

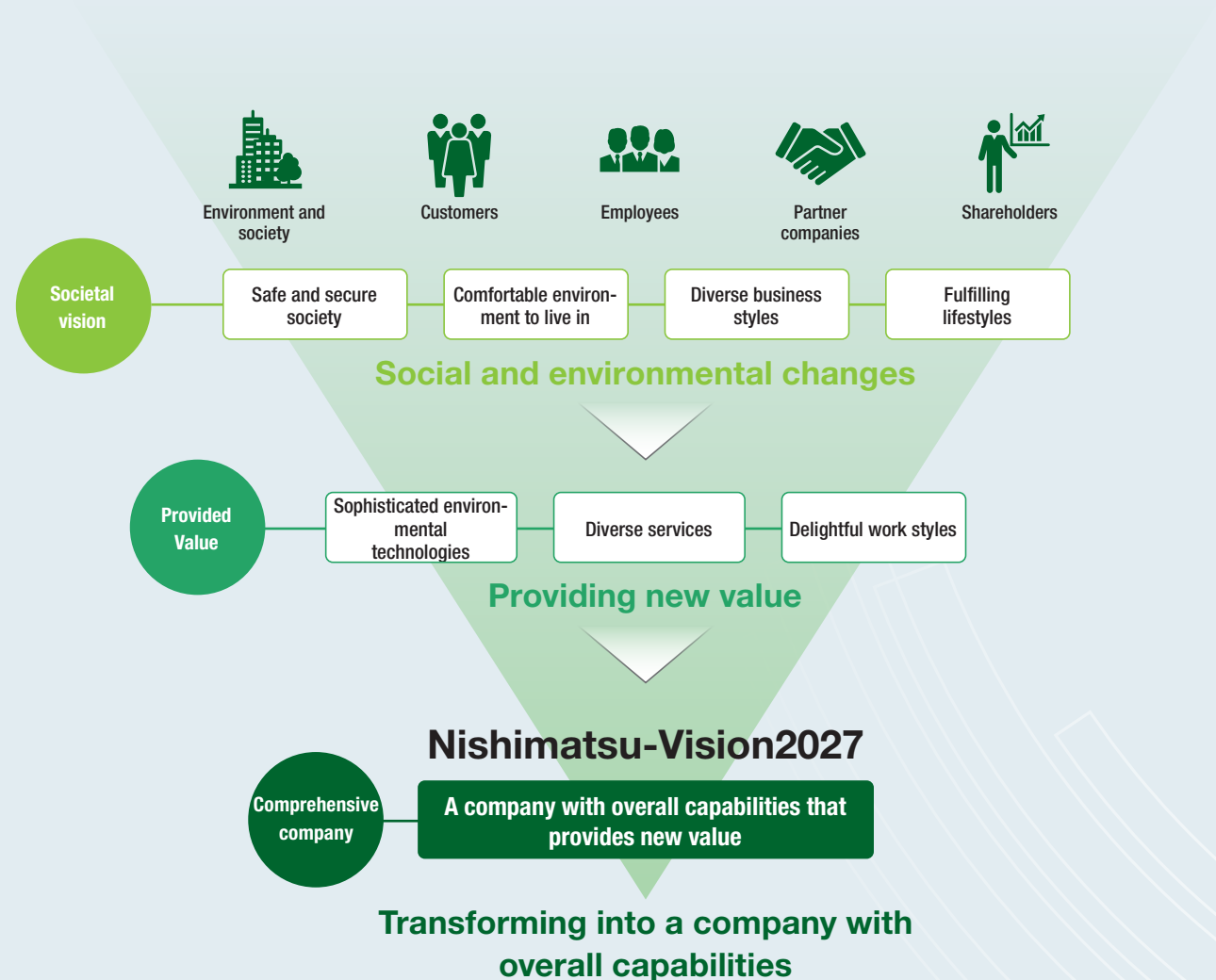
Nishimatsu Construction's Corporate Philosophy

Corporate Philosophy



Providing society with important structures and services using the technologies and experience we have acquired to help establish **a sustainable society and environment where people can live with peace of mind.**

Vision



Company Motto

Courage, Courtesy, and Justice

An enterprising spirit, a feeling of gratitude, and a righteous attitude

Code of Conduct

~Values consistent with Courage, Courtesy, and Justice~

An enterprising spirit

- As a group of construction specialists, we will hone our skills every day in a continual effort to attain a high level of customer satisfaction and build a better society and environment.
- We will take positive steps to create advanced technologies, attractive workplaces, and safe working environments in an effort to develop the Company's business and the construction industry.
- We will always take social and environmental issues seriously in order to build a sustainable world and hand it down to the next generation.

A feeling of gratitude

- We will respect all people and proactively support the realization of their dreams.
- We will always consider our stakeholders, respect communications, and forge connections between people through our construction business.
- We will always thank our community and society, and regularly communicate with them.

A righteous attitude

- We will always be aware of our corporate social responsibility and conduct our corporate activities with a high level of ethics and transparency.
- We will respect free and fair economic activities and engage in sound corporate activities from a global perspective to earn the trust of our stakeholders.
- We will anticipate foreseeable risks and opportunities, keeping an eye on the future in an effort to build our responsive capabilities.

History of Co-Value Creation

Nishimatsu Construction has contributed to the realization of a safe and secure society since its establishment in 1874 by constructing social infrastructure, including railroads, dams and roads, as well as office, residential and commercial facilities in Japan and overseas.

Our spirit of “contributing to the creation of a sustainable society and environment where people can live with peace of mind” with consideration for everyone living on this planet has remained unchanged to this day. In a constantly changing society, we are taking on the challenge of establishing a new way of working in the construction industry. We will continue to create new value together with our stakeholders.

Urban Development & Real Estate

International

Building

Civil Engineering



Sanyo-Onoda Green Energy



NCRE Keio University Hiyoshi International Dormitory



Hotel JAL City Toyama



Lower Shing Mun Dam, Hong Kong



UOB Plaza, Singapore



Aldrich Bay Residential Building, Phase 4, Hong Kong



Contract T228 Construction of Gardens By The Bay Station and Tunnels for Thomson Line, Singapore



Otemachi Joint Government Building



Geihinkan's Japanese Style Annex (Yushintei)



New Pier Takeshiba South Tower



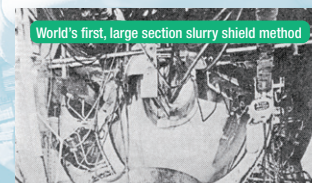
Jimbocho 1-chome Southern Area Type 1 Urban Area Redevelopment Project



Yanagawa Civic Cultural Center



Hisatsu Line Construction Area No. 2



Keiyo Line Haneda Tunnel



Seikan Tunnel (Sengen Construction Area)



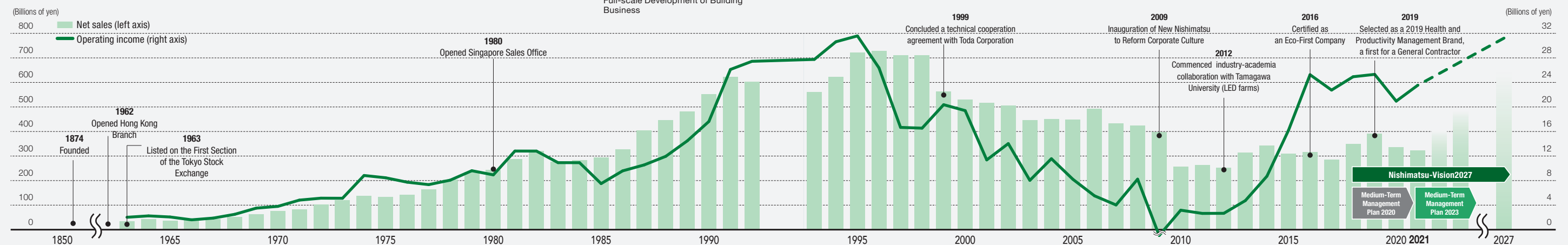
Gassan Dam (Yamagata Prefecture)



Chubu Centrai International Airport



Biratori Dam



Major Events

1872 Japan's first railroad opens (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

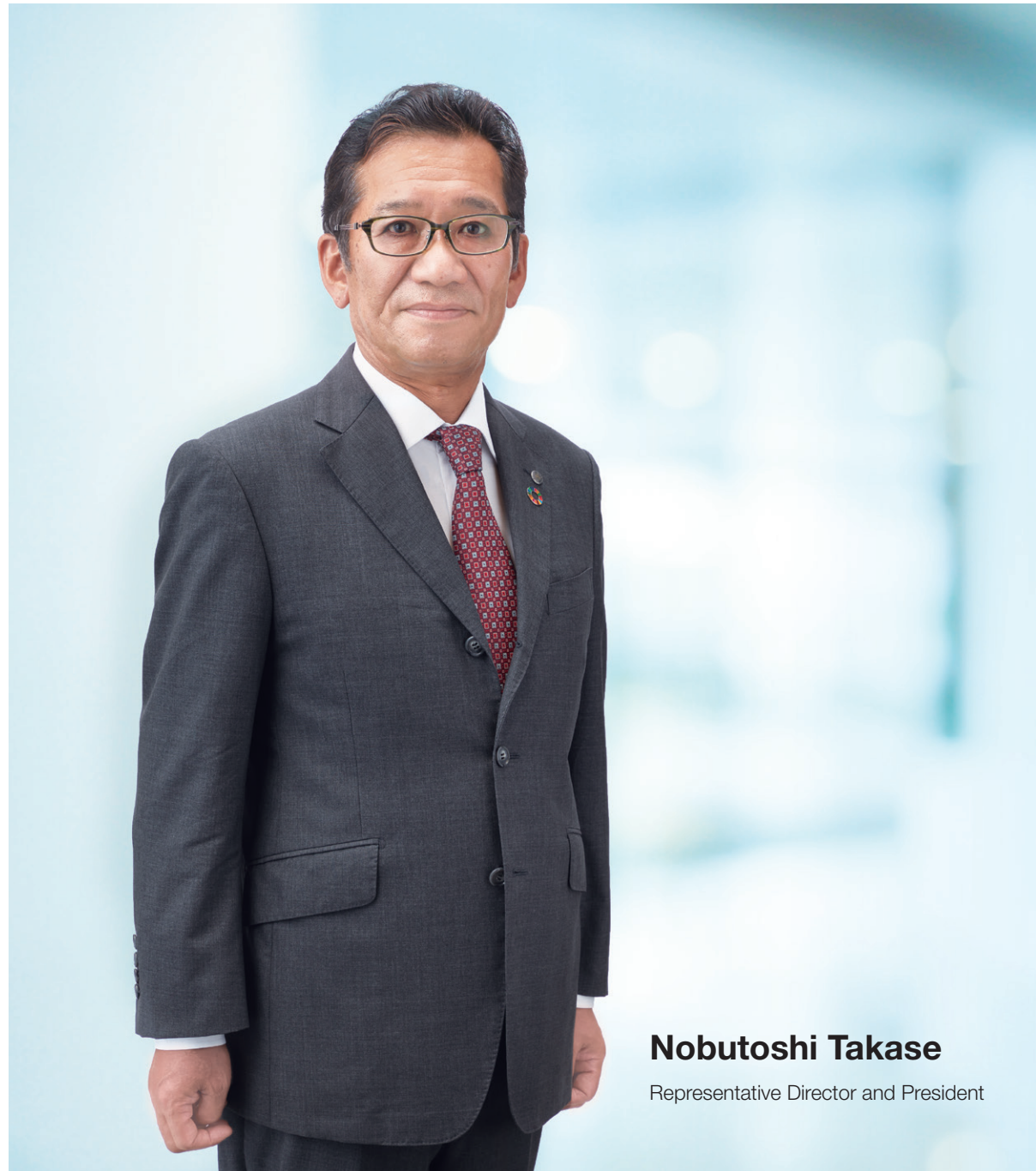
1995 Great Hanshin Earthquake

2008 Bankruptcy of Lehman Brothers (2008 financial crisis)

2011 Great East Japan Earthquake

2020 COVID-19 Pandemic

Message from the President



Nobutoshi Takase

Representative Director and President

The society and environment surrounding us are becoming increasingly uncertain, as we can see from the increase in global warming and natural disasters, acceptance of diversity, advancement of digital technology and changes in international affairs. We hope to co-create “new value” with our stakeholders by responding to risks and opportunities amid rapid changes. We will address sustainability and contribute to the realization of the SDGs through each of our business activities and ESG initiatives that we are undertaking under our “Medium-Term Management Plan 2023”.

Vision	Strategy	Business	Technology & Quality	Environment	Social & People	Governance	Data Section
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Review of the First Year of “Medium-Term Management Plan 2023”

In FY2021, the first year of our “Medium-Term Management Plan 2023”, which is the second stage toward achieving our long-term vision, “Nishimatsu-Vision 2027”, we embarked on “transformation into a company with overall capabilities”. With no end to the COVID-19 infection, global changes have continued to occur in the last year, as evidenced by the invasion of Ukraine. Amid such social conditions, our net sales declined 3.7% year on year to 323.7 billion yen, and operating income increased 12.4% year on year to 23.5 billion yen in FY2021, thus showing a decrease in sales and an increase in income.

The pandemic situation and the impact on our business from the soaring oil and commodity prices due to the situation in Ukraine would be concerns for us in the future. I believe we will be in a tough situation finding the middle ground where our customers and businesses can be mutually viable.

■ Four Pillars of the Medium-Term Management Plan

We have framed our “Medium-Term Management Plan 2023” based on our corporate philosophy as a management strategy to “establish a sustainable society and environment where people can live with peace of mind” to

“create a sustainable society and environment where people can live with peace of mind”.

The plan has four main pillars. The first is “‘Organic collaborations’ with each business”, the second is “full-scale initiatives to realize a decarbonized society, centered around our environment and energy business”, the third is “enhancement of corporate value through collaboration with partner companies from different industries”, and the fourth is “striving for the enhancement of corporate value through capital-efficient investments in growth areas while maintaining financial soundness, and providing robust returns to shareholders”. In our financial policy, which is the fourth pillar, we are more committed to thinking from the perspective of our shareholders and other stakeholders. We have set a goal of continuously maintaining a consolidated dividend payout ratio of 70% or higher for three years from FY2021 to FY2023 and acquiring our company shares worth 20 billion yen or higher over three years. In FY2021, our share acquisition exceeded the planned amount. I believe that over the next 2 to 3 years, we will have a capital structure suitable for a company with the overall capabilities we aspire to become.

Progress and Results of “‘Organic Collaboration’ with Each Business”

The first pillar of our “Medium-Term Management Plan 2023, “‘Organic Collaboration’ with each business”, is to review the roles of each business and establish and permeate a system of cooperative initiatives so that Nishimatsu Group can demonstrate its maximum strength.

The “Organic Collaborations” mainly cover urban redevelopment projects and land readjustment projects, which are implemented through cooperation between the urban development & real estate business, which is responsible for business planning, and the construction business, which is responsible for construction work. In FY2021, Nishimatsu Construction first began reviewing this system of cooperate initiatives. In individual projects, the company is working to create projects that will bring greater satisfaction to business operators and our end users. We expect the number of projects to increase in the future. Similarly, we are pursuing PPP* business initiatives through

cooperation between the environment and energy business, which is responsible for planning, and the construction business, which is responsible for construction.

In our overseas building business, the company is currently receiving orders in Thailand, mainly for construction work with capital investment by Japanese companies. We also have a growing number of new clients in Vietnam. These orders are due to sharing information and collaboration in sales activities by the domestic and overseas sales departments and sales representatives. There are several other patterns of “Organic Collaboration”, but as we promote joint initiatives, our management team, including myself, each business, each department, and each personnel, will reconfirm their roles to achieve overall optimization and demonstrate their strength as the Nishimatsu Group.

* Refer to P. 62 “Terminologies”

Message from the President

What We Have Observed from Collaboration with Partner Companies from Different Industries

■ Gaining a Broader Perspective Can Make a Difference

In December 2021, Nishimatsu Construction entered into a capital and business alliance agreement with ITOCHU Corporation (hereinafter referred to as “ITOCHU”). This alliance was the highlight of the “Collaboration with Partner Companies from Different Industries”, the third pillar of our “Medium-Term Management Plan 2023”. As ITOCHU works on PPP projects for local governments across Japan, we are beginning to see tangible results, such as getting contracts for construction work utilizing our nationwide network.

The most significant advantage of working with partner companies from different industries is that it allows us to have a broader perspective. Since we have been in the construction industry for 150 years, we tend to be biased toward the thinking and behavior patterns cultivated in the construction industry. I realize that the capital and business alliance with ITOCHU has broadened our business base and perspective. I hope our interaction with partners from different industries will bring more changes to our entire company.

■ Toward “Intangible” Business from the Perspective of Users

Local municipalities are also our partners. In April 2022, Nishimatsu Construction concluded a “Comprehensive Partnership Agreement for the Realization of a Decarbonized Society” with Oki-Town, Fukuoka Prefecture. In March

2021, Oki-Town formulated the “Oki-Town Road Map for Net Zero Greenhouse Gas Emissions by 2050” and is promoting initiatives for decarbonization. We share the same vision of a “zero emission city” to achieve decarbonized urban development and were selected as a partner for further decarbonization. In the future, we plan to jointly establish a company with the specified purpose of building a micro-grid (small-scale power grid) and supplying electricity generated from renewable energy sources such as solar power to public facilities.

The agreement with Oki-town has led to inquiries from several local governments. These initiatives contribute to the region’s revitalization and enable us to provide not only “tangible things”, but also something “intangible” from the user’s perspective. In the future, we intend to expand our business to urban development that enriches people’s lives by combining digital technology with towns and buildings through cooperation and collaboration with partners from different industries.



Toward the Realization of a Decarbonized and Recycling-Oriented Society

Nishimatsu Construction is committed to “net zero CO₂ emissions by 2030” as an Eco-first company. Based on the “Zero 30 Road Map” formulated in FY2021, we strive for net zero CO₂ emissions through contribution to the environment through our energy generation business, in addition to promoting the introduction of renewable energy and energy conservation in our business activities.

In the field of energy generation, “full-scale initiatives to realize a decarbonized society, centered around our environment and energy business” form a key element of our “Medium-Term Management Plan 2023”, and in April 2021, we reorganized our New Business Management Department as the Environment and Energy Business Management Department to take on the challenge of

commercializing renewable energy power generation. We are currently working on small-scale hydroelectric power generation, woody biomass power generation, methane fermentation biogas, and geothermal power generation projects. The power generation business also has the aspect of employment creation, and we would like to use this as a gateway to get involved in regional revitalization along with the residents.

As a construction company, we consider “zero emission of construction waste” an important issue. Our annual target for the percentage of construction waste sent for final landfill disposal is 3% or less, and we have maintained the percentage at 3% or less since 2016.

Transform into a Company with Overall Capabilities

■ Changing Mindsets for Transformation

I believe that changing the mindset of each employee who implements our measures is most important for sustainable growth and transformation into a company with overall capabilities. This is evidenced by the fact that our employees and staff mutually interact through collaboration with partner companies in different industries, changing our company’s thinking and behavior patterns, which has enabled a broader range of businesses. As the General Manager of the Human Resource Strategy Unit, although I implemented the “Flexible Mindset Training” * at “Nishimatsu Employees’ University” * to develop human resources with a broad perspective, I still felt the need for a practical approach. In the future, apart from rotation within the company, we will continue to change mindsets by further promotion of collaboration with partners from different industries and create opportunities for young employees to gain experience as presidents of subsidiaries to develop a managerial perspective.

* See page 44 for Nishimatsu Employees’ University
* See page 44 for Flexible Mindset Training

■ Utilizing Digital Technology

In the field of digital transformation (DX), in June 2022, Nishimatsu Construction formulated “Nishimatsu DX Vision: Innovate Space Digitally”, and in July, the company was certified as a “DX Certified Business Operator” by the Ministry of Economy, Trade and Industry. I look forward to co-creating spaces for “Worksites, Workstyles and Businesses” along with our stakeholders using digital technology. The most important issue to be addressed now is to reduce overtime work through “Smart Worksites”. We will also use this information to respond to the regulations limiting overtime work that will apply to the construction industry from FY2024.

■ Measures and Issues to Ensure the Effectiveness of the Board of Directors

Nishimatsu Construction needs corporate governance that incorporates the characteristics of its business activities and responds to the demands of society for carrying out the above business activities. In particular, the role of the Board of Directors is significant. Evaluating the effectiveness of the Board of Directors indicates opinions that expect more active discussions over the medium to long term at the Board of Directors meetings. Our company will address this point with a significant directionality for the corporate strategy and further reform of the Board of Directors. Although there have been some restrictions on travel during the past two years due to the outbreak of the COVID-19 pandemic, the Audit Committee members, who are outside directors, were requested to visit each branch or office once every few months and report on their visit to the Board of Directors as an initiative to share information. In 2019, Nishimatsu Construction established the President and General Managers’ Council with the president and general managers as members to organize what should be decided by the executives. The decision-making authority was transferred from the Board of Directors to the President and General Managers’ Council, reducing the number of agenda items at Board of Directors meetings and allowing for more substantive discussions. However, the role of each council constantly changes, as the society and the business of our company change. We will review the role of each council as required, and the Board of Directors will engage in high-quality discussions on medium- to long-term themes.

Fulfill our Mission as a Member of the Society

Nishimatsu Construction will celebrate its 150th anniversary in 2023. Over the years, Nishimatsu Construction has been able to function as a member of society with the support of our stakeholders. As we move forward, Nishimatsu Construction will continue to respond to risks and opportunities and co-create new value with our stakeholders. To achieve this, I believe that our company has to change itself and transform its business model.

In FY2021, our company took a significant step forward

in collaboration with partners from different industries. This step has led to a change in the mindset of human resources and is beginning to bring about a change in the business model. We are determined to change ourselves to astutely grasp changes in society and the environment, establish new ways for the construction industry, and provide services that exceed the expectations of our stakeholders.

I look forward to your continued support.

Nishimatsu Construction's Co-Value Creation Model

Inputs

Human Capital

- Marketing human resources
- Training investment costs per employee ¥140,000
- Number of employees globally 3,106

Intellectual Capital

- Research and development costs ¥1.74 billion
- Technical human resources

Manufactured Capital

- Number of offices Japan 52 Overseas 10
- Number of construction sites 252 (As of March 31, 2022)
- Construction track record

Social and Relationship Capital

- N-NET (Nishimatsu Subcontractor's Network) 1,026 companies
- Trusting relationships with customers and end users
- Nishimatsu's brand power

Natural Capital

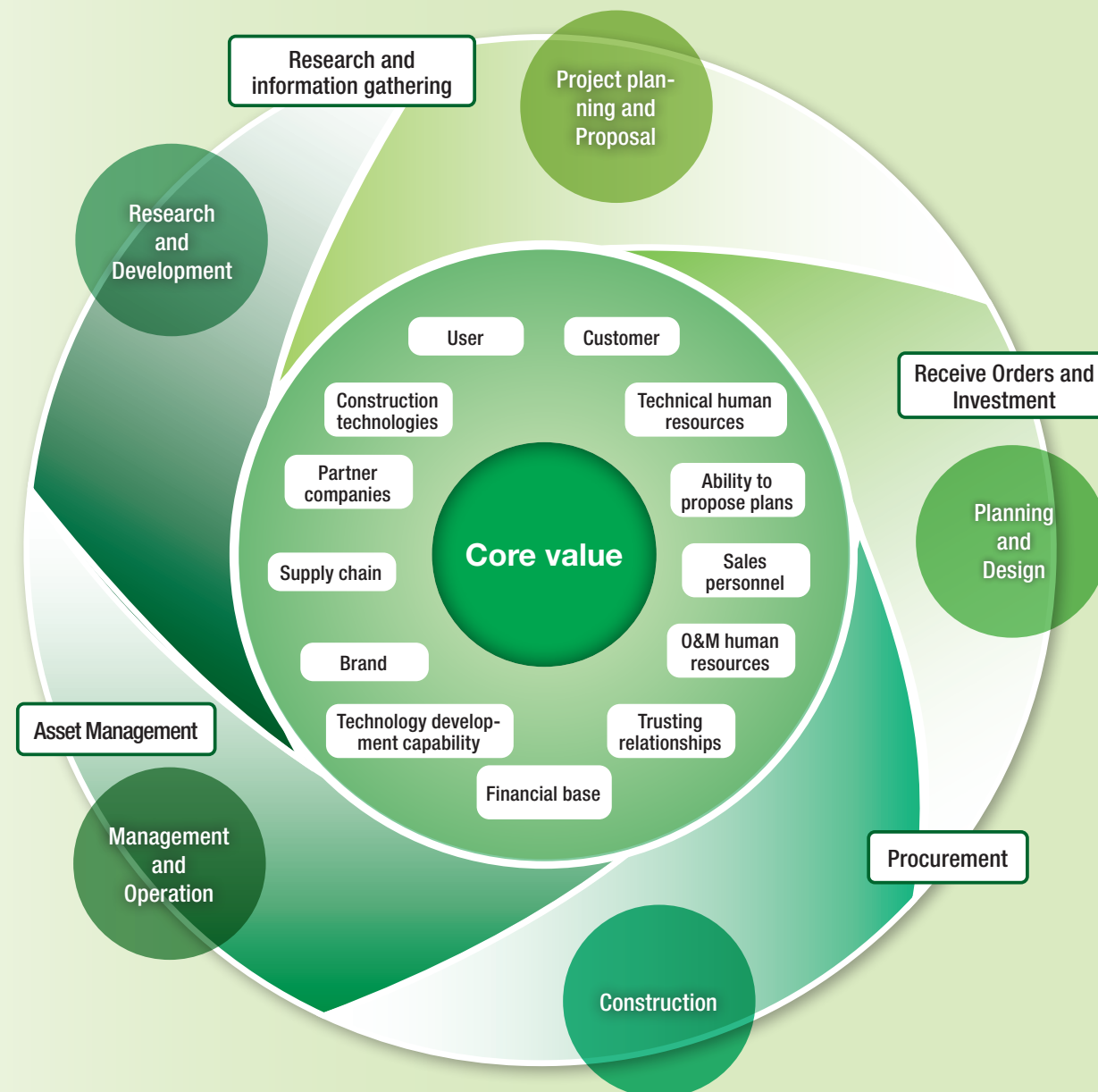
- Energy usage 1,652,194GJ

Financial Capital

- Total capital ¥ 157.7 billion
- Interest-bearing debt ¥ 160.0 billion

Business Model

ESG/SDGs management



Outputs

Domestic Civil Engineering Business

▶ P.24

- Mountain and shield tunneling
- Infrastructure renovation

Domestic Building Business

▶ P.26

- Logistics facilities
- Urban redevelopment projects

International Business

▶ P.28

- ODA
- Building projects

Urban Development & Real Estate Business

▶ P.30

- Our own development projects
- Value improvement business
- Urban redevelopment projects
- Land readjustment projects
- International Business

Environment and Energy Business

▶ P.32

- Renewable energy business
- Infrastructure-related services

Outcomes

Human Capital ▶ P.44

- Number of training participants (non-consolidated) 3,907 (total)
- Employee satisfaction (non-consolidated) 74.2%

Intellectual Capital

- Number of patents owned 281

Manufactured Capital

- Number of new projects started 199 (Contract amount of ¥50 million or more)

Social and Relationship Capital ▶ P.47

- Number of occupational injuries requiring four or more days of absence from work 19 (±0 year-on-year)
- Number of certified Nishimatsu meisters 103
- Ministry of Land, Infrastructure, Transport and Tourism construction evaluation Score (average) 78.1
- Percentage of A ratings in customer surveys 89.8%

Natural Capital ▶ P.39

- Reduction of CO₂ emissions 2,513t-CO₂ (Renewable energy, K-S1, BDF, N-TEMS, Solar power generation)

Financial Capital ▶ P.16

- Dividend payout ratio 70.8%
- TSR +57% (5 years)

External Environment Material Issues ▶P.14

Nishimatsu-Vision 2027 ▶P.2

Corporate Philosophy ▶P.2

Medium-Term Management Plan 2023 ▶P.13