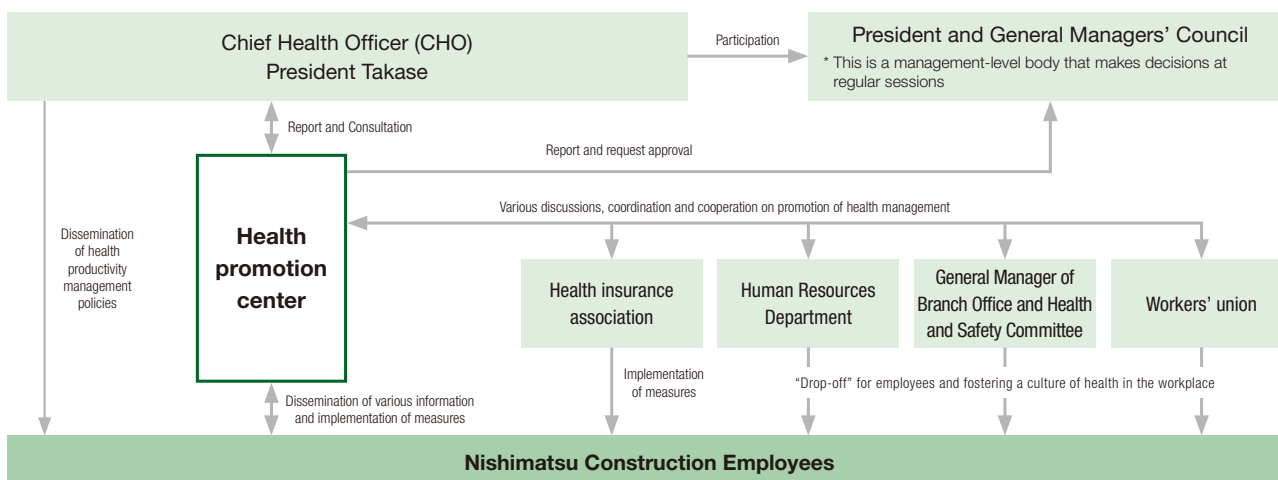
We believe that the happiness of employees is the source of energy for sustainable corporate growth, and that good health is the source of this happiness. To achieve this, we recognize that the loss of work opportunities due to illness is a management issue, and aim to improve productivity by preventing it. Therefore, we are promoting health and productivity management^{®*} by combining measures aimed at improving employee health awareness from the four perspectives of physical health, mental health, health literacy, and long working hours, with measures in which medical professionals are directly involved with employees.

We are implementing a host of specific measures. This includes establishing subsidies for medical checkups (including optional examinations) (similar subsidies are available for dependent spouses), putting forward recommendations for complete medical examinations after regular health checkups, providing

subsidies for women’s cancer screening, providing physical and mental consultations by medical staff, free smoking cessation programs, and introducing a system to visualize working hours, etc. We were evaluated and certified as among the “White 500” Certified Health & Productivity Management Outstanding Organizations (large enterprise category) promoted by the Nippon Kenko Kaigi and Japan’s Ministry of Economy, Trade and Industry in recognition of our efforts to continuously improve these and other measures. This was the fifth consecutive time we received this designation since FY2018.

Based on the idea that the Company is responsible for supporting the health of employees, we will continue to promote health and productivity management by strengthening our occupational health system and taking measures to encourage employee awareness of health maintenance.

Promotion system chart



* Health and productivity management[®] is a registered trademark of Non-Profit Organization Kenkokeiei

Topic

Veggie Score^{TM*} measurement sessions are held at the employee cafeteria at our Head Office

In cooperation with the health insurance association of which we are a member, we held a Veggie ScoreTM measurement session in the employee cafeteria at our Head Office (Toranomon Hills Business Tower). The employee cafeteria provides a well-balanced menu on a daily basis, and the results show that many employees meet the standard for vegetable intake compared to the average Japanese person.

This event provided an opportunity for employees to reevaluate their thinking about the content of their meals.

We will continue to hold various events related to employee health to raise health awareness among all employees.

* Veggie ScoreTM: Numerical score of vegetable intake using the Veggie Meter[®], a device that measures the amount of skin carotenoids.



Quality Management



For 150 years, the Company has been engaged in the business of building social infrastructure and structures that form the foundation of people’s lives. For us, quality is the foundation of our business, so we will continue to place the highest priority on quality and work to improve quality to meet the expectations of our customers and society.

Policy on Quality

Based on its corporate philosophy, Nishimatsu Construction will deliver valuable buildings and services through an ongoing commitment to earn the trust of customers and other stakeholders.

(1) Providing Trusted Buildings and Services

Each employee will hone their skills with pride in being a specialist, undertake the work before them with rigorous care that remains faithful to the basics, and deliver buildings and services that are worthy of society’s trust and expectations.

(2) Improving Customer Satisfaction

We will accurately identify the increasingly diverse needs of customers, thoroughly pursue manufacturing excellence that surpasses the expectations of customers and the world, and aim to elevate customer satisfaction as a reliable entity.

(3) Continual system improvement

We will continually improve our quality management system to achieve quality targets.

Quality Management System

In the civil engineering and building divisions, we have established a Building Quality management system based on ISO 9001, and are working to ensure quality and continuously improve the

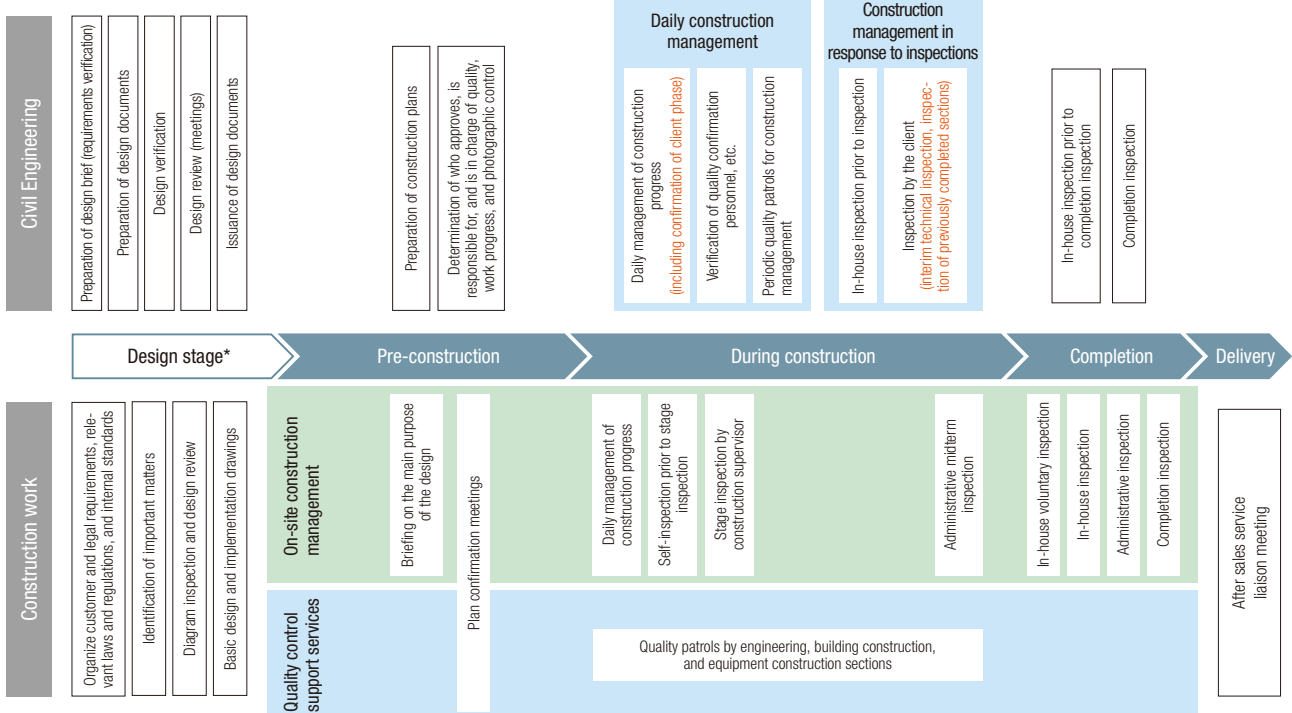
system at each stage of sales, design, construction, and after-sales service to achieve our quality policy of Providing Trusted Buildings and Services and Improving Customer Satisfaction.

Quality control systems in construction projects

To prevent issues from recurring based on lessons learned from past construction defect cases, we assure quality

through a consistent work flow from design to construction and after-sales service following delivery.

Quality control flow



*In the case of design and construction by Nishimatsu

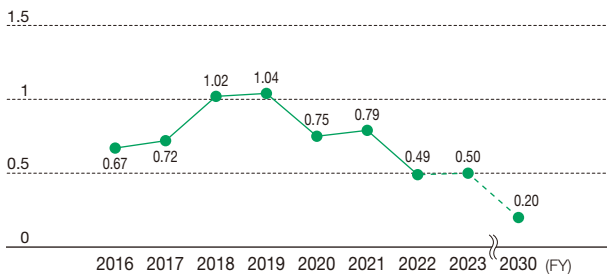
Safety, Human Rights, Supply Chain

Building safe construction sites

“Compassion and consideration throughout the workplace” is our safety slogan. Based on this slogan, we focus on risk management at the planning and implementation stages along with the training of supervisors who are key personnel for safety management at our worksites in order to ensure that all people working there can do so safely and with peace of mind.

Although there was one fatal accident in FY2022, the frequency rate of injuries was 0.49. With this, we achieved our target for FY2023 of less than 0.5 a year early.

Frequency rate and future targets



No. of attendees in supervisor ability improvement training (FY2022)

	North Japan	Kanto Civil Engineering	Kanto Architectural	West Japan	Kyushu	Total
Supervisor ability improvement training	162	82	182	267	108	801

Ideals outlined in Nishimatsu-Vision 2030

Establishing Nishimatsu as a brand of safety

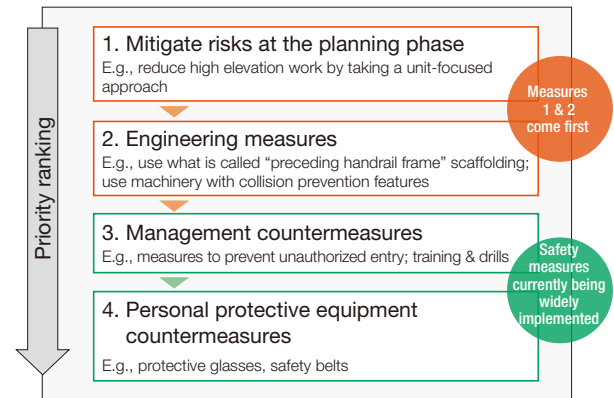
Target: Frequency rate of injuries requiring four or more days of absence from work: 0.2 or below

To achieve our ideal, we will implement the following initiatives:

- Firmly embed safety management rooted in prioritizing issues
- Establish a legal compliance framework through repeated education
- Ensure health by creating a safe and comfortable workplace environment
- Boost the skills of safety leaders and establish a system for fostering skill leaders of the next generation

Safety management based on the priorities of risk assessment

Firmly embed safety rooted in prioritizing issues
Making safety a priority from the top down



Addressing Human Rights Issues

The Nishimatsu Group believes that the fundamental human rights of all people involved in its business should be respected. Based on the United Nations' Guiding Principles on Business and Human Rights, the Group formulated the Nishimatsu Group Human Rights Policy in March 2023 and is promoting initiatives for respecting human rights.

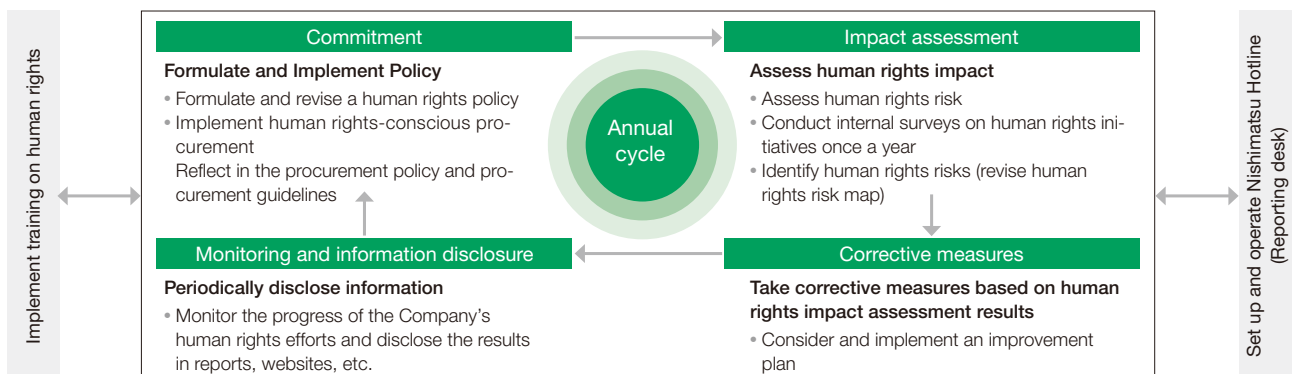
Through dialogue with stakeholders and consultations with external experts, we identified the following items as the main

priorities to address.

- (1) Adequate management of working conditions and provision of a comfortable working environment
- (2) Prohibition of harassment and discrimination
- (3) Human rights of foreign workers in domestic operations

In addition, we have established a human rights due diligence process and are continually working to improve it.

Human rights due diligence process





Co-creation with the supply chain

■ Training and support of skilled construction workers

- Promote digital education (Buildee usage method and the Japan Construction Retirement Allowance System electronic usage)
- Utilize digital communication (dedicated website and direct bulletin board function)

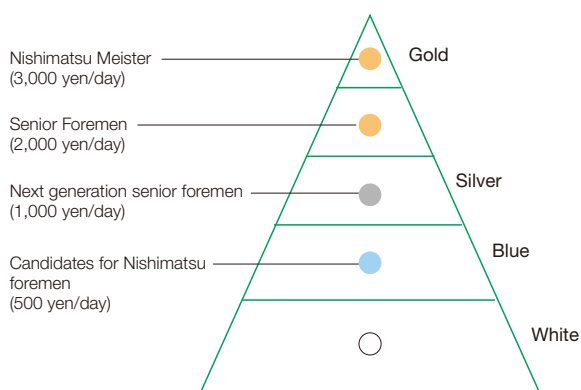
The prime contractor and specialty contractors cooperate mutually to perform construction work. Specialty contractors consist of individual skilled construction workers and their supervisors. We believe that training and support are important, and are working to improve digital skills as one of these measures.

■ Promote the use of the Construction Career Up System (CCUS)

- Expand and enhance programs for high-caliber technicians (awards and certification programs)

Due to a declining and aging workforce and harsh working conditions, it is becoming increasingly difficult to secure workers in the construction industry. Until now, the amount of income generated by what qualifications and how much experience one had, had been unclear in the industry. Against this backdrop, we are working to alleviate the shortage of skilled workers by developing our own high-caliber technician system that is linked to the CCUS and competency evaluation systems promoted by Japan's Ministry of Land, Infrastructure, Transport and Tourism.

High-caliber technician system and CCUS relationship



■ Undertake various activities with Nishimatsu Subcontractor's Network (N-NET), a central organization among affiliates that collaborate with us in construction activities

- Hold N-NET Growth Strategy Meetings (examples of initiatives listed below)
 - Subsidy for the purchase of air-conditioned clothing to work safely and comfortably
 - Introduction of business chat "direct" to stimulate communication
 - Introduction of Koteizu to centrally manage process information
 - Improve brochure production and website to support recruitment activities
- Joint participation in various CSR activities (activities in FY2022 below)
 - Hirose River 10,000 People Project (Tohoku branch)
 - Clean Beach Ishikari Beach Cleanup Activities (Sapporo branch)
 - Nishimatsu Forest woodland preservation activities (Kanto Civil Engineering Division)
 - Clean Ota River Activities (Chugoku branch)
 - Aso Mizukake terraced paddy revitalization activities (Kyushu Division)
 - Kuma River Cleanup Activities (Kyushu Division)
- Held various study sessions and seminars
 - Labor hour seminars by the labor & human resources office (total of 7)
 - Invoice seminars by tax accountant firms (total of 4)
 - Information security briefings by our instructors (total of 10)
 - Invitations to civil engineering symposia and technical institute presentations sponsored by the Company (since FY2015)

We believe that further cooperation will be necessary to introduce the latest construction methods and digital technology.

Through various measures, we will build a strong relationship of trust that goes one step beyond mere construction cooperation.

Corporate Governance

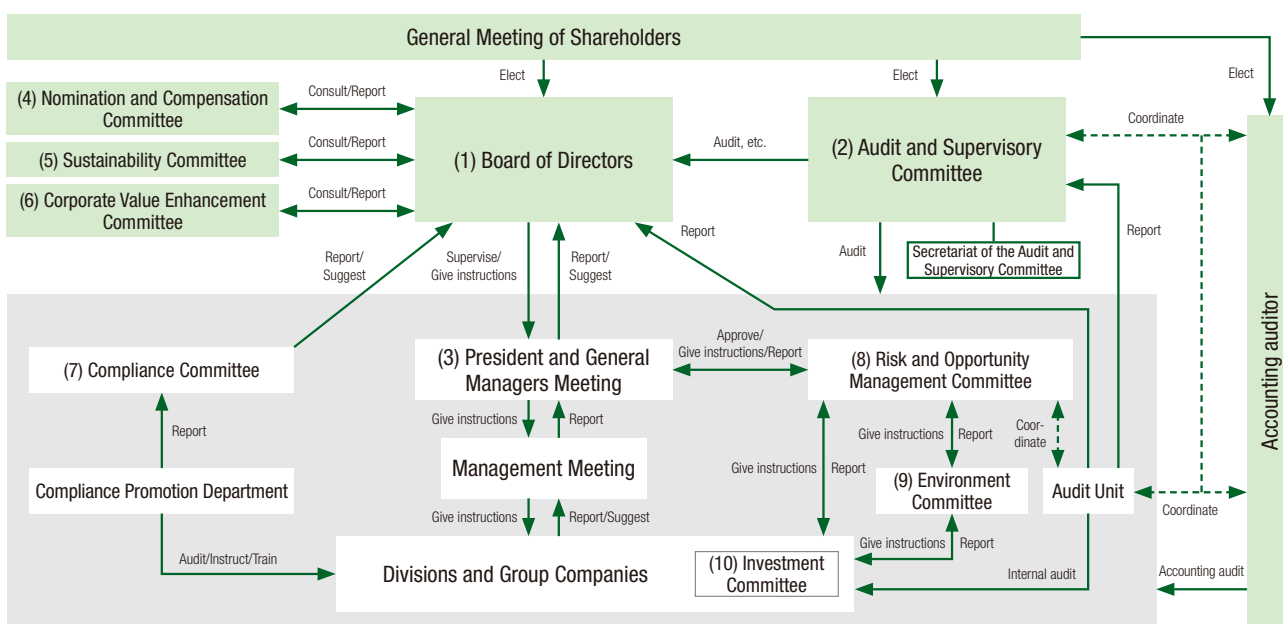
Strengthening corporate governance is one of the highest priority management issues that we are tackling at Nishimatsu Construction. In FY2016, we transitioned into a company with an Audit and Supervisory Committee and worked to ensure the efficacy of the oversight functions of the Board by bringing in Audit and Supervisory Committee members as part of the Board. In addition, from FY2022 to FY2023, we worked to revise the composition of the Board of Directors and ensure its diversity, and, to increase corporate value from a sustainability perspective, we established a Sustainability Committee and a Risk and Opportunity Management Committee. We will continue to strive to further strengthen our corporate governance system.

Basic philosophy

The basic policy of the Company is to improve its corporate governance and maintain good and stable relationships with its stakeholders over the long term, in order to achieve sustainable growth of the Company and increase its corporate

value over the medium to long term. Based on this policy, we will create structures that lead to the acceleration of decision-making and the strengthening of supervision by the Board of Directors and our business execution systems.

Corporate Governance System



(1) Board of Directors	Makes decisions on basic management policies and other important management matters, and supervises the execution of duties by directors. In addition to matters stipulated by laws and regulations and the Articles of Incorporation, the Board of Directors deliberates and decides on matters stipulated in the rules of the Board of Directors.
(2) Audit and Supervisory Committee	Conducts audits of execution of duties by directors and other duties stipulated by laws and regulations.
(3) President and General Managers Meeting	Among the proposals to be submitted to the Board of Directors, it conducts preliminary deliberations mainly on important matters for sustainable growth, decides on specific measures related to the execution of such proposals after they are resolved by the Board of Directors. It also decides or deliberates on some individual matters related to business execution.
(4) Nomination and Compensation Committee	Deliberates on the nomination of candidates for directors, with the aim of contributing to the establishment of an appropriate management system. It also deliberates on individual compensation for directors and executive officers with the aim of ensuring objectivity and transparency regarding compensation decisions.
(5) Sustainability Committee	Investigates and deliberates on matters regarding the policies for responding to materiality and environmental changes (risks and opportunities) linked to materiality from a long-term perspective and from a multi-stakeholder standpoint.
(6) Corporate Value Enhancement Committee	Deliberates on corporate governance, capital policy and other important management matters in consultation with the Board of Directors.
(7) Compliance Committee	Responds to various issues regarding compliance.
(8) Risk and Opportunity Management Committee	Appropriately manages risks and opportunities from a long-term perspective, as well as risks and opportunities involved in current business activities.
(9) Environment Committee	Extracts, identifies, and assess climate-related risks and opportunities, and reports to the Risk and Opportunity Management Committee.
(10) Investment Committee	Investigates the propriety of plans related to investment projects based on the Company's capital strategy, and reports the investigation results and points at issue to the Board of Directors and to the President & General Managers Meeting.

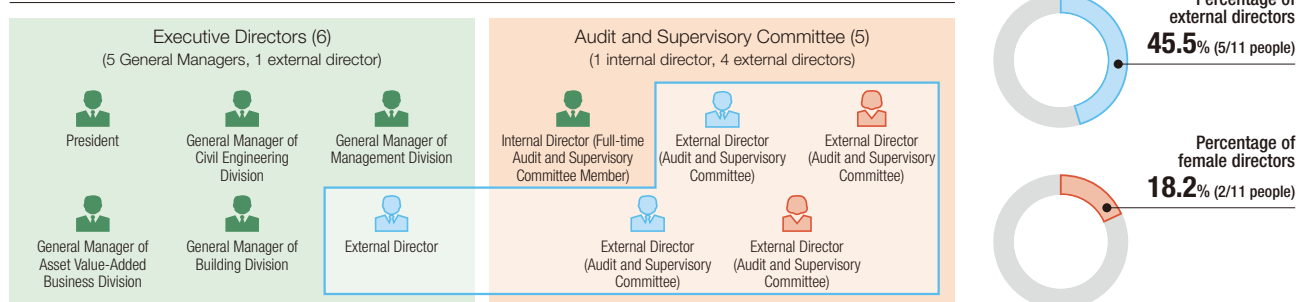
Composition of the Board of Directors and the Audit and Supervisory Committee

The Company's Board of Directors comprises six executive directors and five directors who are Audit and Supervisory Committee members. Five of the executive directors are general managers and one is an external director (who has management experience at a listed company). The Audit and Supervisory Committee comprises one full-time internal director and four external directors (one has experience at a general trading company, one is a certified public accountant, one has management experience at a listed company, and one has experience at an

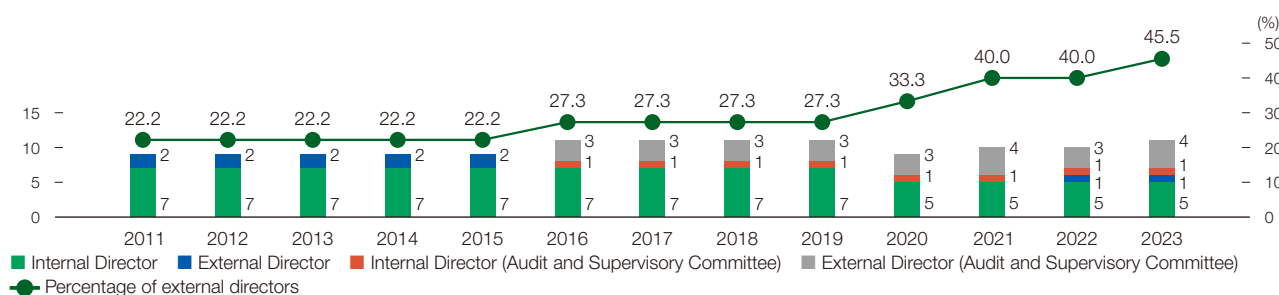
information and communications company). As such, all of these external directors possess specialized knowledge in fields considered to be important for business management.

Currently, the percentage of external directors on the Board of Directors is 45.5% and the percentage of female directors is 18.2%. Going forward, we will continue verifying the skill sets of those on the Board of Directors and will work to improve the efficacy of the Board.

Board of Directors (11)



Changes in the Percentage of External Directors on the Board of Directors



Changes to Corporate Governance

	Through to FY2019	Through to FY2022	FY2023 and beyond
Organization design	June 2009 Established the Nominating Committee and Compensation Committee as voluntary advisory bodies	June 2016 Transitioned to a company with an Audit and Supervisory Committee	March 2021 Established the Corporate Value Enhancement Committee April 2023 Established the Sustainability Committee
Composition of the Board of Directors	June 2009 External directors: 2 (22.2%)	June 2016 External directors: 3 (27.3%)	June 2020 External directors: 3 (33.3%) June 2021 External directors: 4 (40.0%) June 2023 External directors: 5 (45.5%)
Strengthen business execution system		July 2019 Established President and General Managers Meeting	July 2021 Established the Investment Committee
Officer compensation system			FY2021 Began operation of performance-linked compensation and stock compensation
Company President Succession Plan, etc.			FY2021 Began operation of the Company President Succession Plan, etc.
Compliance Internal control Risk management	FY2008-FY2009 Established the Internal Control Committee Established the Nishimatsu Hotline whistleblowing system Established the Compliance Committee	FY2015 Established the Workplace Hotline outside counseling service FY2019 Registration of WCMS certification for the whistleblowing system	April 2023 Established the 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)

Corporate Governance

Selection Criteria for Director Candidates

- Candidates for director shall be selected from those who have a wealth of knowledge, experience, and competence, and excellent character and high ethical standards.
- Candidates for executive director shall be appointed from among people who have extensive knowledge and experience in the Company's business, or who have superior knowledge of finance and accounting, etc.
- People who are candidates for director (Audit and Supervisory Committee) who are judged to be capable of auditing and supervising appropriately, with emphasis on their expertise and background, will be appointed.
- Candidates for external director will be selected with an emphasis on independence, and those with specialized knowledge and experience in corporate management are selected. We also take into consideration the diversity of the Board of Directors.

Reasons for Appointing External directors

Position	Full Name	Reason for appointment
External Directors	Hidetaka Matsuzaka	Mr. Matsuzaka possess a wealth of experience during his tenure at Osaka Gas Co., Ltd., and has a broad insight cultivated as Representative Director of the company. We have appointed him as an external director because we believe he is an appropriate person who can supervise our management from an objective point of view.
External Directors (Audit and Supervisory Committee members)	Jun Ikeda	Mr. Ikeda possesses a wealth of experience from his work at Mitsubishi Corporation and also has wide ranging knowledge from serving as Representative Director and President of a subsidiary of the company. Since June 2016, he has fulfilled the role of Director and Audit and Supervisory Committee member, monitoring and supervising Nishimatsu Construction's management from an objective point of view and appointed him an external director and an Audit and Supervisory Committee member.
External Directors (Audit and Supervisory Committee members)	Noriko Suzuki	Ms. Suzuki possesses specialized knowledge as a certified public accountant and has a wealth of experience related to accounting in the real estate industry. Since June 2021, she has fulfilled the role of director and Audit and Supervisory Committee member, monitoring and supervising Nishimatsu Construction's management from an independent stand point. For these reasons, we deem her to be the appropriate talent for auditing and supervising Nishimatsu Construction's management from an objective point of view and appointed her an external director and an Audit and Supervisory Committee member.
External Directors (Audit and Supervisory Committee members)	Toshihiro Kubo	Mr. Kubo possesses a wealth of experience during his tenure at Kubota Corporation, he also possesses a wide range of knowledge cultivated as Representative Director of Kubota Corporation. We have appointed him as an external director who is a member of the Audit and Supervisory Committee because we believe he is an appropriate person who can supervise our management from an objective point of view.
External Directors (Audit and Supervisory Committee members)	Yayoi Ito	In addition to her wealth of experience gained during her tenure at NTT Data Corporation and other companies, Ms. Ito possesses extensive knowledge of ICT. For these reasons, we deem her to be the appropriate talent for auditing and supervising Nishimatsu Construction's management from an objective point of view and appointed her an external director and an Audit and Supervisory Committee member.

Board of Directors' skill set

■ Male ■ Female ■ External

Position	Full name	Expertise and Experience Criteria for Directors								Nomination and Compensation	Committee Internal Directors: Main roles External Directors: Career and qualifications
		Corporate management	Construction technology & quality	Urban development & Real estate	Environment	Treasury, Accounting, Finance	Legal, Governance, Risk management, Compliance	Digital & IT	Global		
Representative Director and President	Nobutoshi Takase	●	●		●						Chief Executive Officer and President
Representative Director	Makoto Isshiki	●	●		●					●	Executive Vice President, General Manager of Civil Engineering Division and Safety & Environment Division
Representative Director	Yuichi Kono	●				●	●			●	Executive Vice President, General Manager of Management Division and General Manager of Human Resource Strategy Office, in charge of Regional Environmental Solutions Business Division and in charge of Investor Relations
Director	Yoshiyuki Sawai	●		●		●					Senior Managing Officer and General Manager of Asset Value-Added Business Division
Director	Kazutoyo Hamada		●		●						Managing Officer, General Manager of Building Division
External director (Independent)	Hidetaka Matsuzaka	●				●	●		●	●	Representative Director, Osaka Gas Co., Ltd.
Director (Full-time Audit and Supervisory Committee member)	Hiroshi Yaguchi					●	●	●			
External directors (Audit and Supervisory Committee members) (Independent)	Jun Ikeda	●					●			●	Executive Officer, Mitsubishi Corporation, Representative Director, Mitsubishi Shoji Foodtech Co., Ltd.
External directors (Audit and Supervisory Committee members) (Independent)	Noriko Suzuki			●		●				●	Certified Public Accountant, KPMG AZSA LLC Senior Manager
External directors (Audit and Supervisory Committee members) (Independent)	Toshihiro Kubo	●			●		●			●	Representative Director, Kubota Corporation
External directors (Audit and Supervisory Committee members) (Independent)	Yayoi Ito	●						●		●	Head of the Business Planning Promotion Office, NTT Data Corporation, Executive Officer, SG SYSTEMS CO., LTD.

* The above list does not exhaustively cover all of the knowledge and experience possessed by each director.

Director Compensation

■ Overview of our director compensation (excluding Audit and Supervisory Committee members)

Compensation for directors (excluding Audit and Supervisory Committee members and other directors who are external directors) comprises base compensation and performance-linked compensation. Compensation for external directors (excluding those who are Audit and Supervisory Committee members) shall be limited to base compensation.

Base compensation, as fixed (monthly) compensation determined in accord with the director's position, is calculated taking into account Nishimatsu Construction's employees' salary levels, standard salary levels in the business community, and other factors.

Performance-linked compensation fluctuates according to the degree to which performance targets were met. It includes a base level of compensation in accord with each director's position, with this base level multiplied by a performance-linked coefficient to calculate the final amount. To calculate the final amount, evaluation indices covering the director's contribution to corporate value are set for each position and job title, and the degree to which performance targets were met, as well as year-on-year performance are evaluated each fiscal year.

Performance-linked compensation is paid partly in cash, as a

short-term incentive, and partly in stock, as a long-term incentive. The cash portion is paid as a bonus in July of each year and the stock portion is conferred every June in the form of conversion points for the Board Benefit Trust. When a director retires from his or her position as director, cumulative points are converted into shares of stock and delivered to the beneficiary.

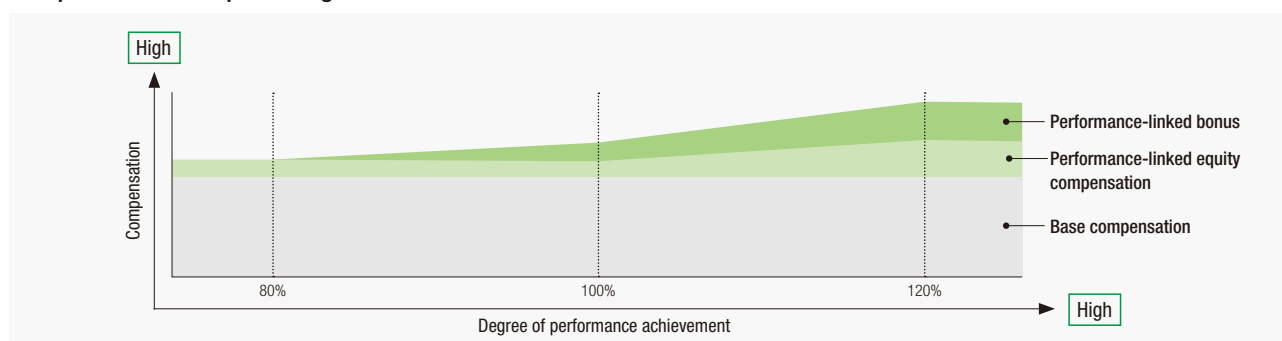
The ratios of base compensation and performance-linked compensation are appropriately determined taking into account Nishimatsu Construction's management strategies, business environment, and the level of difficulty of achieving job responsibilities and targets, while also referencing relevant changes at other companies in our industry. Within performance-linked compensation, there is generally a one-to-one ratio of cash-based compensation to stock-based compensation. Furthermore, for stock-based compensation, a minimum level is set that is the same as the minimum level for performance-linked compensation.

Based on these policies, the President drafts a preliminary proposal, then consults with the Nomination and Compensation Committee, whose input is taken into account and decided on by the Board of Directors (Base compensation and performance-linked compensation are determined in March and June, respectively, each year).

Compensation details

Category	Performance-linked indices	Overview of payment method
Base compensation	—	Base amount paid in cash
Short-term incentives	(Medium-Term Management Plan 1st and 2nd years) •Group-wide performance (net sales, operating income, profit attributable to owners of parent) •Business division performance (orders, profits, safety performance, quality performance, etc.)	Amount calculated by multiplying the base amount by a performance-linked coefficient, paid in cash
Long-term incentives	(Medium-Term Management Plan final year) •Medium-Term Management Plan published values (net sales, gross profit, operating income, ROE, capital to assets ratio, dividend payout ratio) •Business division performance (orders, profits, safety performance, quality performance, etc.)	Points conferred (calculated by multiplying the base amount by a performance-linked coefficient); cumulative points converted into an equivalent amount of stock when the director retires

Compensation conceptual image



■ Overview of compensation for directors who are Audit and Supervisory Committee members

Directors who are Audit and Supervisory Committee members receive only base compensation that takes into consideration the compensation of directors who are not Audit and

Supervisory Committee members, as well as the standard salary levels in the business community. Said base compensation is determined through discussions among all directors who are Audit and Supervisory Committee members.

Corporate Governance

Directors' compensation (FY2022)

Category	Paid personnel	Base compensation	Performance-linked compensation (cash-based compensation)	Performance-linked compensation (non-cash-based compensation)	Total amount of compensation, etc.
Directors (excluding Audit and Supervisory Committee members)	6	¥170 million	¥11 million	¥21 million	¥204 million
External Director	1	¥7 million	-	-	¥7 million
Directors (Audit and Supervisory Committee Members)	6	¥48 million	-	-	¥48 million
External Directors	5	¥31 million	-	-	¥31 million
Total	12	¥219 million	¥11 million	¥21 million	¥252 million
External Directors	6	¥39 million	-	-	¥39 million

*1 The total amount of performance-linked compensation (cash-based compensation) indicates the amount of provision for directors' bonuses in FY2022. In addition, the total amount of performance-linked compensation (non-cash-based compensation) indicates the amount of provision for directors' stock benefits in FY2022 based on the "Board Benefit Trust (BBT)", a performance-linked stock compensation plan that uses a trust.

*2 The above includes two directors (Audit and Supervisory Committee) who retired at the conclusion of the 85th Annual General Meeting of Shareholders on June 29, 2022.

Analysis and evaluation of the effectiveness of the Board of Directors

To confirm whether the Board of Directors is appropriately fulfilling its duties of promoting sustainable corporate growth and increasing medium- to long-term corporate value, we analyze and evaluate the Board's effectiveness once a year and strive to strengthen and improve its functions.

Nishimatsu Construction conducted an evaluation of the effectiveness of the FY2022 Board of Directors from February to April 2023. An overview of the evaluation process, evaluation results, and initiatives going forward is given below.

1 Evaluation process

Led by the Audit and Supervisory Committee, all directors were given a survey that consisted of six subjects, namely the roles and functions of the Board of Directors, the composition and size of the Board of Directors, the operation of the Board of Directors, collaboration with audit organizations, relationship with the external directors, and relationship with shareholders and investors. The six subjects listed above also include items reported to the Board of Directors by the Audit and Supervisory Committee regarding the effectiveness evaluation of the Board of Directors from the previous year.

To ensure anonymity, statistical compilation for the survey was entrusted to a third-party organization, then the Audit and Supervisory Committee analyzed and reviewed the data before making a report to the Board of Directors.

2 Overview of evaluation results

Based on the survey results, the Audit and Supervisory Committee reported to the Board of Directors to the effect that it must immediately advance systematic initiatives towards solving the issues to be considered and improvement points that were discovered during the survey (the major issues to be considered are listed below).

- (1) Discussions on instilling the Corporate Philosophy and long-term vision
- (2) Discussions and deliberations by, and reports to the Board of Directors
- (3) Operations regarding the Board of Directors
- (4) Materials used by the Board of Directors
- (5) Training for executives

3 Initiatives going forward

In light of the above reports, the responsible director will formulate matters to be deliberated and their schedule for the year, which will be actively discussed by the Board of Directors.

Strategic shareholdings

Policy regarding reducing strategic shareholdings

We have made it our policy to hold shares of companies deemed necessary for our business operations and, unless there are other extenuating circumstances, to reduce our holdings of companies that do not meet this criterion.

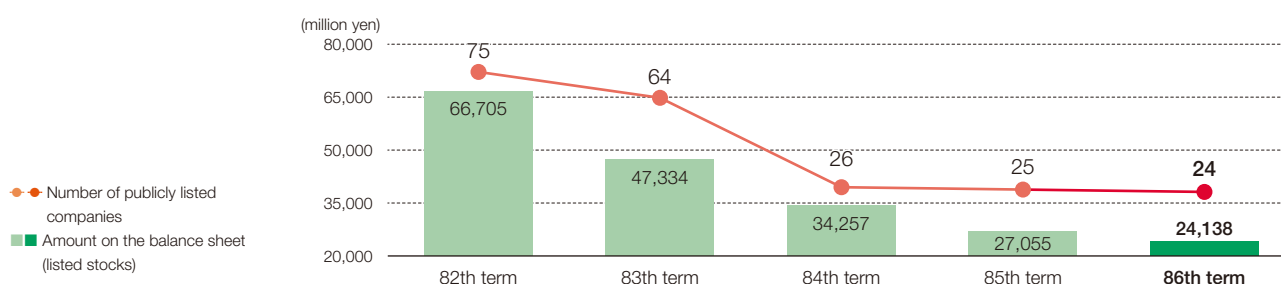
With regard to determining whether to hold specific strategic shareholdings, the President and General Managers Meeting carefully surveys and reviews each fiscal year whether we

have transactions with the issuing company, what the status is of obtaining construction and other information, and whether there are other special circumstances, then makes a report to the Board of Directors. The Board of Directors receives and reviews these reports and makes final decisions on whether the holding is appropriate, then discloses the results of their decision.

Status of reduced strategic shareholdings

Number of companies whose shares are held and their total amounts on the balance sheet

Category	82nd term (FY2018)	83rd term (FY2019)	84th term (FY2020)	85th term (FY2021)	86th term (FY2022)
Number of companies	152	141	103	102	103
Number that are publicly listed	75	64	26	25	24
Total amount on the balance sheet (million yen)	70,632	51,261	38,383	31,227	28,154
Total amount of publicly listed stocks (million yen)	66,705	47,334	34,257	27,055	24,138



Policy regarding the exercise of voting rights for strategic shareholdings

Nishimatsu Construction's criteria for the exercise of voting rights for strategic shareholdings is as follows:

- (1) In principle, we will exercise voting rights on all proposals.
- (2) From the perspective of increasing the medium- to long-term corporate value of the company whose shares are held as strategic shareholdings, we will make decisions for

or against proposals while also taking into consideration the operating circumstances of that company. We will exercise particularly careful discretion and judgment in the case of proposals for corporate restructuring (such as mergers), presenting retirement bonuses to officer(s) at a company with poor operating results, a capital increase through third-party allocations, adopting takeover defense measures, and the like.

Compliance with the Corporate Governance Code

Nishimatsu Construction implements each and every principle of the Corporate Governance Code. For details on the

initiative policy regarding each principle of the Corporate Governance Code, see the Company's website.

Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd.
Corporate Governance Report

WEB <https://www.nishimatsu.co.jp/eng/company/governance.html>

External Director Roundtable Discussion



Toshiiro Kubo

Jun Ikeda

Noriko Suzuki

Hidetaka Matsuzaka

“I think that my role is to make waves.”

As Nishimatsu Construction works toward achieving sustainable growth, four external directors speak about their current analysis and specific issues.

External directors Matsuzaka and Kubo, a year has passed since your appointments. What are your thoughts on the operation of Nishimatsu Construction’s Board of Directors’ meetings? Also, external directors Ikeda and Suzuki, how do you see Nishimatsu Construction’s changes and challenges thus far?

External Director Hidetaka Matsuzaka: Upon assuming my position, I stated that I would like to confirm four points to



improve Nishimatsu Construction’s fundamental competencies, which form the foundation for creating flexibility in ideas and actions. Those four points were: (1) Are employees thinking in terms of overall optimization rather than individual optimization, and are they able to put their ideas across in an easy-to-understand manner?; (2) Is there a culture in which corporate information is shared within the Company and questions are freely discussed?; (3) Is work simplified? Are employees taking on new challenges and showing growth?; and (4) Are there shared goals, and are the business portfolio, the impacts of risks, and measures for said risks clearly understood? I think there is a need for the Company to continue to strengthen its efforts in these areas.

External Director Toshiiro Kubo: In a rapidly changing business environment, what is required is a system in which management can quickly ascertain the situation on the ground and make the necessary decisions, but I think there are still some shortcomings in terms of that kind of system. Currently, efforts are being made to improve the ascertaining of business progress and the speeding up of responses, and I

External Director

Jun Ikeda

Mr. Ikeda has extensive experience in business management at Mitsubishi Corporation, both domestically and internationally, and in corporate management at companies like Mitsubishi Shoji Foodtech Co., Ltd. He was appointed as an external director of the Company in June 2016. He mainly provides advice related to overall management and new businesses.

External Director

Noriko Suzuki

In addition to her expertise as a certified public accountant, Ms. Suzuki has extensive experience in accounting in the real estate industry. She was appointed as an external director of the Company in June 2021. She mainly provides advice in finance, accounting, and real estate matters.

External Director

Toshihiro Kubo

Mr. Kubo has experience in environment-related businesses and corporate divisions at Kubota Corporation. He has extensive experience in corporate management as Representative Director of Kubota Corporation. He was appointed as an external director of the Company in June 2022.

External Director

Hidetaka Matsuzaka

Mr. Matsuzaka has extensive experience in business management at Osaka Gas Co., Ltd, both within and outside Japan, and in corporate management as the Representative Director of Osaka Gas Co., Ltd. He was appointed as an external director of the Company in June 2022.

am watching closely to see how the Company can accomplish change over the year ahead. I also believe that discussions on management issues from a variety of perspectives should be made more active.

External Director Jun Ikeda: With the addition of Messrs. Matsuzaka and Kubo, two people with management experience, I feel that the direction and atmosphere of discussions at Board of Directors' meetings has changed significantly. A strong herd instinct exists in the construction industry, and there is a tendency to avoid making major changes ahead of other companies. At the Company's Board of Directors' meetings, however, the external directors have a particularly strong sense of crisis in this area and are emphasizing the need for rapid change and its implementation.

External Director Noriko Suzuki: At Board of Directors' meetings, Messrs. Matsuzaka and Kubo often make



statements based on their experience from having been deeply involved in corporate management, and I think they are also a source of stimulating inspiration for the internal directors.

Because Nishimatsu Construction is a company that takes itself very seriously, the Company takes its time to carefully implement and make improvements to address pressing issues from the outset. At recent Board of Directors' meetings, I have gained a strong sense that there has been a positive shift in mindset with regard to how to reflect and implement candid recommendations.

.....

What points do you keep in mind to improve effectiveness when speaking at Board of Directors' meetings? Please also discuss the role you think that external directors should play.

Suzuki: I believe that one of the important roles of an external director, and something that I am persistently conveying, is to understand that what might appear to be common sense for a company is not necessarily the same as common sense for society as a whole, and there may be cases in which what a company is doing may differ from society's rules. I believe that bearing this in mind will help create an environment that guards against cases of fraud, prevents scandals from arising, and will also lead to stronger governance.

Ikeda: The most important role of an external director is to be able to convey information, even if that information makes for harsh listening. A company will never be able to change if only pleasant things are said. Because the construction industry is closed, it is increasingly useful for external directors to relate their experiences from other industries to Nishimatsu Construction. I always speak out at the Company's Board of Directors' meetings because I do not want people to repeat the same mistakes that I experienced.

Kubo: Although external directors cannot make comments relating to business operations as such, their advantage is that they can see things without any preconceptions. For example, if there are any inefficiencies in the management decision-making process of which people inside a company are not aware, I point them out every time.

Matsuzaka: I think that my role is to make waves. Up until the time a company reaches a final decision, you need to keep bringing to light conceivable situations at that point in time. The role of a board of directors is to make decisions after having considered all the options, and thus I also speak from opposing viewpoints to confirm that this has been done.

External Director Roundtable Discussion

Ikeda: In making a final decision, it is very important that the process leading up to decision-making is clarified. I request that the materials used at Board of Directors' meetings also include detailed explanations of the process, not just the conclusions.



Matsuzaka: It is being said that there will be a further decline in Japan's population over the years to come, and that cities in the regions will themselves decline. In such places, I think it is important to think about what kinds of mechanisms and systems will be necessary to bring about business continuation over the long term concerning investments in geothermal power generation and wood biomass power generation projects. The securing of profits is important as long as the Company works as a business, and sustainability issues must be considered with this view in mind.

Suzuki: Sustainability management does not produce immediate results and thus evaluating initiatives in relation to business profits is also beset with difficulties. While repeatedly facing challenges and admitting to failures, I believe it is necessary for the Company to make steady efforts from a medium- to long-term perspective, isn't it?

.....

Under the new Medium-Term Management Plan, an emphasis has been placed on sustainability, including mention of "revising the structure of the Board of Directors and ensuring diversity based on skillsets mindful of sustainability management" as part of the Company's governance initiatives. Please tell us your thoughts on the ESG initiatives.

Ikeda: I think that the E and S in ESG represent the construction industry itself. A construction company's business is to build social infrastructure, and thus the industry cannot survive without awareness of S. Inevitably, construction is also accompanied by environmental destruction, and Nishimatsu Construction has been responding to E and S aspects through its business for 150 years. The Company's ESG initiatives will be more persuasive if this is considered as a starting point. Contrastingly, with regard to G, since construction is an industry that comprises construction sites, I believe that Nishimatsu Construction will need to earnestly begin building and improving its governance from now on.

Kubo: The Company is currently promoting reviews of sustainability issues, but I think the important thing is for all employees to identify issues that will have a significant bearing over the medium to long term and to organize them from the perspective of the SDGs. This is because I believe that, first and foremost, the perspectives of employees who are involved in business operations on the front lines on a day-to-day basis should be utilized. In order for Nishimatsu Construction to continue to grow in line with changes in the external environment and internal conditions, I hope that all employees will be satisfied with this approach.

.....

What are your thoughts on the expertise and skills that directors should possess and on the introduction of ESG-linked, performance-based compensation? Also, please provide us with your thoughts on human resource development at Nishimatsu Construction, including of the next generation of management personnel.

Suzuki: Although Nishimatsu Construction possesses strengths such as integrity and high technical capabilities, there are quite a few things that are lacking and parts that need to be changed, and the Company must respond to the changing times while maintaining a balance between the two. In the years to come, it will be desirable for directors to have the skills to integrate these aspects, but I think there is a need to discuss how best to reflect this in the compensation system.

Ikeda: The Company introduced performance-linked compensation in 2021 and starting in the current fiscal year will incorporate non-financial indicators such as safety and quality into the compensation calculation criteria for its directors (P.53). We will continue to work on linking executive compensation to ESG indicators. Personnel are one of the most important management resources, and it is my belief that systems need to be designed with ESG considerations in mind, not just for executive compensation.

Kubo: Internal directors in particular require knowledge of management. In contrast, from the perspective of increasing the diversity of a board of directors, it is desirable for people

with diverse expertise to be appointed as external directors. The newly appointed external director also possesses expertise in ICT, so I think the Company's Board of Directors will be more balanced. The content of the performance-based compensation has already been elaborated. However, as it has only been a short time since its introduction, we are currently at the stage of reviewing and making adjustments, and I think incorporating ESG indicators will form the next step.



Matsuzaka: With regard to the development of management personnel, we have been implementing a program called the Next Generation Management Development Plan since 2021. There is a need to utilize this program to raise the level of the candidate pool that will shoulder the responsibility as the next generation of management. In addition, having taken steps, such as transferring young employees to positions outside the Company and bringing in external human resources as executive officers and directors, I recommend creating a system that forms a well-balanced and deeper pool of management personnel.

Ikeda: In the sense that their customer bases are derived from all industries, general contractors themselves represent a very wide-ranging industry. Were a company to take advantage of this, it would be able to build a wide range of connections. To develop human resources who can shoulder responsibility and be involved in management in the years to come, I would like to see the Company actively sending young employees to work outside the Company and build a system in which they can gain management experience.

Message from the Appointed External Director



External Director
Yayoi Ito

In addition to a wealth of experience gained during her tenure at NTT DATA Corporation and other companies, Ms. Ito possesses extensive knowledge of ICT. She was appointed as an external director of the Company in June 2023.

Utilizing IT-related insight and diverse work experience for management and DX promotion

My name is Yayoi Ito and I have been appointed as an external director. I am extremely humbled to be taking on such a heavy responsibility. After having graduated from the department of mathematics, I have been involved in IT-related fields for many years. Having had long-term experience as a system integrator in particular, in addition to SE and consulting, I possess experience in a wide range of tasks, including sales management, marketing, project management, new business creation and commercialization, alliances and collaborations with overseas companies, business planning, human resources and training, and organizational management. The projects I have handled range from small to large scale, and I have experience in a variety of industries, including the public sector, utilities, and logistics.

Utilizing my past experience in a variety of aspects, I hope to be particularly useful for management and Nishimatsu Construction's DX promotion. Going forward, I am determined to actively absorb industry knowledge and do my best.

I gratefully look forward to your continued support as I work toward the further development of Nishimatsu Construction.

Compliance



Our view of compliance is not limited to the observance of laws, rules, and various regulations, but also serves as the foundation (corporate culture and climate) that allows us to conduct sustainable business activities based on the trust and confidence of all stakeholders in accordance with our Company Motto and Corporate Philosophy. Based on this concept, we are working to improve compliance awareness among every officer and employee through various measures that include in-house training.

**Basic
compliance
policy**

Compliance is a priority for corporate development

Compliance is the philosophy and mission to observe laws and ethics.

- Have the courage to take action. If you do not change things now, they won't ever change.
- Be courteous in behavior. What you find offensive is what others find even more offensive.
- Act with a sense of justice. If you lose your composure for even a moment, the Company will cease to exist in an instant.

* The Company's compliance policy covers all Group employees and partner companies.

Compliance Promotion System

Group-wide promotion system

In 2009, we established the Compliance Committee with the aim of providing support and guidance, and ensuring that compliance is practiced by Group officers and employees. To provide a third-party perspective, we appoint a person from outside the Company to chair the Committee. The Compliance Committee meets once a month to discuss various compliance-related issues and conducts compliance training to maintain and improve the compliance system. In addition, the Compliance Committee chair also attends Board of Directors meetings to report on the details of responses to various issues and make recommendations.

The Compliance Promotion Department takes the initiative in promoting compliance as the secretariat of the Compliance Committee, playing a role in educating officers and employees about the activities of the Committee.

The heads of each division at the Head Office, the general managers at each regional headquarters, and the presidents of affiliated companies have been appointed as the people in charge of compliance. They raise awareness about and publicize compliance, as well as conduct training for officers and employees in the organizations they run.

Whistleblower system "Nishimatsu Hotline"

We have set up the Nishimatsu Hotline as an internal whistleblower system to improve our corporate culture and deter and promptly address wrong doing. A reporting desk has also been set up for our partner companies, and the system allows anonymous reporting and provision of information.

We distribute compliance cards to all Group officers and employees to ensure that they are well informed about the Nishimatsu Hotline.

Counseling service "Workplace Hotline"

We have set up the "Workplace Hotline," a counseling service where employees can easily seek advice about mental anxiety or human relations in the workplace.

Number of calls to the Nishimatsu Hotline and Workplace Hotline

(Number of reports)

Category	FY2018	FY2019	FY2020	FY2021	FY2022
Nishimatsu Hotline	20	30	33	28	45
Nishimatsu Workplace Hotline	21	16	12	12	8

Initiatives to Promote Compliance

Compliance training

We carry out ongoing career-level-specific training and e-learning to improve compliance awareness, eliminate harassment, and boost understanding and dissemination of the whistleblowing system. Especially since FY2021, we have been conducting stratified online training covering all levels from managers to younger employees. In FY2022, we conducted training for assistant managers based on events that have occurred internally in recent years as the subject matter.

Compliance audit

Every year, we conduct Compliance Audits of all regional headquarters, each division at the Head Office, and Group

companies throughout Japan to assess the status of responses to risks that have occurred or are expected to occur in each department, as well as the details of initiatives and activities aimed at raising compliance awareness.

Officer, employee compliance awareness survey

We conduct Compliance Awareness Surveys of all officers and employees (including temporary workers) every two years. We are improving our training and educational activities by understanding the current situation from the results of the survey and changes over time and by analyzing issues and problems.

Risk and Opportunity Management



The Group recognizes that risk and opportunity management is an important issue for fulfilling its social responsibility, realizing Nishimatsu-Vision 2030 and achieving its Medium-Term Management Plan. To ensure proper Group-wide risk management, we reviewed our existing management system and revamped it into a risk management system that includes a long-term perspective.

Group-Wide Risk and Opportunity Management System and Activities

The Risk and Opportunity Management Committee manages risks and opportunities from a long-term perspective and for each business activity in accordance with the Committee's rules, etc.

To comprehensively manage Group risks and opportunities, we have designated specific departments to be responsible for the management of individual risks and opportunities aggregated by the Committee. The Committee monitors and assesses the effectiveness of preventive and detective risk and opportunity management, and also makes recommendations for corrective action to each department responsible for risk and opportunity management if problems are found.

The Committee reports to the President and General Managers Meeting and the Board of Directors regarding the departments responsible for management of risks and opportunities, the management system, and the status of management.

Risk Management System



Risk and Opportunities from a Long-Term Perspective	Risks and opportunities in business activities
(1) Identification of risks and opportunities at the Group-wide management level based on materiality and reflecting them in business strategies (2) Examine and promote specific actions for sustainability (establish priorities, promotion structures, roadmaps) (3) Monitor specific actions for sustainability	(1) Develop processes for risk and opportunity management (identify and review risks and opportunities, verify and review of hypotheses) (2) Monitor risk and opportunity management systems

* Please see our securities reports regarding business and other risks.

Information security risk management

The Group is in possession of important business information as well as personal information and confidential information related to our business partners. Various measures are being implemented to prevent loss of social credibility due to information leaks and economic losses.

Prevention measures

(1) Technical measures

- Reinforcing measures against computer virus counter and unauthorized access
- Visualizing and controlling cloud service use

(2) Personnel measures

- Conducting security training and targeted e-mail drills
- Having outside experts assess security and investigate risk

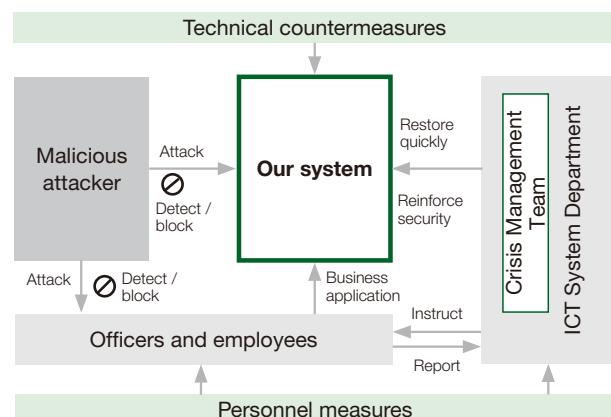
Countermeasures in the event of an incident

- Conducting incident response training, including for management
- Reinforcing cyber resilience for early recovery of systems

Cyber attacks are not just a risk for our Company, and ransomware and other attacks must be addressed across the entire supply chain. In FY2022, we held a workshop on

information security for our subcontractor's network, N-NET. Going forward, the entire Group, including N-NET, will continue to improve information security mainly by conducting targeted e-mail training and security education.

Information security system



Board of Directors and Audit and Supervisory Committee (As of June 29, 2023)

Directors



Nobutoshi Takase
Representative Director and President

Apr. 1980 Joined the Company
Jun. 2011 Director, Managing Officer
Apr. 2018 Representative Director and President;
Chief Executive Officer and President
(to present)

Number of Company shares held
11,500 shares

Attendance at Board Meetings
16 out of 16 (100%)



Makoto Isshiki
Representative Director
General Manager of Civil Engineering Division
General Manager of Safety & Environment Division

Apr. 1984 Joined the Company
Jun. 2016 Director, Senior Managing Officer
Apr. 2018 Representative Director and Executive Vice
President (to present)

Number of Company shares held
9,540 shares

Attendance at Board Meetings
15 out of 16 (94%)



Yuichi Kono
Representative Director
General Manager of Management Division
General Manager of Human Resource Strategy Office
In charge of Regional Environmental Solutions Business
In charge of Investor Relations

Apr. 1980 Joined the Company
Jun. 2015 Director, Managing Officer
Apr. 2021 Representative Director and Executive Vice
President (to present)

Number of Company shares held
26,120 shares

Attendance at Board Meetings
16 out of 16 (100%)

Audit and Supervisory Committee Members



Hiroshi Yaguchi
Director (Audit and Supervisory Committee Member)
(Full-Time)

Apr. 1979 Joined the Company
Jun. 2020 Director (Full-time Audit and Supervisory
Committee Member) (to present)

Number of Company shares held
3,700 shares

Attendance at Board Meetings
16 out of 16 (100%)

**Attendance at Audit and Supervisory
Committee Meetings** 15 out of 15 (100%)



Jun Ikeda
External Director
(Audit and Supervisory Committee Member)

Apr. 2006 Executive Officer, Mitsubishi Corporation
Jun. 2009 President and Representative Director,
Mitsubishi Shoji Foodtech Co., Ltd.
Nov. 2012 President and CEO, Mitsubishi Corporation
Life Sciences Limited, President and CEO,
KOHJIN Life Sciences Co., Ltd.
Jun. 2016 External Director (Audit and Supervisory
Committee Member) of the Company
(to present)
Outside Director, SODA NIKKA CO., LTD.
(to present)

Number of Company shares held 0 shares
Attendance at Board Meetings
16 out of 16 (100%)

**Attendance at Audit and Supervisory
Committee Meetings** 15 out of 15 (100%)



Noriko Suzuki
External Director
(Audit and Supervisory Committee Member)

Oct. 2008 Senior Manager, KPMG AZSA LLC
Oct. 2015 Part-time audit staff, KPMG AZSA LLC
Apr. 2020 Supervisory Director, Frontier Real Estate
Investment Corporation (to present)
Jun. 2021 External Director (Audit and Supervisory
Committee Member) of the Company
(to present)

Number of Company shares held 0 shares
Attendance at Board Meetings
16 out of 16 (100%)

**Attendance at Audit and Supervisory
Committee Meetings** 15 out of 15 (100%)



Yoshiyuki Sawai

Director
General Manager of Asset Value-Added Business
Division

Mar. 2006 Executive Officer of Mizuho Bank, Ltd.
Jun. 2010 Director of the Company
Apr. 2019 Director, Senior Managing Officer
(to present)

Number of Company shares held
7,720 shares

Attendance at Board Meetings
16 out of 16 (100%)



Kazutoyo Hamada

Director
General Manager of Building Division

Apr. 1987 Joined the Company
Jun. 2020 Director, Managing Officer (to present)

Number of Company shares held
5,360 shares

Attendance at Board Meetings
16 out of 16 (100%)



Hidetaka Matsuzaka

External Director

Apr. 2015 Representative Director; Executive Vice
President, Osaka Gas Co., Ltd.
Apr. 2019 Director and Chairman, OG Capital Co.,
Ltd. (to present)
Jun. 2019 Advisor, Osaka Gas Co., Ltd. (to present)
Jun. 2020 Outside Director, HIROSHIMA GAS CO.,
LTD. (to present)
Outside Director, Nanto Bank, Ltd.
(to present)
Jun. 2022 External Director of the Company
(to present)

Number of Company shares held 0 shares
Attendance at Board Meetings
10 out of 11 (91%)



Toshihiro Kubo

External Director
(Audit and Supervisory Committee Member)

Jul. 2014 Representative Director and Executive Vice
President, Kubota Corporation
Jun. 2021 Chairman of the Osaka Federation of Health
Insurance Societies (to present)
Vice Chairman, National Federation of
Health Insurance Societies (to present)
Jun. 2022 External Director (Audit and Supervisory
Committee Member) of the Company
(to present)

Number of Company shares held 0 shares

Attendance at Board Meetings
11 out of 11 (100%)

**Attendance at Audit and Supervisory
Committee Meetings** 10 out of 10 (100%)



Yayoi Ito

External Director
(Audit and Supervisory Committee Member)

Apr. 2008 Head, Business Planning and Promotion
Office, Public Administration Systems
Section, NTT DATA Group Corporation
Jun. 2021 Outside Director, KANADEN
CORPORATION (to present)
Jun. 2021 Outside Director, SUMIKEN MITSUI ROAD
CO., LTD. (to present)
Jun. 2023 Outside Director, JAPAN POST HOLDINGS
Co., Ltd. (to present)
External Director (Audit and Supervisory
Committee Member) of the Company
(to present)

Number of Company shares held 0 shares

* The number of shares of the Company held includes the number of shares to be delivered under the stock compensation plan.

* The attendance at the Board Meetings and the Audit and Supervisory Committee Meetings indicates the attendance for FY2022.

Eleven-year Major Financial and Non-financial Data

Fiscal Year (years ended March 31)		2013	2014	2015	2016
Financial data (Consolidated)					
Construction Business orders received	(Millions of yen)	258,216	320,594	345,853	304,764
Profit and loss statement (fiscal year)					
Net sales	(Millions of yen)	253,250	314,638	342,989	308,826
Gross profit	(Millions of yen)	15,615	17,963	22,769	31,104
Operating income	(Millions of yen)	2,666	4,738	8,710	16,184
Ordinary income	(Millions of yen)	4,307	6,106	9,938	16,290
Profit attributable to shareholders of the Company	(Millions of yen)	3,411	5,586	9,220	14,598
Balance sheet (end of fiscal year)					
Total assets	(Millions of yen)	342,974	374,399	386,469	351,334
Interest-bearing liabilities	(Millions of yen)	52,907	58,135	53,918	53,175
Net interest-bearing debt	(Millions of yen)	4,942	4,933	16,346	25,271
Shareholders' equity	(Millions of yen)	111,853	117,540	122,367	134,190
Cash flow (fiscal year)					
Cash flows from operating activities	(Millions of yen)	9,776	3,129	(10,448)	4,120
Cash flows from investing activities	(Millions of yen)	(10,770)	(3,246)	(1,236)	(9,688)
Cash flows from financing activities	(Millions of yen)	6,536	3,750	(5,701)	(2,960)
Cash and cash equivalents at end of year	(Millions of yen)	47,865	53,052	37,422	27,903
Amounts per share					
Profit attributable	(yen)	61.55	100.80	166.45	263.55
Dividends	(yen)	20	30	50	80
Dividend payout ratio	(%)	32.5	29.8	30.0	30.4
Shareholders' equity	(yen)	2,302.75	2,419.10	2,669.20	2,775.30
Ratio					
ROE	(%)	2.8	4.3	6.5	9.7
Capital to assets ratio	(%)	37.2	35.8	38.3	43.8
D/E ratio	(times)	0.4	0.4	0.4	0.3
Net D/E ratio	(times)	0.0	0.0	0.1	0.2
Non-financial data					
Number of employees (consolidated)		2,557	2,648	2,678	2,704
Number of employees (non-consolidated)		2,309	2,385	2,424	2,467
CO ₂ emissions per unit from construction* ³	(t-CO ₂ /100 million yen)	33.7	32.1	32.0	31.8
Final percentage of construction waste sent for landfill disposal (excluding asbestos-containing industrial waste materials and specially controlled industrial waste)* ^{1,3}	(%)	—	6.8	5.0	3.1
Frequency rate of injuries* ² (occupational injury rate)		0.9	1.0	1.0	1.1

*1 Final percentage of construction waste sent for landfill disposal: Before the fiscal year ended March 31, 2019, excludes construction sludge and special substances such as specified substances.
From the fiscal year ended March 31, 2019, includes construction sludge and excludes special substances such as specified substances.

*2 Expresses the rate of occurrence by the number of fatalities and injured workers from occupational accidents per one million actual work hours.






*3 Calendar year data for the fiscal years ended March 31, 2013 to March 31, 2019.

2017	2018	2019	2020	2021	2022	2023
360,186	380,378	348,045	376,088	313,437	333,974	340,392
315,228	284,412	349,318	391,621	336,241	323,754	339,757
42,259	40,425	43,423	43,938	39,761	43,772	33,719
25,259	22,752	24,928	25,313	20,950	23,540	12,615
25,446	23,548	25,985	25,838	21,561	23,497	13,176
19,210	16,914	18,784	18,721	17,166	15,103	9,648
385,674	381,355	466,327	497,045	472,440	477,613	513,623
42,844	43,306	86,167	121,909	115,039	160,039	168,396
3,817	10,807	54,694	75,449	71,269	112,917	114,669
147,697	158,256	171,828	184,803	196,158	145,459	144,294
40,763	13,570	(15,882)	14,120	4,907	41,243	34,747
(13,945)	(15,422)	(23,633)	(20,147)	5,302	(22,532)	(27,450)
(15,039)	(4,918)	38,555	20,952	(12,653)	(16,074)	(2,365)
39,026	32,499	31,473	46,459	43,574	47,121	53,726
348.15	308.52	343.39	342.24	313.83	312.34	244.43
105	95	105	105	105	221	221
30.2	30.8	30.6	30.7	33.5	70.8	90.4
3,057.35	3,348.41	3,605.62	3,599.01	3,765.62	3,833.71	3,770.77
11.9	9.6	9.9	9.5	8.5	8.5	6.4
43.5	48.0	42.3	39.6	43.6	31.7	29.0
0.3	0.2	0.4	0.6	0.6	1.1	1.1
0.0	0.1	0.3	0.4	0.3	0.7	0.8
2,740	2,825	2,920	3,005	3,060	3,106	3,201
2,504	2,536	2,606	2,684	2,762	2,794	2,804
24.2	18.1	16.1	15.9	20.1	17.1	11.1
2.9	2.7	2.1	2.2	2.2	2.4	2.4
0.7	0.7	1.0	1.0	0.8	0.8	0.5

ESG Data

FY2022 Sustainability Activity Targets and Evaluations

ESG	New value	SDGs	Activity details	Activity status	Indices for measuring achievement	Numerical target	Achievement score	Achievement level	
Environment E	Environment	 	Implementation of the ZERO30 Roadmap	5	Total CO ₂ emissions from business activities	(1) CO ₂ reduction during construction: 4,572t-CO ₂ (2) CO ₂ emissions other than from construction: 1,194t-CO ₂	4	133%	
			Implementation of biodiversity preservation activities	5	No. of activities implemented	All worksites	4	133%	
			Maintain the final percentage of waste sent for landfill disposal at 3% or lower	5	Final percentage of construction waste sent for landfill disposal	2.1% or lower	2	67%	
			Promote environmentally friendly design and construction	3	(1) Introduction of ZEB elemental technology into our own buildings, no. of tests (2) Reduction of CO ₂ emissions in the fiscal year (%) (3) No. of certifications acquired under various certification systems	(1) At least one ZEB elemental technology to be installed in the Company's properties (2) CO ₂ reduction effect of 25% or more (3) Acquisition of at least one certification from various evaluation systems	3	60%	
			Convert NCO properties to LED illumination	4	No. of NCO properties that have switched to LED lighting	Finish switching 4 floors to LEDs	3	80%	
			Promote energy-saving/creating buildings	3	No. of installations of energy-saving equipment in the Company's real estate	One installation per year of energy-saving equipment at a property which started operation in or after FY2022	3	60%	
			Develop environmental technologies to create new value	4	No. of practical environmental technologies developed (technologies/year)	3 technologies or more/year	1	27%	
Society S	Client satisfaction (quality)		Improve Company evaluations (Civil Engineering)	5	No. of mistakes costing 5 million yen or more (1) No. of cases (2) Total loss amount	(1) 4 cases or less (2) 100 million yen or less	4	133%	
			Gain high evaluations from clients (Civil Engineering)	5	Ministry of Land, Infrastructure, Transport and Tourism's (1) Average score for the year in construction result evaluations (2) Target construction achievement rate that clears target score Questionnaire evaluations upon completion of private-sector projects (3) S/A evaluation acquisition rate (4) No. of S evaluations acquired	(1) Average: 80 or higher (2) 80% (3) Gain 90% or higher (4) 1 item or more for each site	2	67%	
			Significantly reduce construction defects (Building)	4	Total annual expenditures on defect repairs (¥100 million/year)	¥730 million/year	3	80%	
			Gain high evaluations from clients (Building)	4	Questionnaire evaluations upon completion of private-sector projects (1) S/A evaluation acquisition rate (2) No. of S evaluations acquired	(1) Gain 97% or more (2) 1 item or more for each site	2	53%	
			No. of technical training sessions held, no. of high-rise building study groups held, no. of items identified by quality patrols	3	Items requiring improvement identified in quality patrols, etc.	(1) Technical training sessions: 8 times/year (2) High-rise building study groups: 3 times/year (3) Quality patrol implementation rate (implemented/planned): 100% (4) No. of quality items indicated: 1.0 cases/time or less (building management)	2	40%	
	Client satisfaction (services)		 	Promote maintenance and renovation works business (Civil Engineering)	4	No. of renovation construction orders	3 orders or more received by each regional headquarters	3	80%
				100% BIM involvement in all large logistics facility properties	4	(1) BIM process rate (%) (2) No. of properties for which BIM is utilized (design → production design → construction)	(1) Large logistics facility (S construction) design and construction properties: 100%; condominium (RC construction) design and construction properties: 20% (2) 1 or more properties	3	80%
				Promote one-stop business (Urban Development)	4	No. of PM or BM contracts with Nishimatsu Jisho Co., Ltd.	3 PM or BM contracts/year	4	107%
				Cross-industry collaboration and provision of new services (value)	5	No. of collaborative projects	2 projects formed	4	133%
				Investment in start-up companies	3	Investment	¥600 million/year	1	20%
				Infrastructure business field	3	(1) No. of PPP/PFI projects received (2) Progress of smart city projects	(1) 2 or more projects (2) Oki Town Zero Carbon Grid Project in Oki Town → Subsidy applied for October 2022; operation started October 2023	1	20%
				Initiatives in environment and energy-related business	3	(1) No. of new rooftop PPA projects (2) No. of new small hydropower projects (3) Woody biomass progress (4) No. of new biogas (methane fermentation) projects (5) No. of new geothermal projects	(1) 3 projects (2) 3 projects (3) Establishment of Sanyo Onoda subsidiary (4) 2 projects (5) Start of 1 survey	1	20%
				Initiatives in plant factories	3	(1) Tamagawa factory net sales (2) Ichihara factory closure progress	(1) Tamagawa factory sales of 74 million yen (2) Policy for Ichihara factory disposal method decided	3	60%
				OKIPPA-related business	3	(1) OKIPPA net sales (2) OKIPPA GREEN net sales (3) Progress of cloud ear mushroom business	(1) OKIPPA sales: 76 million yen (2) OKIPPA GREEN sales: 5 million yen (3) Establishment of "Nishimatsu-version container"	1	20%
				Technology			Promote core technology development that supports the Construction Business	5	No. of practical technologies developed per year
Technology development for resilience relating to disaster prevention/mitigation and recovery technology, etc.	3	No. of technological development starts (cases per 3-year medium-term management plan)	1 technology or more per 3-year medium-term management plan				4	80%	
Thoroughly promoting DX through data utilization	4	DX planning (1) No. of new transformation projects started (2) Existing project target progress rate (3) Target KPI achievement rate for each project ICT system (4) No. of new projects started (5) Annual downtime of system infrastructure (6) No. of security incidents (7) No. of improvements and proposals/support	(1) 2 projects (2) 100% (3) 70% (4) 5 projects (5) Less than 10 hours (6) 0 incidents at Level 3 or above, less than 3 incidents at Level 2 (7) 25 improvement proposals				4	93%	

ESG	New value	SDGs	Activity details	Activity status	Indices for measuring achievement	Numerical target	Achievement score	Achievement level	
Society	Communication		Distribute accurate and detailed information to potential investors	5	No. of interviews with potential investors, sell-side analysts, etc.	60 or more interviews	2	67%	
			Engagement with shareholders and investors	5	(1) No. of dialogues with shareholders and investors (2) Approval rate for proposals at the General Meeting of Shareholders (3) Dividend payout ratio (4) PBR	(1) No. of dialogues: 5 or more (2) Average approval rate for proposals at the General Meeting of Shareholders: 85% or higher (3) Dividend payout ratio: 70% (4) PBR: 1x	2	67%	
			Actively promote and continue social contribution activities	2	No. of social contribution activities implemented per year	50/year	3	40%	
	Human resource development		Train local staff and young employees (International)	3	(1) No. of local overseas staff participating in training (2) No. of participants in overseas on-site workshops	(1) Cumulative total of 130 people (2) 10 or more people	3	60%	
			Securing diverse human resources and creating an environment where they can maximize their abilities	2	(1) No. of proposals and implementation of measures to secure diverse human resources and utilize their abilities (2) No. of business divisions and departments that have developed various training plans	(1) 3 proposals (2) 5 business departments	2	27%	
	Work environment	  	Promote work environment improvements (civil engineering worksites)	2	(1) Worksite closure rate (2) Overtime working hours	(1) Worksite closure rate: 8 closed sites = 60% or higher; 7 closed sites = 80% or higher (2) 7 or more times for 45 hours per month and 720 or more hours per year (legal violation) 6% or lower	2	27%	
			Promote work environment improvements (building worksites)	3	(1) Overtime working hours (2) Holiday use rate	(1) 7 or more times for 45 hours per month and 720 or more hours per year (legal violation) 6% or lower (2) Use of Company-designated holidays (121 days) or more: 80%	2	40%	
			Promote work environment improvements (international)	3	For Japanese employees working overseas: (1) Percentage of employees taking leave to return home (2) Average duration of paid leave taken	(1) 100% (2) 4 days	2	40%	
			Create a workplace that is motivating and comfortable	4	(1) Voluntary resignation rate (2) 3-year turnover rate (3) Employee satisfaction (4) No. of employees hired (5) No. of women in career-track positions (6) Employment percentage of persons with disabilities (7) Paternity leave take-up rate (8) Percentage of employees exceeding overtime target based on total working hours (9) Paid leave use rate (10) Follow-up medical checkup attendance rate	(1) Less than 1.5% (2) 10% or lower (3) 3.83 or higher (4) 130 new graduate/mid-career hires (5) 170 or more (6) 2.3% (7) 60% (8) 8% or lower (9) 70% or higher (10) 60% or higher	2	53%	
			Improve safety management standards	5	(1) Frequency rate for injuries requiring four days or more of absence from work (2) Frequency rate for injuries requiring 1 day or more of absence from work	(1) 0.6 or lower (2) 1.0 or lower	3	100%	
	Safety		Zero deaths	5	No. of deaths	0	1	33%	
			Provide a safe workplace environment (International)	4	Frequency rate for injuries requiring four days or more of absence from work	0.6 or lower	4	107%	
	Supply chain		Expanding training support for High-Caliber Technician Training Program	4	Worksite retention rate of Nishimatsu Meisters and Senior Forepersons	60% or higher	3	80%	
	Appealing work styles Governance	Risk management		Continuously improve business continuity plans to formulate highly effective plans and enhance and strengthen management systems Improve crisis management awareness and response ability of all executives and employees	4	(1) Early response rate for safety confirmation (2) BCP training for emergency headquarters (3) BCP training for all executives and employees	(1) Daytime weekdays: 90% within 3 hours after alarm; Nighttime and holidays: 90% within 6 hours after alarm (2) Twice a year (3) Twice a year	2	53%
				Appropriately promote risk management	4	Progress of risk management initiatives	High-risk items with "A" evaluation: 0 items	2	53%
Internal control			Enhance corporate governance	4	Implementation status of the Corporate Governance Code (after revision)	All items implemented (full compliance)	3	80%	
Compliance			Practice compliance management in response to social changes	3	Overall Compliance Awareness Survey score	FY2023 long-term target: 1.35 or higher	3	60%	
			Effectively operate the whistle blowing system	4	Awareness survey (awareness of hotline use) score	FY2023 long-term target: 1.10 or higher	3	80%	
Actively implement compliance training	3	Awareness survey (evaluation of understanding of training) score	FY2023 long-term target: 1.07 or higher	3	60%				

Activity Status

- 5: The activity was adopted Group-wide and its continuation for the medium to long term is assured.
- 4: A system for the activity was created, and the activity was rolled out throughout the Group.
- 3: An effective activity was implemented, and a system for the activity has been created in business divisions.
- 2: The activity was implemented, but a system for the activity was not created in business divisions.
- 1: The activity was implemented, but only partially.
- 0: A specific activity target was established, but the activity was not implemented.

Achievement Score (Based on Achievement Level)

- 4: Achievement rate of 120% or higher
- 3: Achievement rate of 100% to 119%
- 2: Achievement rate of 60% to 99%
- 1: Achievement rate of 59% or lower

IR Activities

Status of dialogue with shareholders

Through constructive dialogue with our shareholders, we aim to achieve Nishimatsu Construction’s sustainable growth and enhance its corporate value over the medium to long term.

At dialogue meetings, the President, the director in charge of investor relations (who is also the general manager of the Management division), and the general managers of the Strategy Management Office and the Corporate Planning Department serve as speakers and interact with shareholders. In order to enhance dialogue on specific topics, such as sustainability or voting rights, managers from respective departments also attend these sessions.

The results of dialogue in FY2022, an overview of the shareholders with whom we held dialogue, the main themes of dialogue, and matters that were of interest to shareholders

are set out below.

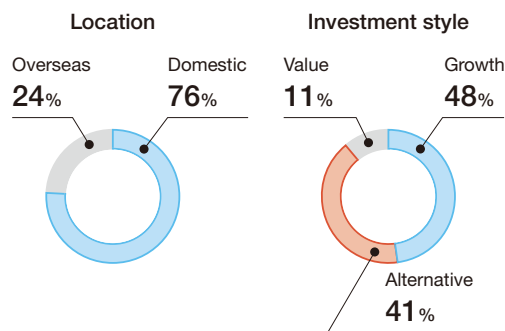
Shareholders’ opinions and concerns ascertained through dialogue are fed back to the management team as necessary, and important matters are reported to the Board of Directors. Reports received from securities company analysts are also fed back to management as necessary, and the status of investor and shareholder relations activities is also reported to management on a monthly basis.

We reflect shareholder opinions obtained through dialogue in our management policies as appropriate. In FY2022, we comprehensively determined the balance between growth investments and shareholder returns in Medium-Term Management Plan 2025 on the basis of the opinions obtained through dialogue with shareholders.

Dialogue Results

Category	Number of times	Major Nishimatsu attendees
Individual interviews	59	General Manager of the Management Division, General Manager of the Strategy Management Office, General Manager of the Corporate Planning Department, heads of ESG-related departments, etc.
Small meetings	6	President, General Manager of the Management Division, General Manager of the Strategy Management Office, etc.
Financial results briefings	2	President, General Manager of the Management Division, General Manager of the Strategy Management Office, etc.
Long-term vision/ Medium-Term Management Plan briefing session	1	President, General Manager of the Management Division, General Manager of the Strategy Management Office, etc.

Overview of shareholders with whom we held dialogue



Main themes of dialogue and matters of interest to shareholders

Item	Dialogue themes and matters of interest to shareholders
Business environment, growth strategy, performance outlook, business risks	<ul style="list-style-type: none"> Measures to improve profits in the Domestic Building Business and areas to focus on in the future Measures to improve profits in the Overseas Civil Engineering Business Growth strategies for the Asset Value-Added Business and Regional Environmental Solutions Business Progress of synergies with ITOCHU Corporation, our capital and business alliance partner Impact of 2024 overtime cap regulations on business performance Measures to deal with risk of price increases, such as costs of materials and labor costs
Financial strategy, growth investment, shareholder returns	<ul style="list-style-type: none"> Balance between growth investment and shareholder returns How to utilize treasury shares held
Sustainability, human resource strategy, climate change response	<ul style="list-style-type: none"> Wage hikes Human resource strategy Employee engagement disclosure Turnover rate, composition by age, ensuring diversity, rate of men taking childcare leave, etc. Future direction of climate change-related disclosures
Corporate governance	<ul style="list-style-type: none"> Requests for further reduction of cross-shareholdings Formulation and implementation of president succession plan Review of the officer compensation system (evaluation indicators and performance-linked compensation ratio) Board of Directors’ skill sets and diversity Qualifications and number of concurrent positions held by external directors Role and positioning of the Nomination and Compensation Committee

Investor FAQ

Q1

What do you think is important for raising stock prices and improving PBR?

To improve earnings, it is our belief that we must steadily implement Medium-Term Management Plan 2025 and achieve a return on capital that exceeds the cost of capital. We will also actively disclose information on our path toward future growth and strive to raise and maintain our stock price/earnings ratio.

(→ P.19 Message from the General Manager of the Management Division)

Q2

Please tell us about the progress made in your capital and business alliance with ITOCHU Corporation.

We have received orders for public-private partnership projects with ITOCHU Corporation, including collaboration on a circular real estate business model. The transaction amount for construction material procurement is also increasing. We will aim for further collaborative synergies in the years to come.

(→ P.6 Message from the President, P.34 Special Feature)

Q3

Please tell us about your response to the overtime work cap regulation that will be come into effect from April 2024.

Up to now, we have advanced the establishment of a new backup department, the promotion of outsourcing, and the utilization of DX tools. Going forward, we will continue to consider and work on specific measures designed to maintain our construction system.

(→ P.6 Message from the President)

Q4

In Medium-Term Management Plan 2025, what was the reason behind changing the shareholder return policy from “consolidated dividend payout ratio of 70% or more” to “consolidated dividend payout ratio of 70%?”

This was to ensure a consistent, more stable return of profits to our shareholders. During the course of Medium-Term Management Plan 2025, we will focus on improving earnings and promote investment in growth fields.

(→ P.19 Message from the General Manager of the Management Division)

Statement of Authenticity

On the publication of Nishimatsu Construction Co., Ltd. Integrated Report 2023



Yuichi Kono

Representative Director, Executive Vice President
General Manager of the Management Division
General Manager of the Human Resources Strategy Office
In charge of the Regional Environmental Solutions Business
In charge of Investor Relations

To help our stakeholders gain a better understanding of the Group's initiatives, we have been engaging in dialogue with our stakeholders by issuing a Corporate Report since FY2017 and an Integrated Report since FY2021.

Integrated Report 2023 provides a detailed explanation of the long-term vision Nishimatsu-Vision 2030, which has been renewed with an eye toward 2030, and Medium-Term Management Plan 2025, which was formulated with FY2023 as its first year. We also worked to enhance the disclosure of ESG information, which provides the foundation for medium- to long-term growth, including our efforts to address the environment and climate change, human resource development policies, and corporate governance.

This report was produced mainly by the Corporate Planning Department of the Strategy Management Office in cooperation with many relevant departments. As the person in charge of overseeing the production of this report, I hereby declare that the process of creating this report was fair and that its content is accurate. I hope that this report will assist a wide range of stakeholders, including shareholders and investors in further deepening their understanding of Nishimatsu Construction's value creation initiatives.

Terminologies

Terms	Meaning
30by30 Alliance	An alliance of companies, local governments, and organizations working to achieve the goal of effectively conserving at least 30% of the land and ocean as healthy ecosystems by 2030 (30 by 30). Under the Alliance, efforts are being made to expand protected areas domestically and to certify areas that have been preserved mainly by companies as Other Effective area-based Conservation Measures (OECMs).
3R	Reduce, Reuse, and Recycle. Three specific ways to reduce final waste in order to create a resource-recycling society.
AR	Augmented Reality. Technology that adds digital information to the real world by viewing it through smartphones, tablets, or sunglass-type AR glasses.
BIM/CIM	Building Information Modeling (BIM)/Construction Information Modeling (CIM). A 3D model with information that can be used in construction operations.
Existing lining cutting	Partial removal of the existing lining to provide the necessary space to renew the concrete lining.
Front loading	To intensively study in advance changes in specifications, etc. that are likely to occur in later processes during the initial process in order to improve quality and shorten the construction period. In the BIM approach, a typical example, a 3D building model is created at the design stage and attribute information is added, aiming to improve and solve problems in advance through simulation and verification at each stage of design, construction, operation, etc.
Lining	The (arch) concrete built over the interior surface of a tunnel.
Lining renewal work	This refers to constructing new lining by partially removing the existing lining that has cracks or leaks made mainly by the traditional tunneling method.
MR	Mixed Reality. A further development of AR. By wearing the MR device, digital information can be displayed according to the user's position and movement, and the user can directly manipulate the digital information. This technology allows multiple people to experience it at the same time.
Multi-axis trolley	Tire-type trolleys are used to transport heavy structural parts. One example is their use for the transportation of bullet trains by road.
N-TEMS	Nishimatsu Tunnel Energy Management System. A system for reducing energy use by controlling demand for contra-rotating ventilation fans and dust collectors during mountain tunnel excavation. N-TEMS facilitates the reduction of ventilation equipment power consumption by around 40%.
PFI	Private Finance Initiative. This is one type of public private partnership as defined by Japan's Private Finance Initiative Act, and is a method of utilizing the funds, management and technical capabilities of the private sector for the construction, maintenance, management, and operation of public facilities.
PPA	Power Purchase Agreement. A service in which a company that owns and manages photovoltaic power generation equipment (PPA operator) installs the equipment in a space provided by the facility owner, such as a site or roof, and distributes the power generated there to the power consumers of the facility for a fee.
PPP	Public Private Partnership. The government and the private sector cooperate in the construction, maintenance, management, and operation of public facilities, utilizing the creativity and ingenuity of the private sector to achieve efficient use of fiscal funds and administrative efficiency.
RE100	An international coalition of companies committed to 100% renewable energy for electricity used in their business activities by 2050. As a minimum interim target, Japanese companies are encouraged to use 60% renewable energy in 2030 and 90% in 2040.
Renewed lining	New linings (cast-in-situ, formwork: tunnel lining shutter) made by lining renewal method.
SBT	Science-Based Targets. Its governing initiative, the Science-Based Targets initiative, is encouraging companies to set greenhouse gas emission reduction targets based on scientific evidence in order to achieve the goals of the Paris Agreement. The 1.5°C target requires a reduction level of at least 42% for Scope 1+2 and 25% for Scope 3 compared to the base year (2020) over a 10-year period.
TCFD	Task Force on Climate-related Financial Disclosures (TCFD). This task force recommends that companies develop climate-related governance and risk management systems, as well as understand and disclose the financial impact of climate change. Companies listed on the Prime Market of the Tokyo Stock Exchange are effectively required to respond.
Tunnel lining shutter	A formwork used to construct a lining. Mobile formwork is often rail-based.
ZEB	Net Zero Energy Building (ZEB). Significant energy savings have been achieved by controlling energy load through advanced architectural design, proactively utilizing natural energy, and introducing highly efficient equipment systems. In addition, the aim of ZEB is to achieve an annual primary energy consumption balance of zero by introducing renewable energy.

Corporate Outline and Stock Status

Corporate Outline

Registered Name	Nishimatsu Construction Co., Ltd.
Head Office	Toranomon Hills Business Tower 17-1, Toranomon 1-chome, Minato-ku, Tokyo, 105-6407, Japan
Representative	Nobutoshi Takase, Representative Director and President
Founded	1874
Established	September 20, 1937
Paid-up Capital	¥23,513,643,819
Number of Employees	Non-Consolidated: 2,804 Consolidated: 3,201 (As of March 31, 2023)

Regional Headquarters and Branch Offices

Domestic Offices

North Japan Regional Headquarters (Sendai-shi)	Sapporo Branch (Sapporo-shi)
Kanto Civil Engineering Regional Headquarters (Minato-ku, Tokyo)	
Hokuriku Branch (Niigata-shi)	
Kanto Architectural Regional Headquarters (Minato-ku, Tokyo)	
West Japan Regional Headquarters (Osaka-shi)	Chubu Branch (Nagoya-shi)
Chugoku Branch (Hiroshima-shi)	Shikoku Branch (Takamatsu-shi)
Kyushu Regional Headquarters (Fukuoka-shi)	Okinawa Branch (Naha-shi)

Overseas Offices

Singapore Office	Vietnam Offices	Malaysia Office
Myanmar Office	Philippines Sales Office	

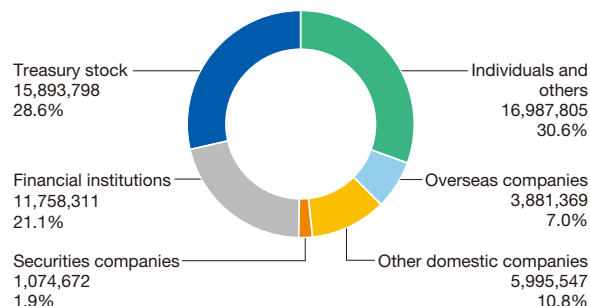
Main Subsidiaries

Nishimatsu-Jisho Co., Ltd. (Minato-ku, Tokyo)
Nishimatsu Asset Management Co., Ltd. (Minato-ku, Tokyo)
Thai Nishimatsu Construction Co., Ltd. (Thailand)
Nishimatsu Vietnam Co., Ltd. (Vietnam)
Nishimatsu Real Estate & Development (Asia) Pte. Ltd. (Singapore)
Bangkok Sathorn Hotel Management Co., Ltd. (Thailand)

Stock Status (As of March 31, 2023)

Total number of authorized shares	160,000,000
Total number of issued shares	55,591,502 (including 15,893,798 shares of treasury stock)
Number of shareholders	41,209

Shareholder Distribution



Major Shareholders (Top ten shareholders)

Name	Shares held (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	5,230	13.18
ITOCHU Corporation	4,022	10.13
Custody Bank of Japan, Ltd. (Trust account)	2,152	5.42
Meiji Yasuda Life Insurance Company	915	2.31
Nishimatsu Construction Employee Stock Ownership Association	869	2.19
Mizuho Bank, Ltd.	614	1.55
Sumitomo Realty & Development Co., Ltd.	612	1.54
Custody Bank of Japan, Ltd. (Trust account 4)	612	1.54
Mizuho Trust & Banking Co., Ltd.	600	1.51
STATE STREET BANK WEST CLIENT – TREATY 505234	480	1.21

* Shareholding ratio is calculated after deducting 15,893,798 shares of treasury stock. Treasury stock does not include 225,300 shares of the Company held by the Board Benefit Trust (BBT).

Third-party Assurances

To increase the reliability of the information disclosed in this report, we have obtained assurances of the following data from Sustainability Accounting Co., Ltd.

Matters covered by assurances

- Group CO₂ emissions in Japan and overseas ▶ P.15, 64, 65
- Percentage of females in management-level positions ▶ P.15
- Percentage of males taking childcare leave ▶ P.15
- Occupational injury frequency rate ▶ P.48, 64, 65

Editorial Policy

This report is an instrument for dialogue with our stakeholders. The purpose of this report is to deepen stakeholders' understanding of our value co-creation process with stakeholders and possibly improve our corporate value, as well as our efforts to address materiality (priority issues) in order to realize our corporate philosophy of "Creating a sustainable society and environment where people can live with peace of mind."



Coverage

Information on the activities of Nishimatsu Construction Co., Ltd. and its consolidated subsidiaries.

Applicable Period

April 1, 2022, to March 31, 2023 (including some information after April 1, 2023).

Referenced Guidelines

In producing this report, we refer to the "Integrated Reporting <IR>" of the IFRS Foundation, the International <IR> Framework, the "GRI Standards" of the Global Reporting Initiative (GRI), the "Environmental Reporting Guidelines" issued by the Ministry of the Environment, and the "Guidance for Collaborative Value Creation" formulated by the Ministry of Economy, Trade and Industry of Japan.

Forward-Looking Statements

This report includes forecasts of future results regarding the Group's outlook, goals, plans, and strategies. These statements reflect our judgment and analysis concerning existing information and various trends available at the time of writing. Actual results may differ from these forecasts due to various factors.



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Certified as an
Eco-First Company
by the Minister of
the Environment



Nishimatsu Construction
supports COOL CHOICE