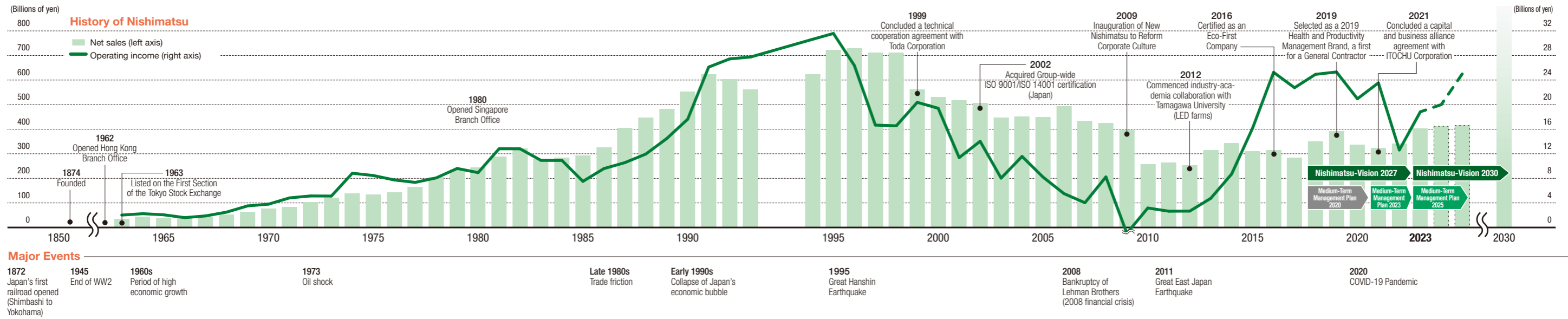



History of Co-Creation of Value



Nishimatsu Construction's Cultivated Technologies and Experience

The Spirit of Our Founding	1850 to 1926	1927 to 1944	1945 to 1968	1969 to 1989	1990 onwards
Historical Backdrop and Nishimatsu Construction's Role	Kaei, Meiji and Taisho Eras	Showa Era / Prewar	Showa Era / Postwar	Late Showa Era	Heisei Era to the Present
<p>In the 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.</p>  <p>Founder Keisuke Nishimatsu</p>  <p>The Waju Area (Gifu Prefecture) circa 1980</p>	<p>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.</p> <p>Taking Action and Solving Social Issues</p> <ul style="list-style-type: none"> Building an infrastructure base <ul style="list-style-type: none"> → Developing domestic and international infrastructure 	<p>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.</p> <p>River flood disasters caused by typhoons and torrential rains, and contributing to economic base</p> <ul style="list-style-type: none"> → Dam construction, tunnel development 	<p>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.</p> <p>Postwar reconstruction</p> <ul style="list-style-type: none"> → Tackling the challenges of mechanization and large-scale construction 	<p>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.</p> <p>High economic growth</p> <ul style="list-style-type: none"> → Honing techniques, responding to diverse needs 	<p>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 2022, the Company opened Hotel JAL City Toyama, Nishimatsu Construction's first foray into the hotel business.</p> <p>Earthquake damage, rising social demands</p> <ul style="list-style-type: none"> → Providing buildings that are safe and secure <p>Building a sustainable foundation for society</p> <ul style="list-style-type: none"> → Redevelopment of social functions
	<p>Major Events</p> <ul style="list-style-type: none"> 1850 Founder Keisuke Nishimatsu was born 1874 Foundation of Nishimatsu 1903 Keisuke Nishimatsu withdrew from civil engineering operations 1906 Period of cooperation with Hazama Corporation. Conclusion of 39 regulations 1914 Received sole contract for construction of the 12th construction section of the Kyushu-Miyazaki Line. A fateful construction project 1916 Company name changed to Nishimatsu Gumi 1926 Constructed the Nippon Chisso Hiryo K.K. (Chosen Hydroelectric) Pujon River Power Plant waterway (3rd and 4th construction sections) 	<ul style="list-style-type: none"> 1927 Constructed Nippon Chisso Hiryo K.K. (Chosen Hydroelectric) Hunnam Factory 1929 Established limited partnership Nishimatsu Gumi 1931 Nishimatsu Gumi headquarters transferred to Tokyo 1932 Established the Manchuria Dalian Branch Office 1933 Chosen Nagatsu River Hydroelectric Power Plant waterway and dam construction 1935 With passing of Kojiro Nishimatsu, Yoneshichi Hayashi became the Company's second president 1937 Established Nishimatsu Gumi Co., Ltd. 1940 Established Manchuria Nishimatsu Gumi 	<ul style="list-style-type: none"> 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 Sakai steelmaking 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) 	<ul style="list-style-type: none"> 1971 Constructed Hong Kong container yard. Received UK civil engineering international award 1984 Won order for Singapore subway construction. Constructed Nagai River Bridge on the Kan-Etsu Expressway. Japan's tallest bridge pier rises. 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. Commenced construction of the Gassan Dam (Yamagata Prefecture), one of Japan's largest gravity concrete dams 	<ul style="list-style-type: none"> 1998 Established the Aikawa Technical Research Institute 2003 The Company's first PFI project in Japan, participated in Esaka Minami Parking Service 2015 Became the first Japanese general contractor to establish a joint venture in Laos 2017 Started the Company's first commercial facility development and operation business, "hareno terrace" 2022 Opened Hotel JAL City Toyama, the Company'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" 2023 Participating in biogas power generation projects

Materiality

See the Company's website for details <https://www.nishimatsu.co.jp/eng/esg/materiality.html>

Materiality and Identification Process

In April 2023, Nishimatsu Construction established a new sustainability promotion structure, including the Sustainability Committee, to strengthen its sustainability management. As important initiatives for FY2023, we formulated the “Create together, shine together” Sustainability Slogan (Basic Policy), materiality, and a KPI tree. →P.60 Sustainability Slogan (Basic Policy)

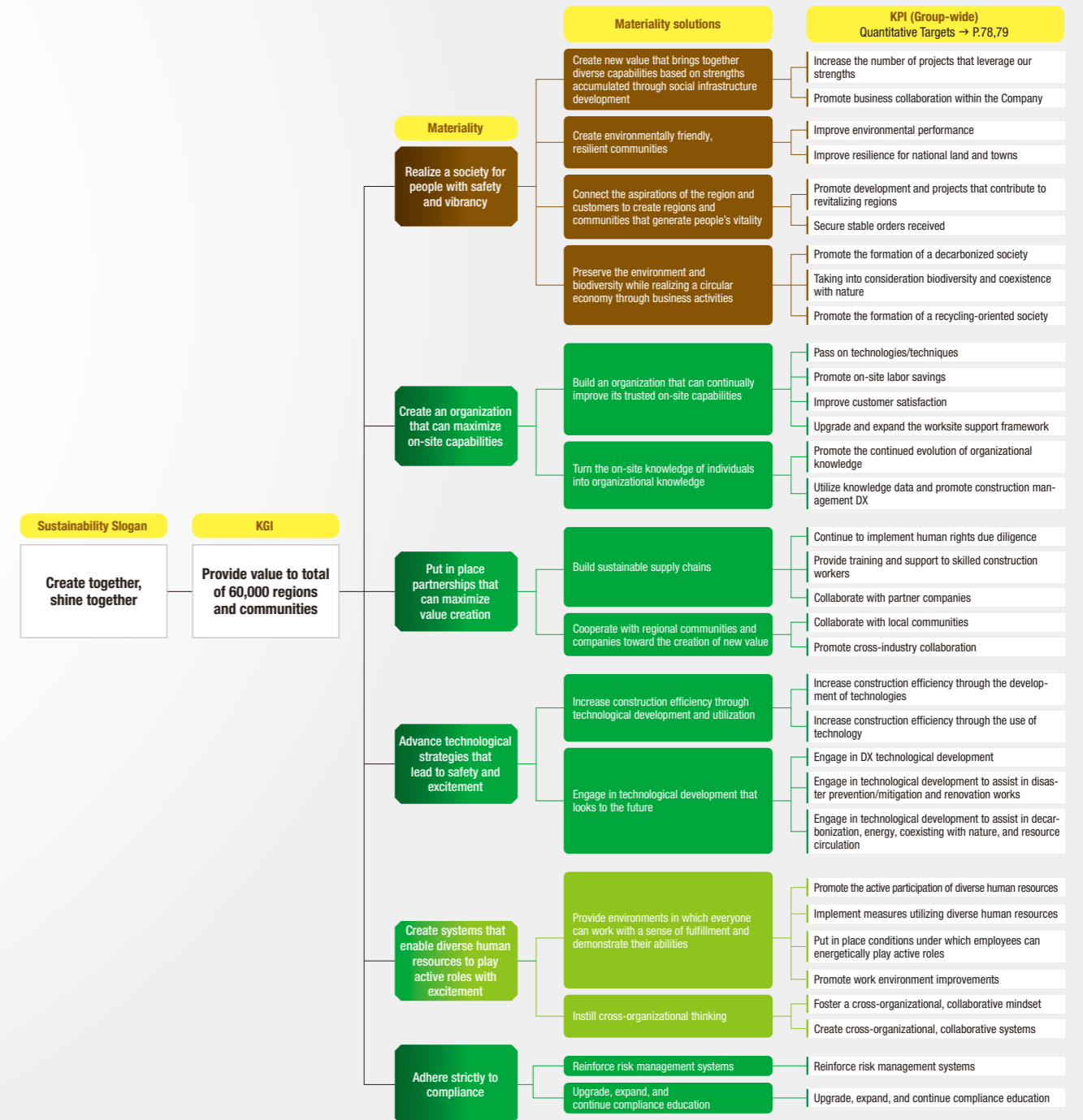
To realize Nishimatsu-Vision 2030, we have taken steps to evolve our existing sense of materiality into a materiality that is based on our corporate philosophy and long-term vision. In doing so, we have identified six key issues to be addressed.

In the identifying process, we integrated and aggregated 341 issues to be considered that encompassed a variety of global and other perspectives and assessed the opportunities and risks for society and the Company. The evaluation results were organized along two axes, “importance to and impact on society” and “importance to and impact on the Company,” and narrowed down to 13 issues. Making use of management interviews, employee awareness surveys, and questionnaires sent to partner companies, we also made the process more easily understandable for our stakeholders by assessing the levels of importance.



KGI and KPI Tree

We formulated the Sustainability Slogan (Basic Policy) and the KPI tree with Sustainability Slogan and KGI at the top in order to instill materiality through the Company and so every employee could gain a sense of the bond between materiality and their daily operations. This bond between materiality and the operations of each employee and the resolution of social issues through business activities will help realize a society in tune with our Sustainability Slogan, “Create together, shine together.” With this in mind, we have identified “Nishimatsu Construction aims to provide safety, vibrancy, and bonds across a total of 60,000 regions and communities* by 2050 to realize a society where everyone can create together and shine together” as a key goal indicator (KGI) and representation of achievement.



* By having our five businesses—Civil Engineering, Building, International, Asset Value-Added, and Regional Environmental Solutions—working together, we aim to expand the regions and communities that provide safety, vibrancy, and bonds (by 1.5 times the FY2024 level by 2050). The target value is the cumulative total up to and including 2050. To achieve this goal over a long period of time, we are confirming and managing the status of achievement by collating the number of building locations and services that we handle as well as the number of nearby municipalities using proprietary standards while staying close to local communities. In the years ahead, we will incorporate into the KGI not only the number of regions and communities, but also evaluations from relevant people involved in the regions, communities, and businesses.

Material Issues, Opportunities and Risks

Awareness of Environmental Changes

Social changes

Changes in domestic conditions

- Shrinking and aging population in Japan, labor shortages
- Contracting markets in Japan
- Urbanization and aging infrastructure

Changes in global conditions

- Increasing populations, advancing urbanization, and growing economies in emerging countries
- Expanding infrastructure needs
- Destabilizing international conditions

Changes in values

- Diversifying values
- Growing demand for safety, security, and the pursuit of comfort
- Growing awareness of health and well-being
- Ensuring the security of people

Climate change and global warming

- Increasing severity of natural disasters, abnormal weather
- Collapsing ecosystems (biodiversity preservation)
- Shifting energy supplies

Environment surrounding the industry

- Slightly increasing or flat markets for new construction work ordered by government
- Growing demand for infrastructure renovation
- Continuing strength of private-sector construction markets
- Stagnating construction investment by Japanese-affiliated companies overseas due to a weaker yen, etc., continuing strength of foreign-affiliated companies
- Soaring construction materials prices and labor costs
- Declining and aging construction industry workforce
- Increasingly strict overtime work cap regulations

Internal environment

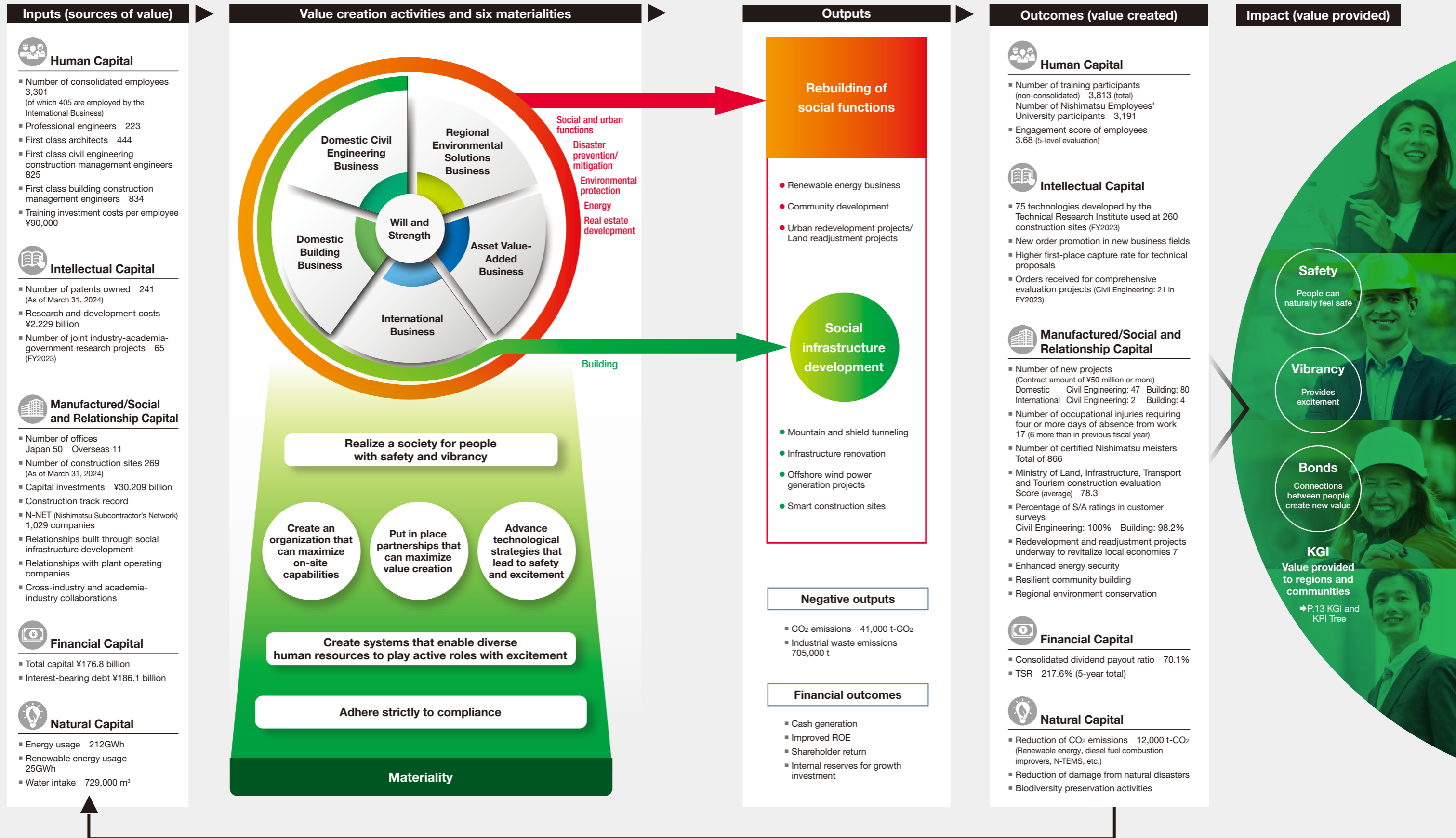
- Improved earnings toward achieving Medium-Term Management Plan 2025
- Evolution toward the rebuilding of social functions
- Stronger alliances with the five internal businesses and partners in different industries
- [Decarbonization plan] Formulating Zero50 Road Map, promoting Zero30 Road Map 2023
- Thorough reduction of overtime hours
- Acquisition of human resources, enhanced training
- Establishment of appropriate supply chains
- Growth investment

Nishimatsu's perspective	Materiality (priority issues) Issues/Vision	Related Capital and Stakeholders	Stakeholder Needs	Risks	Opportunities
Solve social issues through business	Realize a society for people with safety and vibrancy Put in place safe and secure social infrastructure and sustainable regions and communities	Capital: Financial, Intellectual, Natural, Manufactured/Social and Relationship, Human Stakeholders: Customers, regions and communities, employees, partner companies, suppliers, shareholders, investors	<ul style="list-style-type: none"> • New value creation • Resilient community development (disaster prevention and mitigation) • Decarbonization, biodiversity, circular economy • Energy management 	<p>Risks Related to a Changing Business Environment</p> <ul style="list-style-type: none"> • Declining construction demand, falling construction orders due to a contracting real estate market, stagnating real estate sales and rental businesses <p>International Business Risks</p> <ul style="list-style-type: none"> • Occurrence of terrorist attacks in countries of operation, fluctuations in the political and economic climate, changes in legal systems <p>Natural Disaster Risks</p> <ul style="list-style-type: none"> • Impacts on projects under construction, construction delays, damage to buildings owned by the Company in the event of large-scale natural disasters <p>Climate Change Risks</p> <ul style="list-style-type: none"> • Lower labor productivity due to rising temperatures, longer construction times due to fewer skilled laborers, loss of sales opportunities • Higher costs due to the full-scale introduction of carbon taxes 	<ul style="list-style-type: none"> • Increased demand for buildings with low GHG emissions • Increased demand for renewable energy-related construction • Increased demand for renewable energy and associated businesses • Increased demand for the development and renovation of infrastructure for disaster prevention and mitigation • Increased demand for disaster restoration work • Diversification of needs for construction-related services • Implementation of real estate development projects that provide attractive contents • Building maintenance and management services provided through AI and DX
Strengthen organizational capabilities	Create an organization that can maximize on-site capabilities Work toward becoming an organization in which the entire Company comes together as one and enjoys manufacturing	Capital: Intellectual, Manufactured/Social and Relationship, Human Stakeholders: Customers, regions and communities, employees	<ul style="list-style-type: none"> • Improved on-site capabilities, on-site labor savings • Improved customer satisfaction • Codification of the knowledge from individual sites, technical skill succession 	<p>Construction Quality Risks</p> <ul style="list-style-type: none"> • Loss of credibility among customers and compensation for damages etc. in the event of a major defect • Lower quality and productivity in the event technical skills cannot be passed on 	<ul style="list-style-type: none"> • Greater customer satisfaction and increased order opportunities resulting from higher construction quality • Robust training system that improves technical construction skills
Alliances with external parties	Put in place partnerships that can maximize value creation Promote external collaboration to provide safety and excitement to society	Capital: Manufactured/Social and Relationship, Human Stakeholders: Customers, regions and communities, employees, partner companies, suppliers	<ul style="list-style-type: none"> • Establishment of sustainable supply chains • Training and support of skilled construction workers • Consideration for human rights • Alliances with regions and communities, different industries, and government/academia 	<p>Materials Price and Labor Cost Fluctuation Risks</p> <ul style="list-style-type: none"> • Higher costs and negative impacts on construction profit/loss due to fluctuations in materials prices and labor costs 	<ul style="list-style-type: none"> • New value creation opportunities acquired through alliances with internal and external partners • New services provided through active coordination with other industries • Stronger, as well as expanded scope of, technology development capabilities through alliances with universities, other industries, and other external institutions
Technology	Advance technological strategies that lead to safety and excitement Engage in technological development and utilization that helps resolve social issues	Capital: Intellectual, Natural, Manufactured/Social and Relationship, Human Stakeholders: Customers, regions and communities, employees, partner companies, suppliers	<ul style="list-style-type: none"> • Increase in construction efficiency, DX advancement • Cyber security, data security • Development and utilization of cutting-edge technologies • Technologies that contribute to disaster prevention/mitigation and renovation works • Technologies that contribute to buildings with low GHG emissions 	<p>Risks Related to Technology Development</p> <ul style="list-style-type: none"> • Negative impacts on performance due to delays in technology development for climate change, etc. • Loss of sales opportunities due to delays in technology development for environmentally-friendly concrete • Loss of sales opportunities due to delays in technology development for wooden-construction mid- and high-rise buildings • Loss of opportunities due to delays in DX promotion 	<ul style="list-style-type: none"> • New services provided through the promotion of DX • Application of new construction technologies and higher productivity resulting from DX promotion • Development and application of technologies that aid in strengthening national resilience, extending the life of infrastructure and buildings, and maintaining and managing buildings • Development of new technologies for decarbonization, resource circulation, and natural environment conservation
Human resources	Create systems that enable diverse human resources to play active roles with excitement Remain a company in which diverse human resources can enjoy an atmosphere of mutual stimulation while maximizing their abilities	Capital: Human Stakeholders: employees, partner companies	<ul style="list-style-type: none"> • Improved workplace environment, work style reform • Higher motivation, skill levels, and wages • DE&I, consideration for human rights 	<p>Risks Related to Human Resource</p> <ul style="list-style-type: none"> • Difficulty in securing, as well as outflow of, specialized human resources and leaders, delayed human resources development • Decline in the number of construction industry workers due to a shrinking and aging workforce • Legal violations and administrative guidance related to overtime work cap regulation • Loss of credibility and poorer performance due to the occurrence of occupational accidents 	<ul style="list-style-type: none"> • New value created and more diverse human resources acquired as a result of empowering diverse human resources • Enhanced employee retention rates and productivity resulting from greater engagement • Development of automation and labor-saving technologies that compensate for labor shortages • Greater safety awareness resulting from safety training
Governance	Adhere strictly to compliance Remain a company that earns the trust of all its stakeholders	Capital: Financial, Intellectual, Natural, Manufactured/Social and Relationship, Human Stakeholders: Customers, regions and communities, employees, partner companies, suppliers, shareholders, investors	<ul style="list-style-type: none"> • Maximized corporate value • Action on compliance, anti-corruption, anti-social forces • Risk management • Information security 	<p>Compliance Violation Risks</p> <ul style="list-style-type: none"> • Major legal violations, including personal acts of misconduct <p>Information Security Risks</p> <ul style="list-style-type: none"> • Information leaks and loss due to external cyber attacks and employee negligence 	<ul style="list-style-type: none"> • Enhanced and embedded awareness through repeated compliance training • Earn the trust of all stakeholders • Cultivation of a healthy, open corporate culture • Enhanced self-purification capabilities against fraud and misconduct

Nishimatsu Construction's Model for Co-Creation of Value

Under our Corporate Philosophy, "Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services," we are engaged in various business activities that recognize that one means of having an

impact on society (providing value) is the ability to provide society with safety, vibrancy, and bonds between people through our value co-creation activities of developing social infrastructure and rebuilding social functions.



Capital and Strengths for Accelerating Value Co-Creation

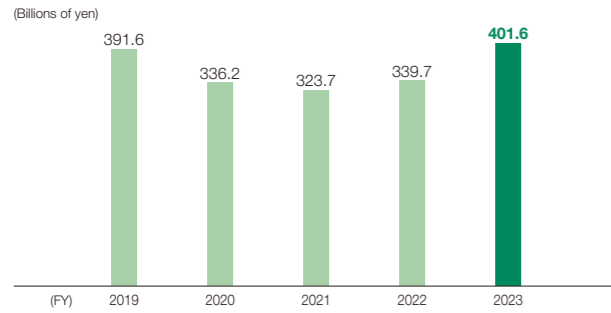
In the long-term vision “Nishimatsu-Vision 2030,” we aim to achieve both the “growth of individual businesses” and the “strengthening and expansion of collaborative businesses,” transitioning from “infrastructure development” to “rebuilding social functions.” By effectively utilizing the various capitals our Company possesses and leveraging our strengths, we will accelerate value co-creation.

Types of Capital	Human Capital		Intellectual Capital			Manufactured/Social and Relationship Capital		Natural Capital	
	Business	Strengths	Initiatives for further value co-creation	Strengths		Initiatives for further value co-creation	Strengths	Initiatives for further value co-creation	Strengths
Domestic Civil Engineering Business			<ul style="list-style-type: none"> Strengthen planning and proposal capabilities through in-house training and acquisition of experts 	<ul style="list-style-type: none"> Construction technologies (Tunnels, Dams) 	<ul style="list-style-type: none"> Establish and introduce new technologies for strengthening orders received for disaster prevention and infrastructure renovation work, etc. 		<ul style="list-style-type: none"> Brand Supply chain 	<ul style="list-style-type: none"> Enhance technical proposals and increase orders received for comprehensive evaluation projects by strengthening the bidding system 	<ul style="list-style-type: none"> Reduce CO₂ emissions by using renewable energy and diesel alternative fuels, and engage in construction that considers biodiversity preservation
Domestic Building Business	<ul style="list-style-type: none"> Diverse technical human resources with a strong ability to develop social infrastructure (Planning, Construction, On-site management and Technology development) On-site performance skills On-site support skills Ability to propose plans Technology development capability Business operation skills 	<ul style="list-style-type: none"> Deepen dialogue with customers and propose optimum plans that include costs by reinforcing planning departments and planning design departments 	<ul style="list-style-type: none"> Business collaboration know-how Construction technologies (Logistics and Environmental facilities) Environmental technologies 	<ul style="list-style-type: none"> Establish differentiating factors from competitors that apply logistics facility design and building technologies 		<ul style="list-style-type: none"> Trusting relationships Supply chain Alliance partners (alliances with partners in different industries) 	<ul style="list-style-type: none"> Shift away from a simple contract by leveraging internal and external relationships 	<ul style="list-style-type: none"> Reduce environmental impact during construction by decreasing CO₂ emissions and considering biodiversity Deploy environmentally friendly buildings by developing technologies for medium- and high-rise wooden buildings, and by promoting ZEB design 	
International Business		<ul style="list-style-type: none"> Further expand markets by enhancing training systems for local staff, localizing business operations, and sharing human capital with business alliance partners 	<ul style="list-style-type: none"> Construction technologies (Tunnels) 	<ul style="list-style-type: none"> Enhance profitability of international bid-based construction projects by utilizing technologies cultivated through domestic construction projects, and by specializing in construction for which the Company offers strong advantages Establish a one-stop solution business that leverages various types of know-how by collaborating with engineering companies, and secure stable profits by differentiation from competitors 		<ul style="list-style-type: none"> Customer base Trusting relationships Supply chain Alliance partners (local partners) 	<ul style="list-style-type: none"> Strengthen the customer base and expand business by collaborating and cooperating with local partners 	<ul style="list-style-type: none"> Initiatives toward achieving the Zero50 Road Map Contribute to environmental impact reduction by deploying environmentally friendly construction technologies from Japan to overseas 	
Asset Value-Added Business	<ul style="list-style-type: none"> Creative skills (=Ability to propose plans) Operation and management skills 	<ul style="list-style-type: none"> Increase business opportunities by expanding human resource development opportunities using external organizations, and by encouraging a growth mind-set and desire for challenge among individuals Conduct attentive OJT internally and develop real estate development human resources through a unique approach 	<ul style="list-style-type: none"> Value-added know-how 	<ul style="list-style-type: none"> Establish a portfolio with a competitive advantage centered on a circular reinvestment model 		<ul style="list-style-type: none"> Trusting relationships Partner companies Consolidated subsidiaries Private REIT 	<ul style="list-style-type: none"> Strengthen earnings power on a consolidated basis through collaboration with Nishimatsu Asset Management Co., Ltd. and Nishimatsu Jisho Co., Ltd. 	<ul style="list-style-type: none"> Reduce CO₂ emissions in FY2023 by applying the Company's unique environmentally friendly building standards to company-owned properties and new property projects 	
Regional Environmental Solutions Business	<ul style="list-style-type: none"> Ability to propose plans Management skills Problem-solving skills Ability to collaborate with communities 	<ul style="list-style-type: none"> Strengthen business development capabilities by acquiring experts and knowledge/experience related to new business fields 	<ul style="list-style-type: none"> Construction technologies 	<ul style="list-style-type: none"> Expand business that applies the technical capabilities cultivated through the construction business in community development projects 		<ul style="list-style-type: none"> Trusting relationships Partner companies (collaboration with partners from other industries) Industry-academia-government collaboration 	<ul style="list-style-type: none"> Differentiate from competitors through investment in venture companies and the introduction of pioneering technologies developed via collaboration among academia, industry, and government 	<ul style="list-style-type: none"> Deliver green energy to society by further promoting the renewable energy business (energy creation) 	

Financial and Non-Financial Highlights

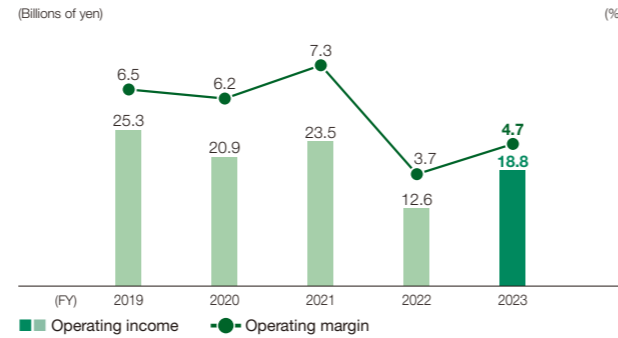
Financial

Net sales (consolidated)



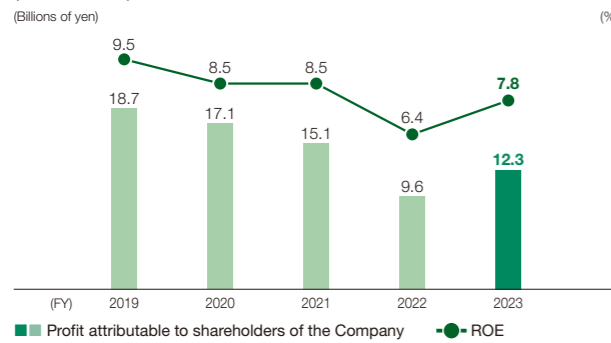
Net sales increased 18.2% year on year, to 401.6 billion yen. The main factor for the increase was large-scale redevelopment and logistics facility construction projects in the Domestic Building Business, as well as large-scale civil engineering projects in the International Business, proceeding according to plan.

Operating income/Operating margin (consolidated)



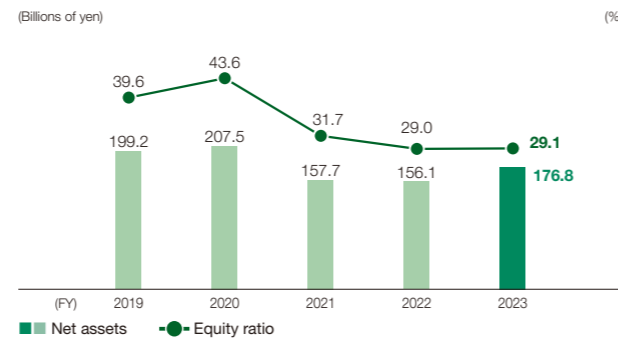
Operating income increased 49.2% year on year, to 18.8 billion yen. The Domestic Building Business and International Business saw major improvements as a result of steadfastly implementing the Earnings Improvement Plan (→P.25). We will continue to drive transformation into a high-profit corporate structure.

Profit attributable to shareholders of the Company/ROE (consolidated)



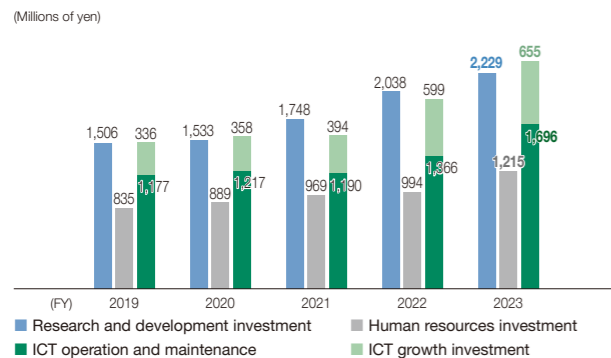
Net income increased 28.4% year on year, to 12.3 billion yen, and ROE increased 1.4 percentage points compared with the previous fiscal year, to 7.8%. We revised the target value for ROE under Medium-Term Management Plan 2025 from 8% or more to 10% because the Earnings Improvement Plan (→P.25) progressed more rapidly than expected.

Net assets/Equity ratio (consolidated basis)



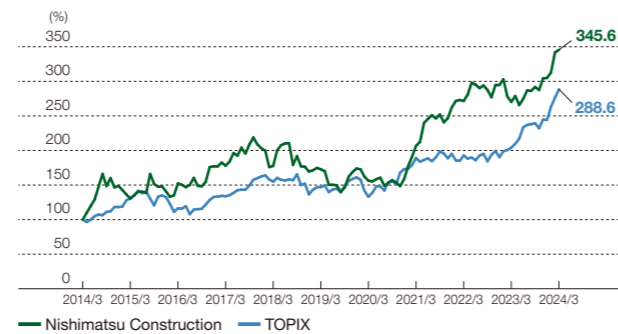
Although the equity ratio declined due to the purchase of 54.3 billion yen of the Company's own shares in FY2021, the ratio continues to trend steadily towards roughly 30%, the planned value in Medium-Term Management Plan 2025.

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



In terms of human resources investment, the Company sought to create environments in which employees can work with peace-of-mind, as well as actively implemented measures that link to higher performance for individuals and organizations, with a priority on human resource retention and activity. In terms of ICT growth investment, the Company expanded development of construction automation systems, created more time through DX, and executed other measures in anticipation of the 2024 Problem. These efforts have managed to achieve some degree of success.

TSR (Total Shareholder Return)



Having reached 345.6%, the 10-year TSR achieved a level that exceeded the 288.6% for TOPIX. We will carry over initiatives that serve to enhance corporate value. Moreover, in order to distribute stable, continuous shareholder returns, in FY2024 we switched the dividend policy to one that ensures a stable dividend based on a dividend on equity (DOE) ratio of around 5%.

Non-Financial

Environmental Data

		FY2021	FY2022	FY2023	Targets
Global warming prevention					
Nishimatsu Group's CO ₂ emissions (Scope 1 and 2)	(1,000 t -CO ₂)	62.6	43.0	41.0	FY2030 31.7
Nishimatsu Group's CO ₂ emissions (Scope 3)	(1,000 t -CO ₂)	3,237.5	3,326.7	2,645.8	—
Nishimatsu Group's CO ₂ emissions (Scope 3) Category 11	(1,000 t -CO ₂)	2,481.2	2,406.0	1,673.2	FY2030 2,328
CO ₂ emissions per unit from construction	(t-CO ₂ /100 million yen)	17.1	11.1	10.1	—
Creating a recycling-oriented society					
Industrial waste emissions	(1,000 t)	496.1	456.5	704.9	—
Final percentage of construction waste sent for landfill disposal	(%)	2.4	2.4	2.1	FY2030 Less than 2.5%
Water intake	(1,000 m ³)	895.7	969.1	729.2	—

Social Data

		FY2021	FY2022	FY2023	Targets
Basic information					
Number of employees (consolidated)	(Persons)	3,106	3,201	3,301	—
Number of employees (non-consolidated)	(Persons)	2,794	2,804	2,892	—
Human resource development					
Training costs	(Millions of yen)	345	356	426	—
Diversity and inclusion					
Number of female managers	(Persons) (%)	3 (0.3%)	4 (0.4%)	4 (0.4%)	FY2025 2% or above
Percentage of newly hired female employees (career-track positions)	(%)	17.8	18.5	17.6	FY2025 20% or above
Percentage of male employees taking childcare leave*1	(%)	17.6	55.6	75.8	From FY2024 100%
Employment percentage of persons with disabilities	(%)	2.37	2.45	2.39	2.3% (legal employment rate) or above
Health					
Participation rate of detailed examination after regular health checkups	(%)	62.3	69.1	61.1	FY2025 80%
Ease of work and productivity					
Voluntary resignation rate	(%)	2.05	2.68	2.99	FY2025 Less than 1.5%
Percentage of employees working overtime**2 exceeding 45 hours per month	(%)	22.7	17.2	12.8	—
Percentage of worksites achieving 7 days off per 4 weeks (civil engineering sites)	(%)	63.5	77.1	85.0	—
(building sites)	(%)	61.1	64.5	61.9	—
Remote work usage ratio	(%)	55.5	45.6	34.1	FY2025 100%
Supply chain					
Employment ratio of certified Nishimatsu masters and senior forepersons under the program for high-caliber technicians	(%)	63.7	60.6	60.1	FY2025 100%
Construction Career Up Card scan rate	(%)	24.0	46.7	61.1	FY2025 90%

*1 Including leave for the purpose of childcare
*2 Total work hours - fixed working hours (8 hours per day)

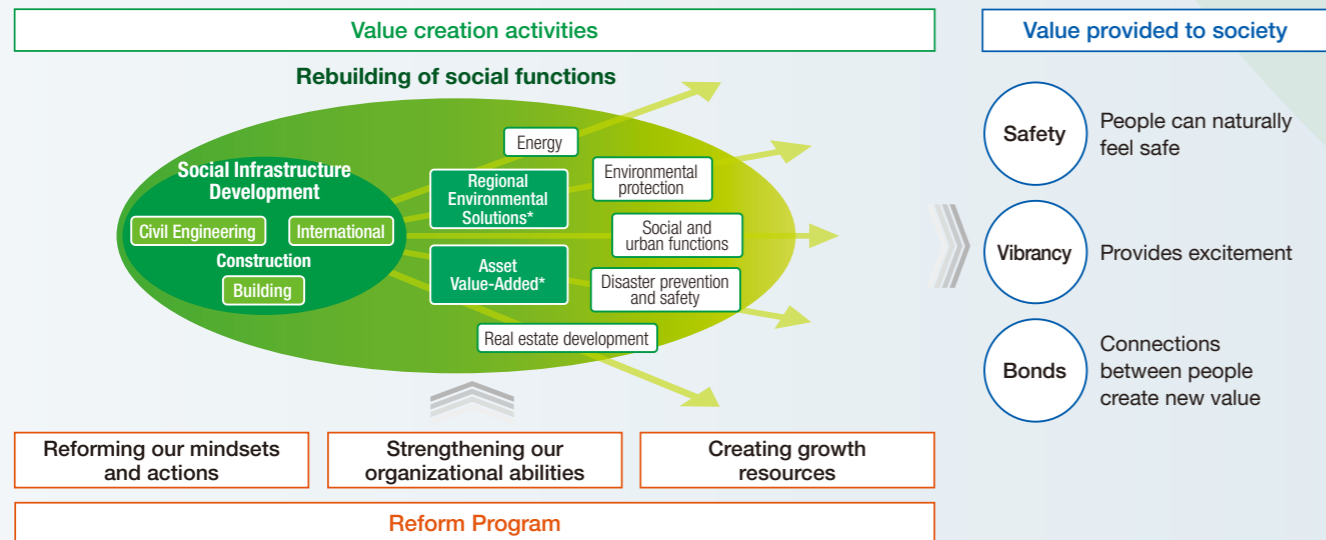
Nishimatsu-Vision 2030

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.



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)

Rebuilding of social functions is a **value co-creation activity** that entails expanding the scope of our efforts to include the development of social infrastructure and social functions* in a bid to resolve ever-changing social issues.

Through **value co-creation activities**, Nishimatsu Construction will work to promote the **growth of individual businesses** while **strengthening and expanding partnership projects** by undertaking a transformation and leveraging external relationships as a part of efforts to provide security, vibrancy and bonds between people.

* Social functions: Social and urban functions, disaster prevention and safety, environmental protection, energy and real estate development

We will work to firmly entrench value co-creation activities through various means, including dialogue as our **corporate culture**.

Review of Previous Medium-Term Management Plans

Based on the previous Nishimatsu-Vision 2027 plan, we positioned Medium-Term Management Plan 2023 (FY2021-FY2022) as a period of transformation into a company with overall capabilities, and by utilizing the foundation built during the three-year Medium-Term Management Plan 2020 (FY2018-FY2020), we focused on efficient growth investments while enhancing sustainable value.

Medium-Term Management Plan 2020 (FY2018-2020)

Basic Policies
 Period for establishment of the foundations of a company with overall capabilities

1. Evolving the construction business
 2. Expanding our fields of business through growth in the urban development & real estate and new businesses

Results (consolidated)	Targets	FY2018	FY2019	FY2020
Net sales	¥380.0 billion	¥349.3 billion	¥391.6 billion	¥336.2 billion
Operating income	¥25.0 billion	¥24.9 billion	¥25.3 billion	¥20.9 billion

Finance (consolidated)	Targets	FY2018	FY2019	FY2020
ROE	8.0% or more	9.9%	9.5%	8.5%
Capital to assets ratio	Approx. 50%	42.3%	39.6%	43.6%
D/E ratio	Approx. 0.3 times	0.4 times	0.6 times	0.6 times
Dividend payout ratio	30% or more	30.6%	30.7%	33.5%
Annual dividend per share	¥100 or more	¥105	¥105	¥105

Establishment of a foundation for transforming into a company with overall capabilities

1. Evolving the construction business

Domestic Civil Engineering Business

- Active on-site implementation of CIM, ICT
- Increase private construction project ratio within the amount of completed construction projects

Domestic Building Business

- Utilize BIM in logistics facility design and building projects
- Logistics facility orders received averaged 66.9 billion yen over three years

International Business

- Commence market research in six Southeast Asian countries

2. Expand Business Fields

Urban Development & Real Estate Business

- Started in-house development projects such as student dormitories

New businesses

- Working to create renewable energy businesses

Medium-Term Management Plan 2023 (FY2021-2022)

Basic Policies
 Period of transformation into a company with overall capabilities

Results (consolidated)	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

Finance (consolidated)	FY2021	FY2022
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

1. Organic Collaboration on Various Projects

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)

Student dormitory project: Began operation of Keio University Shonan Fujisawa Dormitory and Takanawa Dormitory, and scheduled to begin operation of Miraisozojuku project ◀ (Urban Development & Real Estate Business × Domestic Building Business)

PFI project: Received order for funeral hall PFI project in Kurashiki City ◀ (Environment and Energy Business × Domestic Building Business)

2. Initiative for the Realization of a Decarbonized Society

Wood biomass power generation business: The subsidiary Sanyo-Onoda Green Energy Co., Ltd. was established, and is scheduled to begin operations in FY2024.

Geothermal power generation business: A hot spring binary power plant began operation in the town of Oguni in Kumamoto Prefecture's Aso District.

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

Medium to large-scale wooden buildings: Individual rating was jointly acquired from The Building Center of Japan for the medium to large-scale wooden construction method.

3. Collaboration with Partners from Other Industries

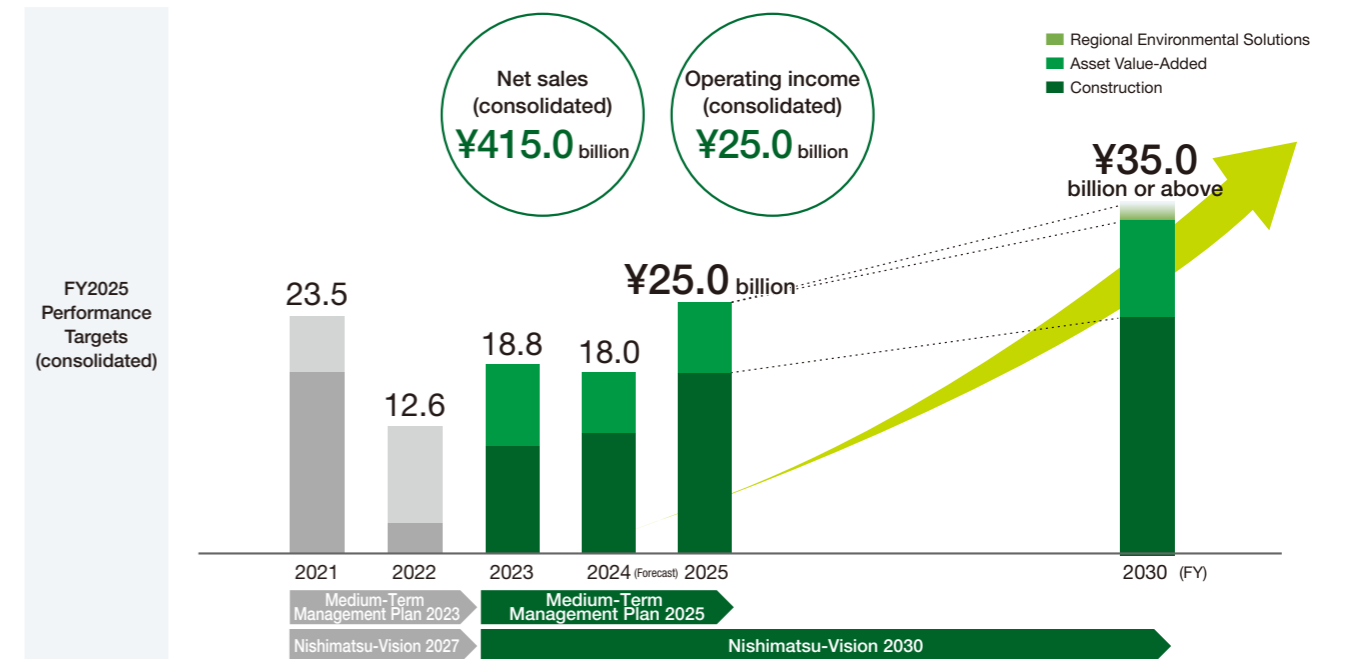
- Formed a capital and business alliance agreement with ITOCHU
- Collaboration with ITOCHU (Shibata General Gymnasium Development Project, Hotel JAL City Toyama)
- Formed a comprehensive partnership agreement for the realization of a decarbonized society with a local government in Kyushu

4. Shareholder Returns

- Provided stable annual dividends of 221 yen per share for FY2021 and FY2022
- Based on the shareholder return policy under Medium-Term Management Plan 2023, in FY2021 treasury shares valued at 54.39 billion yen were acquired

Progress of Medium-Term Management Plan 2025

FY2023 was the first year of Medium-Term Management Plan 2025, and the steady implementation of the Earnings Improvement Plan resulted in greater-than-expected progress for the Domestic Construction and International (civil engineering) businesses, prompting us to revise our targets for FY2025 to consolidated nets sales of ¥415.0 billion and consolidated operating income of ¥25.0 billion, compared to initial targets of ¥370.0 billion and ¥22.0 billion, respectively. Starting from FY2024, we will also change our dividend policy from a dividend payout ratio of 70% to stable dividends of approximately 5% of dividend on equity (DOE).



Financial Indicators	FY2023 End Results	FY2025	FY2030
ROE	7.8%	10%	10% or more
Capital to assets ratio	29.1%	Approx. 30%	35% or more
D/E ratio	1.10 times	Approx. 1.5 times	Approx. 1.0 times
Dividend policy	Dividend payout ratio 70.1%	Stable dividends at a DOE of around 5%	

Earnings Improvement Plan	Details
Domestic Building Business	<ul style="list-style-type: none"> Receive construction orders by properly reflecting material and labor prices in the estimate (new construction orders from FY2023 onwards) Advanced on-site management (implement cost reduction measures and quality improvement measures)
International Business (civil engineering)	<ul style="list-style-type: none"> Enhance initiatives for ODA projects to minimize risk Advanced on-site management (share information with the internal expert committee and conduct risk assessments at each construction stage)

Reform Program	Details
Reforming our mindsets and actions	Aiming to provide opportunities for employees, from junior staff to managers, to speak face-to-face with the president in order to shift the Company to a change- and growth-oriented approach. Fostering an organizational culture where employees can discuss anything with each other →P.54 3. Raise awareness of a challenger mindset
Strengthening our organizational abilities	To consider detailed measures, we formed a working group that includes employees on-site and at regional headquarters. Beyond measures, we consider indicators and KPIs to measure effectiveness, and how to disseminate information to employees →P.54 4. Raise awareness of collaboration
Creating growth resources	Implement measures to increase productivity centered on DX. Provide time for human resources, the source of growth, to do creative work →P.42

Message from the General Manager of the Management Division



Our aim is to continuously improve total shareholder returns (TSR) and generate the cash necessary to fuel the next phase of growth by achieving targets in the Medium-Term Management Plan through the Earnings Improvement Plan while investing in growth areas and human capital.

Yuichi Kono

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

Review of the First Year of Medium-Term Management Plan 2025

In FY2023, the first fiscal year of Medium-Term Management Plan 2025, Nishimatsu Construction made smooth progress on the Earnings Improvement Plan, leading to significant improvements in the earnings of the Domestic Building Business and the International (civil engineering) Business. Construction orders received, including those from subsidiaries, rose 5.8% year on year, to 360.2 billion yen, while net sales increased by 18.2% to 401.6 billion yen, driven primarily by the substantial growth in the Domestic Building Business. This marked the first time in 15 years that net sales exceeded 400 billion yen, the last being in FY2009. Operating income increased by 49.2% year on year, to 18.8 billion yen, reflecting higher gross profit on completed construction contracts for domestic building and overseas projects. Ordinary income rose 48.6% to 19.5 billion yen, and profit attributable to owners of the parent increased by 28.4% to 12.3 billion yen. Key financial indicators also improved compared with the previous fiscal year, with ROE rising by 1.4 percentage points to 7.8%, along with an equity ratio of 29.1% and a D/E ratio of 1.1x.

Looking ahead, we expect to exceed our initial targets set for FY2025, the final fiscal year of the Medium-Term Management Plan.

Accordingly, Nishimatsu Construction raised its targets for net sales from 370 billion yen to 415 billion yen, operating income from 22 billion yen to 25 billion yen, and ROE from over 8% to 10%. Additionally, through steady efforts to enhance corporate value, both ROE and the P/E ratio have improved compared to the previous fiscal year, while the P/B multiple reached 1.04x as of March 31, 2024 (up from 0.91x a year earlier), in a demonstration of clear progress.

Progress on the 120 Billion Yen Growth Investment Plan

Under the Medium-Term Management Plan, Nishimatsu Construction has earmarked 120 billion yen for growth investments over three years to expand its value co-creation activities. Of this amount, 40 billion yen is allocated for GX and community development, with 7.5 billion yen invested so far as of FY2023. The focus of these investments includes small-scale hydropower projects, wood biomass power generation projects, geothermal power generation projects, biogas power generation projects, and pumped-storage power generation projects.

In the Asset Value-Added Business, we continue to pursue a circular reinvestment model, with the aim of building a competitive portfolio through investments focused on 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 Corporation, as well as land readjustment, urban redevelopment, and overseas development projects. We expect the benefits of our capital and business alliance with ITOCHU Corporation, leveraging its global network and information resources, to emerge in the coming years. For overseas business expansion, Nishimatsu Construction also plans to work closely with financial institutions in addition to ITOCHU Corporation. In September 2023, the Company launched a private REIT, starting with approximately 25 billion yen in assets under management, with plans to increase this amount to 100 billion yen by FY2027.

Furthermore, 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 Zero Energy

Initiatives to enhance corporate value

Corporate value (PBR)	
1.04	
Stock price (As of March 31, 2024)	4,465 yen
Net assets per share	4,277 yen
The previous fiscal year	
	0.91
Stock price (As of March 31, 2023)	3,425 yen
Net assets per share	3,770 yen

Return on equity (ROE)
7.80%
(the fiscal year ended March 31, 2024)
(the fiscal year ended March 31, 2023 **6.43%**)

Stock price earnings ratio (PER)
14.23 times
(As of March 31, 2024)
(As of March 31, 2023 **14.01 times**)

- **Improve profitability (Profit attributable/Net sales: 3.08%)**
 - Improve business revenue based on the Earnings Improvement Plan in the Medium-Term Management Plan
- **Improve asset efficiency (Net sales/Total assets: 69.29%)**
 - Split the balance sheets of the Construction Business and Asset Value-Added Business, and implement financial strategies for each business
 - Improve profitability and efficiency through sophisticated analysis and proper assessments
- **Financial leverage-oriented management (Total assets/shareholders' equity: 3.65x)**
 - Firmly maintain financial discipline while making growth investments utilizing interest-bearing debt
 - Reduce financing costs by issuing ESG bonds such as sustainability linked bonds
- **Promote sustainability management**
 - Establishment of Sustainability Committee
 - Improve ESG rating and selection as an ESG stock
- **Reduce cross-shareholdings**
 - Reduce cross-shareholdings other than those deemed necessary for business operation to improve asset and capital efficiency
- **Enhance information disclosure to investors**
 - Implementation status of growth policies and strategies in each business
 - Results of collaboration with partners from other industries

Building (ZEB) and Zero Energy House (ZEH), in addition to advancing digital transformation (DX) through stronger initiatives in smart construction sites. We plan to invest 10 billion yen over three years to strengthen these management foundations and develop technologies in the construction field. As of FY2023, we have invested 1.5 billion yen in these areas.

Investment in Human Capital for Employee Well-being

To facilitate the sustainable enhancement of corporate value, Nishimatsu Construction is proactively investing in human resource development, digital transformation (DX), and technological innovation. We are updating our in-house employee training program, Nishimatsu Employees' University, and prioritizing wage increases for employees. The Company has already increased wages by over 7% through regular pay raises and base salary increases, and as an example for bonuses, a model employee aged 35 received a 25% year-on-year increase in their bonus. We consider 2024 to be the inaugural year of our human capital investment focused on employee well-being, and we plan to continue these efforts moving forward.

As the recruitment environment becomes increasingly challenging, we recognize that attracting top talent and ensuring their compensation reflects their talents and skills, while also improving working conditions, are critical to the Company's long-term growth.

Financial Strategy under Medium-Term Management Plan 2025

Growth investments in the GX and community development fields, as well as in the Asset Value-Added Business, should yield long-term returns. With a mind to effectively use leverage, we intend to procure funds through borrowing, with plans to raise 100 billion yen in funding over three years. Since it will probably take 2-3 years at a minimum for these growth investments to bear fruit, we will engage in medium- to long-term fundraising while controlling financial costs through instruments like sustainability-linked bonds and other ESG bonds. Given the nature of our business, maintaining financial health

is crucial. Management aims to keep the shareholders' equity ratio at around 30% and the D/E ratio at approximately 1.5x in FY2025. While closely monitoring interest rate trends, we will implement an appropriate financial strategy that balances fundraising, debt repayment, and investments. As a part of its efforts to enhance corporate value, since the P/B ratio can be broken down into return on equity (ROE) multiplied by the P/E ratio, the Company will focus on maintaining the P/E ratio at around 14x while improving the P/B ratio by achieving an ROE of 10%, above the roughly 7% cost of equity.

Shareholder Returns and Total Shareholder Return (TSR)

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. Based on this shareholder return policy, we initially targeted a dividend payout ratio of 70% by FY2025, the final fiscal year of the management plan. However, in light of the recent rise in interest rates that have led to changes in our fundraising plans, as well as the importance of investing in human capital, including wage increases, we have revised our financial strategy and measures aimed at providing a stable dividend to shareholders and investors. As a result, we have changed its policy to one focused on providing a stable dividend based on dividend on equity (DOE) of about 5%. Nishimatsu Construction's total shareholder return (TSR) is 217.6% relative to its share price as of March 31, 2019 (2,453 yen), which is higher than the TOPIX average TSR of 196.2%. We aim for a TSR that reflects strong returns of profit to investors through a stable and ongoing dividend.

Based on these policies, the Company aims to maintain its healthy financial position while efficiently raising capital with due awareness of the cost of capital and generating new cash flows through investments. Nishimatsu Construction will advance growth in its businesses with the core of its financial strategy focused on allocating this cash to growth investments and shareholder returns.

→P.20 TSR (Total Shareholder Return)

(Billions of yen)				
Investment classifications	Major investments	FY2023 results	Medium-Term Management Plan 2025	FY2023-FY2030
GX and community development	Renewable energy Community development	7.5	40.0	
Asset value-added	Five growth areas	15.0	70.0	
		Investment 32.0 Recovery 17.0	Investment 110.0 Recovery 40.0	
Human resources development/ DX / Technology development, etc.	Management foundation Development and cultivation of human resources, DX Research and development in construction field Labor savings, work-place environment improvement, infrastructure renovation, environment, etc.	1.5	10.0	150.0 Investment 250.0 Recovery 100.0
Total		24.0	120.0	