

# Domestic Civil Engineering Business



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

General Manager of Civil Engineering Division **Makoto Isshiki**

## ■ Progress of Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

As the first fiscal year of Medium-Term Management Plan 2025, in FY2023 net sales and operating income exceeded the plan owing to steady progress in construction on hand. Moreover, orders received reached 119.1 billion yen, slightly higher than the target of 110 billion yen, as measures implemented to enhance comprehensive evaluation project order accuracy came to fruition.

The priority measures of strengthening personnel and organizational capabilities and taking on challenges in new fields, which were raised to expand the scale of public sector construction projects, proceeded in the following manner.

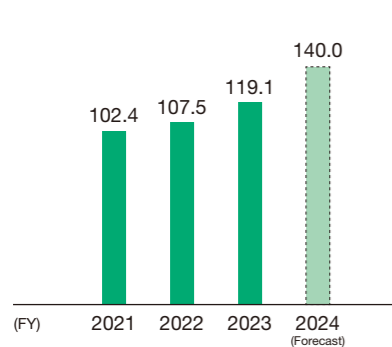
As far as strengthening personnel and organizational capabilities are concerned, we organized a new technical proposal analysis team in FY2023. This measure functioned to drive a rate of orders received above that of the previous fiscal year. Going forward, we will seek to increase the value of comprehensive evaluation projects by expanding staff at the Headquarters' ordering departments.

In an effort to take on challenges in new fields, we, completed development of the underlying technologies for ongoing projects to enable automated and unmanned tunnel construction in FY2023. Moreover, we organized and have begun operations at

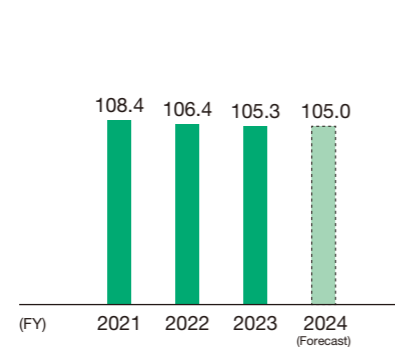
N-FIELD in Nasushiobara City, Tochigi Prefecture, as the Company's development facility for mountain tunnel technologies. This facility is home to a model tunnel used to conduct field trials for remote-control systems designed to operate construction machinery in close proximity to each other. Currently, we are advancing three technological development projects related to road slab replacement. Of these, two developments are on the verge of completion, having been shown to increase the speed of road slab replacement and to enable operations with the same level of efficiency even in environments where use of cranes is restricted. From an offshore wind power generation project perspective, we have begun sales activities as a member of JWFC (a company that manages joint-ownership SEP ships), which is composed of six construction companies.

As part of post-disaster repair work following the Noto Peninsula Earthquake that occurred in January 2024, we took action by establishing a Company-wide support system, such as setting up a disaster response center at the Headquarters and the Kanto Civil Engineering Regional Headquarters. We will continue to actively participate in recovery-related work in affected areas, and will cooperate in every way possible to upgrade the environment so that people in the affected areas can live with peace-of-mind.

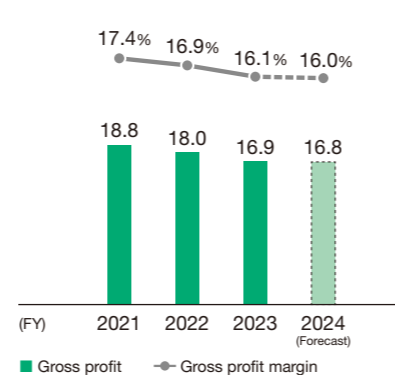
**Orders received (non-consolidated)**



**Net sales (non-consolidated)**



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



## Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Materiality solutions	Medium-Term Management Plan 2025 Priority Measures	Initiatives	KPI initiatives
Realize a society for people with safety and vibrancy	Create new value that brings together diverse capabilities based on strengths accumulated through social infrastructure development	Strengthen personnel and organizational capabilities	<ul style="list-style-type: none"> <li>Strengthen bidding departments</li> <li>Streamline proposals</li> </ul>	<ul style="list-style-type: none"> <li>Increase staffing of bidding departments by 20% (compared with FY2022)</li> <li>Form teams for comprehensive evaluation analysis and exploration</li> </ul>
	Create environmentally friendly, resilient communities	Take on challenges in new fields	<ul style="list-style-type: none"> <li>Develop and improve technologies for tunnel lining refurbishment</li> <li>Promote the development of technologies for road slab replacement</li> <li>Take part in offshore wind power generation projects</li> </ul>	<ul style="list-style-type: none"> <li>Number of construction order-received through to FY2025</li> <li>Degree of progress in establishing technologies through FY2025</li> <li>Begin sales activities as a member of JWFC</li> </ul>
Advance technological strategies that lead to safety and excitement	Increase construction efficiency through technological development and utilization	Develop new production systems	Promote DX to accelerate smart construction site activities	Number of technological developments for raising productivity based on automated and unmanned technologies
	Develop technologies with an eye to the future			

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

Japan is experiencing a tremendous rate of change in its social environment due to a population that has already begun to shrink and to increasingly severe natural disasters coinciding with climate change. As one of our urgent challenges, we recognize the need to build a system that maintains and expands upon its infrastructure improvement capabilities, centered on public sector construction projects, as a means of achieving a safe, exciting, and vibrant society in the midst of this situation.

In part due to the impact of a shrinking population, the construction industry is faced with an aging and relentlessly reducing construction workforce. In turn, this situation has given rise to the urgent challenge of enhancing the efficiency of work through the promotion of smart construction. As a frontrunner in the industry, we therefore aim to implement automated and unmanned

mountain tunnel and shield tunnel construction technologies at construction sites by 2027, thereby addressing the decline in the skilled labor force, even as we continue to engage in large-scale, high-difficulty tunnel construction projects.

In response to the over time cap regulations that were enforced from the current fiscal year, we will promote greater work efficiency through DX that leverages BIM/CIM, AI, and other technologies for both in-house and site work. Moreover, we aim to create attractive, rewarding workplace environments for our employees by appropriately managing work hours.

In order to evolve into a company with overall capabilities that works together to make regions and communities that are naturally safe and vibrant, as identified in Nishimatsu-Vision 2030, the Civil Engineering Division must reinforce the revenue base for Nishimatsu Construction by expanding the scale of public sector construction projects. In looking to FY2030, we will therefore continue to engage in this medium-term priority issue.

## Contributing to the Development of Civil Engineering Technologies through Construction DX (construction project completed in FY2023)

### Tateno Dam Construction Project (1st to 3rd stages)

Located in Aso-Kuju National Park in Kumamoto Prefecture, Tateno Dam serves the purpose of flood control, and is therefore not typically used to store water. At 87 m high and with a dam crest extending 188 m in length, it was designed as a gravity-type arch concrete dam. The start of construction, however, was delayed two years from the initial project plan due to the impact of the Kumamoto Earthquake in 2016, leading local communities to request its completion at the earliest possible date. Against this backdrop, we incorporated various approaches to construction DX, including autonomous cable crane operations and BIM/CIM-based construction planning, as a means of shortening construction times and realizing labor-savings. These initiatives enabled us to complete the dam as originally planned in March 2024, and received the 2023 Outstanding Civil Engineering Achievement Award from the Japan Society of Civil Engineers.

In order to convey the appeal of the dam to future generations, together with Japan's Ministry of Land, Infrastructure, Transport and Tourism, we conducted initiatives to make the dam more visible, including holding site tours, dam discharge outlet walking tours, and

dam illumination events during flood overflow tests. These events have been attended by more than 10,000 people in total.

Moreover, in concert with local communities, we conducted an activity to reduce CO<sub>2</sub> by refining used cooking oil collected from homes into biofuel for use as an alternative for some heavy construction equipment fuel. This effort received the Kumamoto Environmental Award in 2023.



Tateno Dam

# Domestic Building Business



## Converting individual knowledge to organizational knowledge

Each individual performing to the best of their ability while providing buildings and services that exceed the expectations of customers.

General Manager of Building Division **Kazutoyo Hamada**

### ■ Progress of Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

Guided by the Earnings Improvement Plan outlined in Medium-Term Management Plan 2025, we are placing considerable emphasis on its transformation and putting in place a high-earnings structure and responding to the changes in commodity prices. In FY2023, net sales of 235.7 billion yen, up 35% year on year while gross profit increased 6.3 billion yen compared with the previous fiscal year, to 10.1 billion yen. Since the cost of equipment installation at sub-contractors increased in certain projects, we fell slightly short of our gross profit target of 11.0 billion yen.

With regard to the order-received in FY2023, including efforts to ensure profitability at the time of contract execution by properly reflecting material and labor prices in estimates and sharing risks with customers thereafter, orders received came in at 221.5 billion yen substantially exceeding targets.

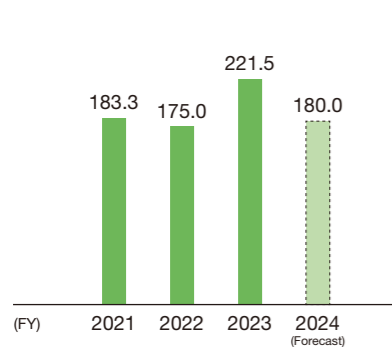
The ratio of construction projects affected by price increases to sales continues to exhibit a decline in line with the Earnings Improvement Plan. Signs of steady progress in the shift to construction that implements measures aimed at countering commodity price changes also continue to emerge.

As a part of efforts to “improve capabilities to develop plans

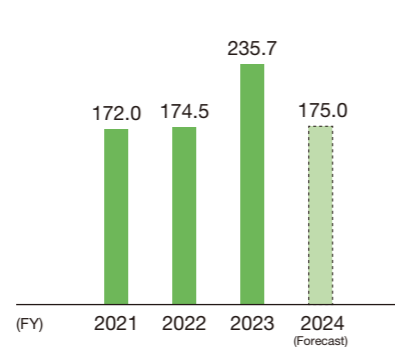
and proposals” and “fully utilize internal and external relationships to engage in sales,” we are constructing a five-story wooden dormitory building in collaboration with ITOCHU Corporation. This property is the first to apply the panel and unbonded anchor (P&UA, one-directional timber frame) mid- to high-rise wood construction method. This construction method was jointly developed by industry, government and academia and covers design, evaluation, materials, procurement, and construction, with the aim of establishing a highly versatile, mid- to high-rise wood construction method that will attract widespread application. We will contribute to the realization of a sustainable society by leveraging this project as a foothold to establish our construction technology and design know-how.

With a view to establishing a differentiating factor in priority fields, one priority measure under Medium-Term Management Plan 2025, construction of a data center is underway. This is the first large-scale data center project for the Company. We tried to resolve issues adopting the customer’s perspective from the basic planning phase and provide value. This in turn enabled to gain trust and acquire the order. In addition to acquiring knowledge and skills, including design, through this endeavor, we will work actively to meet growing demand in the future.

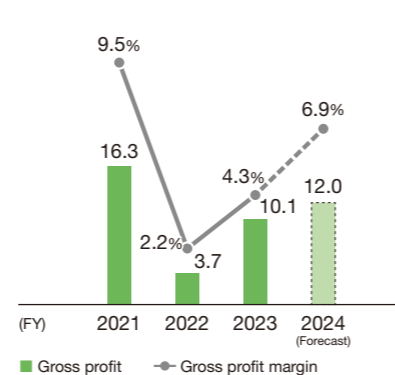
Orders received (non-consolidated)



Net sales (non-consolidated)



Gross profit/Gross profit margin (non-consolidated)



### Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Materiality solutions	Medium-Term Management Plan 2025 Priority Measures	Initiatives	KPI initiatives
Realize a society for people with safety and vibrancy	Create new value that brings together diverse capabilities based on strengths accumulated through social infrastructure development	Establish differentiating factors in priority fields	Data centers initiatives	Data center order amount
	Create environmentally friendly, resilient communities	Improve capabilities to develop plans and proposals	Mid- to high-rise wooden building initiatives	No. of wooden construction initiatives
Put in place partnerships that can maximize value creation	Cooperate with regional communities and companies toward the creation of new value	Fully utilize internal and external relationships to engage in sales	Collaboration with partners in different industries (ITOCHU Group, etc.) initiatives	Collaboration with partners in different industries (ITOCHU Group, etc.) project order amount
Advance technological strategies that lead to safety and excitement	Increase construction efficiency through technological development and utilization	Develop new production systems	BIM initiatives	Rate of BIM introduction at each phase No. of packages introduced utilizing BIM

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

As the mid-point of Medium-Term Management Plan 2025, FY2024 is an important year for achieving final year performance targets. With this in mind, we must resolve a host of issues toward the realization of the Nishimatsu-Vision 2030.

Against this backdrop, increasing construction efficiency is a pressing issue in light of the 2024 problem and decline in construction workers. In response, establishing a front-loading system (construction sequences and details, etc. at the design stage) that utilizes BIM was an initial step that enabled the quick and accurate creation of a BIM model capable of automatically producing precise 2D construction drawings. Turning to design-build steel-framed logistics facilities, we will deploy to all projects during FY2024. Moving forward, we will promote the use of BIM models at the practical level. This includes the “use of BIM visualization” for identifying issues and building consensus and the “use of BIM data” for calculating volume, the use of inspections, and the coordination of tools with ICT construction equipment. Furthermore, we recognize the need to work with the DX Department to advance to the next level in a bid to realize the

Nishimatsu DX Vision Smart Worksite Concept, which strives to connect BIM data with various internal and supply chain operating data. With a view to definitively and promptly accomplishing this endeavor, while sending a clear message within the Company, we consolidated and revamped the organizations related to BIM into the Digital Construction Center.

We also recognize the need to further accelerate our efforts to realize a sustainable society as a major challenge.

For mid- to high-rise wooden building, we will work toward a cost-competitive construction method by improving the supply chain (rationalizing material procurement, processing, and transportation systems), standardizing wood components, streamlining construction methods, and creating a BIM-based comprehensive management system.

From a ZEB perspective, there are currently technologies that are not assessed in energy efficiency calculations based on the statutory requirements. Moreover, there are limits to the pursuit of energy efficiency performance values. We will conduct verification tests on technologies that have not been evaluated in accordance with the law and regulations, focusing on proprietary developed properties through in-house business collaboration and endeavor to improve energy-saving performance.

### Constructed a facility that reduces environmental impact while serving as a disaster prevention center (construction completed in FY2023)

#### Yamato-cho General Gymnasium building construction (Kumamoto Prefecture)

Nishimatsu Construction undertook relocation of an existing aging gymnasium and completed construction of a comprehensive gymnasium including an arena and martial arts hall. This facility is expected to serve as an interaction base for sporting activities in Yamato-cho.

In constructing the facility, we used abundant amounts of timber from Yamato-cho, mainly as a structural material in the roof frames and a finishing material in such sections as the bleachers. Looking up from inside the facility, one can feel the warmth of the mountains of Yamato-cho. Utilizing natural light, wind, and geothermal heat, the facility is distinguished by its environmentally friendly features. Drawing on the lessons learned from the Kumamoto earthquake, expectations are that the facility will serve as

a disaster prevention base in the event of a large-scale disaster, as well as an evacuation center and location for the collection of relief supplies.

Plans are in place for the mockups made during construction to be dismantled as scrap wood and provided to a local high school for processing into wood crafts and other products as part of educational programs.



# International Business



Leveraging our extensive overseas experience and achievements, we are expanding our overseas business in our fields of specialization, focusing on the ever-growing Asian region.

General Manager of International Division Yoshikuni Nakano

## ■ Progress of Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

Orders received for FY2023, the first year of Medium-Term Management Plan 2025, fell short of the target due to the postponement of the opening of bids for several large-scale infrastructure projects in the Civil Engineering Business. Net sales in the Civil Engineering Business increased due to favorable progress in construction projects on hand and the impact of the weak yen. However, the weak yen also slowed the pace of investment by Japanese companies, resulting in fewer orders in the first half of the year and a significant decline in revenue for the Building Business. Consequently, the International Business as a whole saw a 10% fall in revenue against the planned target. Gross profit increased due to improved profitability in the Building Business and the weak yen. Although the order target for the first year was not achieved, we do not expect this will have an impact on its three-year performance targets.

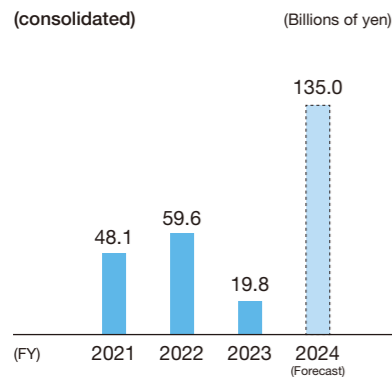
In the Civil Engineering Business, we have set ODA construction projects in Southeast Asia and Southwest Asia as Priority Measures of Implementation and are working to expand the transportation infrastructure construction market, which is our core business. To minimize business risks caused by changes in the business environment, we have been regularly reviewing our bases of operations and narrowing down the projects we undertake.

To address the issue of “establishing a stable earnings base that is not affected by the trends of Japanese investment” in the Building Business, we have begun operating a remote management system with the aim of establishing a new on-site system through the promotion of localization. We are also continuing to develop local staff by utilizing the human resources development center we established in Thailand in 2022. In addition, as part of human resource exchanges through collaboration between academia and industry with the Thai-Nichi Institute of Technology, we are accepting student interns and jointly developing site management software. Moreover, we will add language education for employees to our training program, furthering our localization in 2024.

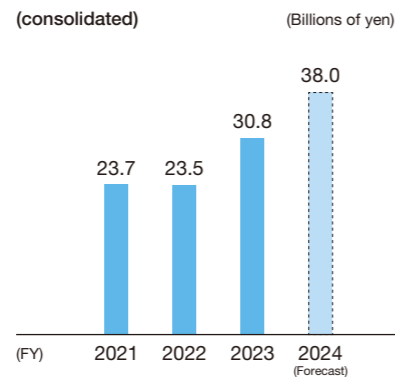
## ■ Issues and Initiatives Toward Achieving Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

In the Civil Engineering Business, there are a number of concerns, including delays in the start of construction—due to delays in land acquisition in ODA projects in newly entered countries such as the Philippines and Bangladesh, where we are strengthening our efforts—and the impact on business due to differences in the technical level of local partner companies,

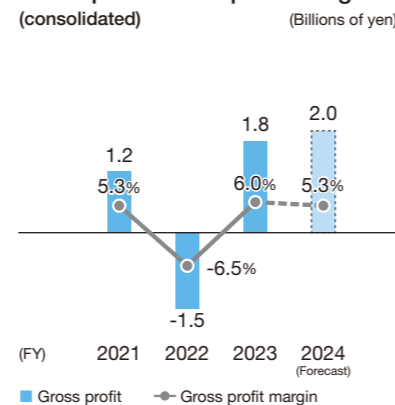
Orders received (consolidated)



Net sales (consolidated)



Gross profit/Gross profit margin (consolidated)



## Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Materiality solutions	Medium-Term Management Plan 2025 Priority Measures	Initiatives	KPI initiatives
Create an organization that can maximize on-site capabilities	Turn the on-site knowledge of individuals into organizational knowledge	Expanding business at existing locations and securing stable profits	Promotion of localization ●Human resource development ●Remote management	Establish on-site management systems (Thailand)
Put in place partnerships that can maximize value creation	Cooperate with regional communities and companies toward the creation of new value		Providing new services ●Collaboration with engineering company vendors (one-stop solutions)	Number of building works conducted (including facility management)
Realize a society for people with safety and vibrancy	Create new value that brings together diverse capabilities based on strengths accumulated through social infrastructure development	Strengthen implementation structure for ODA construction projects	Rapidly build implementation structure with local partners	Number of ODA project bids participated
			●Risk analyses at early stage before bidding ●Receipt of construction orders through assessment implementation, etc.	Number of bids in newly entered country participated (Bangladesh)

relevant laws, tax systems, and business practices. We are therefore narrowing down the projects we will work on by, for example, conducting on-site investigations and risk analyses and assessments with our in-house panel of experts at an early stage before bidding. Even during the construction stage, we will regularly receive technical guidance from the in-house panel of experts to strengthen our construction management system. As one of the initiatives toward achieving Nishimatsu-Vision 2030, in addition to ODA projects such as transportation infrastructure, we are aiming to participate in new markets such as environment and energy business-related construction projects in Australia.

As the weak yen continues to make it difficult for Japanese construction investment to recover, in the Building Business we will work to expand our foreign customers, including local blue-chip customers, in Thailand. We are working to build a stable earnings base, focusing on logistics facility projects, for

which demand is expected to continue. In contrast, the development of industrial parks by Japanese and Thai companies in Vietnam is progressing vigorously, so we aim to obtain information on companies moving into the area at an early stage and to secure a stable supply of factory and warehouse projects. In response to the restart of large-scale development plans by Japanese companies and local real estate companies, we will also work to strengthen our organizational structure to tackle large-scale projects. Toward the realization of Nishimatsu-Vision 2030, we will position Thailand, where we have maintained a presence for over 60 years, as the center of our international construction business, and further accelerate the localization of our management structure to expand our business into neighboring countries. Also, to stabilize and expand the scale of our business, we will increase the proportion of foreign and local customers in our customer base.

## Contributions to solving social issues through factory construction (construction completed in FY2023)

### U.S. electronics and communications equipment factory expansion project (Thailand)

The expansion of the existing facility was undertaken to increase production capacity to meet growing global demand for electronic and communications equipment.

During construction, precast construction methods were applied to the exterior walls, which helped to reduce industrial waste while ensuring stable quality and improving productivity. We also standardized worker training by using work procedure videos for which AI multilingual software was utilized to cater to the increasing number of foreign workers.



U.S. SANMINA's electronics and communications equipment factory expansion project (Thailand)

### Construction of a new airbag fabric manufacturing factory (Vietnam)

We built a manufacturing plant for airbag fabric in Thai Binh Province, Vietnam. The primary application is in vehicles, and ongoing growth in airbag production is forecast due to rising vehicle production in Asia, heightened safety requirements, and an increasing number of airbags per vehicle.

By using high-quality excavated soil as backfill during construction work, we succeeded in reducing the use of natural resources and curbing waste generation. By conducting on-site inspections and patrols using IT tools such as Teams\*1 and BIM360\*2, we were able to work closely with the client to advance the project and deliver a high-quality building to a high degree of satisfaction without a single accident throughout the entire construction period.



Asahi Kasei Airbag Fabric Vietnam Project (Vietnam)  
Photo: Asahi Kasei Airbag Fabric Vietnam Co., Ltd.

\*1 Communication tool provided by Microsoft Corporation  
\*2 Cloud-based building information modeling (BIM) software provided by Autodesk Inc.

# Asset Value-Added Business



**Creating living spaces that excite users at astounding speed**  
**—Value provided to society: “Safety,” “Vibrancy,” and “Bonds”**

General Manager of Asset Value-Added Business Division **Yoshiyuki Sawai**

## ■ Progress of Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

With the aim of expanding Group revenue, we are actively undertaking investment in five growth areas\* while enhancing profitability and improving asset efficiency by evolving into a circular reinvestment model through the timely replacement of assets.

In one growth area, the tourism and entertainment field, we opened Korinkyo, a boutique hotel renovated from a Kutani pottery store based on the concept of “providing a new Kanazawa experience,” Hotel JAL City TOYAMA with a modern space that touches the daily life of Toyama, and Prince Smart Inn Hakata that meets smart stay needs through ICT and AI technologies. In FY2023, ASAI Kyoto Shijo where guests can enjoy the charms of Kyoto much like a local resident also commenced operations. Outside of Japan, the 5-star Grand Nikko Bangkok Sathorn is scheduled to open in 2025. We are currently making preparations to provide a relaxing stay in a prime location in Bangkok, Thailand.

In the residence field, we are engaged in the student dormitory and employee dormitory businesses. In these businesses, the Group offers comprehensive solutions from

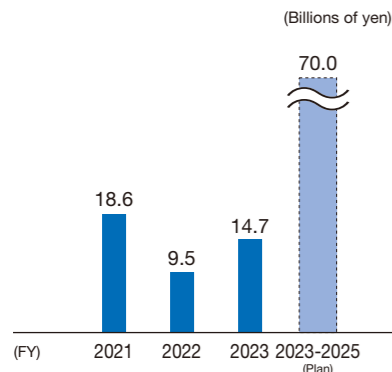
planning and development, design and construction, to ownership, management, and operation, in line with customer needs. Opened in March 2023, Keio University’s Shonan Fujisawa Campus H Village provides the value of “Safety, Vibrancy, and Bonds” while also adopting numerous environmentally friendly facilities. The KOEI CHEMICAL Nagaura employee dormitory, which commenced operations in February 2024, is a facility that will help revitalize employee interaction and also contribute to local disaster prevention.

As far as land readjustment and urban redevelopment activities are concerned, construction on the Nakano 2-chome Area Type 1 Urban Redevelopment Project was completed in February 2024. This is a trigger project around the Nakano Station area, where further redevelopment is planned.

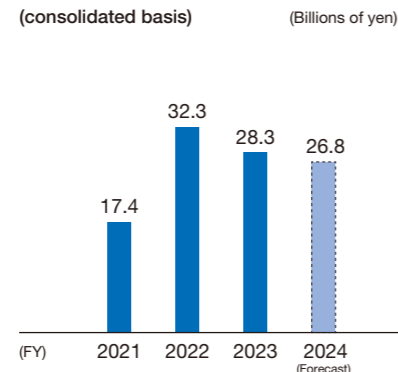
Following the establishment of private placement funds in FY2022, the Company took steady steps toward a circular reinvestment model with the start of operations at Nishimatsu Private Reit, Inc., as an advanced private REIT in the general contracting industry.

\*Five growth areas ...working spaces, residences, tourism and entertainment, lifestyle support and healthcare, and data centers and logistics)

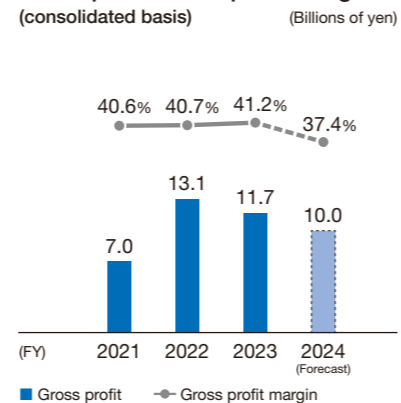
Net investment



Net sales (consolidated basis)



Gross profit/Gross profit margin (consolidated basis)



## Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Materiality solutions	Medium-Term Management Plan 2025 Priority Measures	Initiatives	KPI initiatives
Realize a society for people with safety and vibrancy	Connect the aspirations of the region and customers to create regions and communities that generate people’s vitality	In-house development business Equity investment business Overseas business	Investment in growth fields asset strategy Stable growth through high efficiency, risk diversification and carefully selected investments Customer network creation	FY2023-2025 Investment Recovery Plan (invest 110 billion yen and recover 40 billion yen for a net investment of 70 billion yen) Create new business through the use of development know-how and connecting customers with each other
		Urban redevelopment projects Land readjustment projects	Establishment of a model for horizontal collaboration × cross-industry collaboration Business formation effectively utilizing newly created real estate	Utilize the new real estate created by the implementation of redevelopment projects and work to secure revenue
		Providing exciting asset management services to investors Property management business	Expansion of assets under management by Nishimatsu Asset Management Co., Ltd. Strengthening of PBM functions of Nishimatsu Jisho Co., Ltd.	Balance of assets under management Hire and develop professional human resources with abundant experience
	Create environmentally friendly, resilient communities	Responding to decarbonization	Promotion of use/utilization of renewable energy at owned properties Conformity of owned properties and projects implemented with the Company’s proprietary environmentally friendly building specification standards	Achieve 100% by FY2030 Achieve a 60% conversion rate to ZEB and energy saving in leased buildings owned by FY2030 (* Achieve a 31% conversion rate to ZEB and energy saving in leased buildings owned by FY2025)

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

In the current fiscal year, the mid-point of Medium-Term Management Plan 2025, we will steadily build up our revenue base, evolve into the circular reinvestment model, and contribute to the Construction Business, thereby achieving sustainable growth for the Nishimatsu Construction Group.

In a bid to upgrade and expand human resource development opportunities, we will promote each individual’s growth mindset and willingness to take on new challenges and strengthen investment management, property management, and building management operations throughout the Group as a whole while harnessing our construction expertise.

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. Through the formation of a private REIT, we intend to further accelerate the

pace of fund recovery. Plans are in place to undertake a net investment of 70 billion yen in five priority asset areas over the three years to FY2025. We are speeding up preparations and the commercialization of in-house development business. We are also witnessing the outcomes of equity investment development projects in well-located properties.

Overseas, we will increase capital efficiency by expanding our scope earnings revenue centered on real estate investment and development projects in developed countries and growth markets.

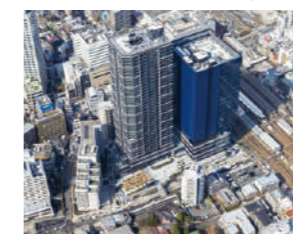
In addition, we will work to expand business opportunities for the Group by organically collaborating with each division, for example by organizing land readjustment and urban redevelopment projects.

Furthermore, we will contribute to a decarbonized society by promoting our proprietary environmentally friendly building specifications.

## Contributing to revitalize regions (construction completed in FY2023)

### Nakano 2-chome Area Type 1 Urban Redevelopment Project

This is a large-scale urban planning undertaking in front of the south exit of Nakano Station that combines the features of land readjustment and urban redevelopment projects. This initiative will help create a bustling urban complex and transportation node by expanding the plaza in front of the station and redeveloping traffic flow lines. As a participant from the initial phase of planning, we have supported project operations for many years. In February 2024, construction was completed on two high-rise buildings consisting of commercial, business, and urban residential components.



Nakano 2-chome Area Type 1 Urban Redevelopment Project

### KOEI CHEMICAL Nagaura Employee Dormitory

A tailor-made, one-stop solution for corporate employee dormitories. Equipped with a host of conveniences, including an employee club and large public bath, the dormitory also offers water tanks for water supply and manhole toilets for temporary use in the event of such natural disasters as a major earthquake. Serving also as an evacuation center, the dormitory functions as a residence that offers safety and peace of mind.



KOEI CHEMICAL Nagaura Employee Dormitory

# Regional Environmental Solutions Business



## Expanding business domains to rebuild social functions through aggressive business investments

General Manager of Regional Environmental Solutions Business Division **Hitoshi Kususako**

### Progress of Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

Under Medium-Term Management Plan 2025, Nishimatsu Construction plans to aggressively develop the renewable energy business and community development business with the aim of realizing a safe and vibrant society. Although momentum is strengthening toward decarbonization and regional revitalization, the profitability of operations and the speed of development have become challenges. In FY2023, the initial fiscal year, actual investment was 1.9 billion yen, short of the 5.7 billion yen target.

Below are the Company's main achievements in FY2023, based on key measures for materiality and Medium-Term Management Plan 2025.

#### Promote the formation of a decarbonized society

- Started construction on the Sanyo-Onoda Biomass Power Plant (Sanyo-Onoda City, Yamaguchi Prefecture), which uses underutilized domestic timber, and commenced operations in July 2024
- Launched operations of the rooftop solar power PPA project Michi no Eki Munakata (Munakata City, Fukuoka Prefecture) in February 2024
- Participated in a methane fermentation biogas power generation project in Kumamoto Prefecture, with operations scheduled to start in 2025
- Conducted geothermal power generation site selection surveys in Hokkaido

#### Promote development and projects that contribute to revitalizing regions

- Concluded an agreement with Matsue City, Shimane Prefecture, on utilizing the corporate hometown (*furusato*) tax system (personnel dispatch model)
- Proposed solutions for regional challenges to municipalities including Munakata City, Fukuoka Prefecture

#### Promote cross-industry collaboration

- Signed a comprehensive partnership agreement with educational institutions aimed at realizing a smart campus and addressing social challenges through joint research and development
- Commenced joint development with a venture company on communication equipment linked to IoT sensors
- Began joint development with a venture company on wearable devices for heat stroke prevention

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

In Nishimatsu-Vision 2030, the Company has set the goal of expanding its business domains to include the rebuilding of

social functions, with a key focus on the Regional Environmental Solutions Business for investments during the Medium-Term Management Plan 2025. Based on the results of investments in FY2023, the Company will focus on the following action plans.

- Increase the number of projects implemented and improve efficiency in business feasibility assessments
- Built up strengths to improve business profitability
- Quickly create models for regional community development projects

Additionally, as part of the priority measures under the Medium-Term Management Plan 2025, the following measures will be implemented.

#### Promote the formation of a decarbonized society

- Wood biomass power generation project: We continue to aim for the commercialization of power generation using underutilized domestic timber, while contributing to sustainable forest management and regional revitalization.
- Methane fermentation biogas power generation project: Power generation using organic waste is an effective method for realizing a circular society, and has synergies with regional community development projects. Although there are challenges, such as the stable procurement of materials and the disposal of fermentation residues, we will overcome these challenges and turn them into our strengths.
- Geothermal power generation project: While it will take approximately 5 to 10 years to commercialize, geothermal power can serve as a baseload power source in a local production for a local consumption model. We are approaching this project with a long-term perspective in collaboration with local businesses.

Additionally, we are considering the commercialization of four small hydropower projects, which are known as permanent power sources, and two wind power projects, a market that is expected to grow.

#### Promote development and projects that contribute to revitalizing regions

As a result of proposing solutions to various regional issues faced by municipalities, we are now seeing the specific projects emerge for eventual commercialization, such as the building of a blue carbon business and its utilization in public facilities. We will continue to create projects that leverage the unique characteristics and potential of each region.

#### Promote cross-industry collaboration

We are collaborating with a start-up company to develop new technologies and provide on-site demonstration tests that contribute to the advancement of production processes at construction sites.

### Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Materiality solutions	Medium-Term Management Plan 2025 Priority Measures	Initiatives	KPI initiatives
Realize a society for people with safety and vibrancy	Preserve the environment and biodiversity while realizing a circular economy through business activities	Promote the formation of a decarbonized society	Renewable energy initiatives (PPA, small hydropower, geothermal, wood biomass, pumped storage)	Renewable energy power generation
	Connect the aspirations of the region and customers to create regions and communities that generate people's vitality	Promote development and projects that contribute to revitalizing regions	Formation of regional community development projects	Number of regional community development projects
Put in place partnerships that can maximize value creation	Create new value that brings together diverse capabilities based on strengths accumulated through social infrastructure development	Promote in-house project collaboration	Number of collaboration projects in RES and construction (civil engineering, building, international) businesses	Number of construction projects formed by 2030
	Cooperate with regional communities and companies to create new value	Promote cross-industry collaboration	Collaborative projects with other sectors Formation of new business organizations through M&A	Number of new joint projects formed

### Developments and projects that contribute to a decarbonized society and regional revitalization

#### Entry into Methane Fermentation Biogas Power Generation Business Using Food Waste

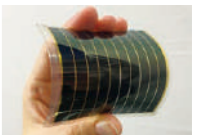
In December 2023, Nishimatsu Construction entered the methane fermentation biogas power generation business by establishing N-Energy Co., Ltd., a joint venture with NAGANO CO., LTD., a company engaged in recycling waste in Kumamoto City, Kumamoto Prefecture.

This business consists in biogas power generation from methane fermentation. It uses food and beverage waste collected from food plants and major supermarkets mainly in Kumamoto Prefecture as main raw materials. Operations are set to begin in July 2025.

It will help solve local waste disposal issues while supporting the creation of circular society with a low environmental impact through the reuse of methane gas generated from food waste for electric power and heat generation.

#### Investment in Company Developing Perovskite Solar Cells and Launch of Feasibility Study in Construction Field

In June 2024, Nishimatsu Construction invested in EneCoat Technologies Co., Ltd. (Kumiyama Town, Kyoto Prefecture), a startup from Kyoto University that is developing perovskite solar cells, which are a promising next-generation solar cell. These perovskite solar cells are thinner, more flexible, and lighter than mainstream silicon-based solar cells, making them suitable for installation in places where conventional solar panels cannot be used, such as rooftops with low load-bearing capacity or building facades. This investment will support studies for the commercial use of perovskite solar cells in the construction field, as well as the advancement of initiatives to create new value in renewable energy and other fields.



Source: EneCoat Technologies' website

#### Entry into Agreement with Matsue City on Personnel Dispatching

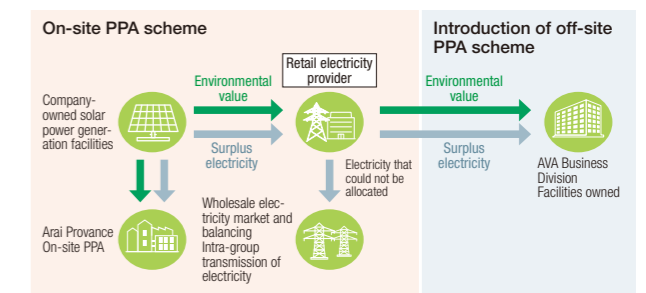
In October 2023, Nishimatsu Construction signed an agreement with Matsue City, Shimane Prefecture, regarding the dispatch of personnel for the corporate hometown (*furusato*) tax system. Matsue City, which aims to protect its historical landscape while advancing carbon-neutral initiatives, was selected by the Ministry of the Environment as a leading region in the decarbonization effort in April 2023. Matsue City aims to achieve net zero CO<sub>2</sub> emissions. Through this agreement, Nishimatsu Construction employees will take positions as fixed-term staff members in Matsue City, working together to promote carbon neutrality in Matsue City and contribute to its status as a leading region in the decarbonization effort.



Agreement signing ceremony  
Left: President Takase of Nishimatsu Construction  
Right: Mayor Uesada of Matsue City  
(Titles as of October 2023)

#### Off-Site PPA to Supply Surplus Electricity from Company-Owned Solar Power Assets to Facilities Owned by Asset Value-Added (AVA) Business

At the on-site PPA solar power generation facility at Arai Province Urayasu, surplus electricity that cannot be consumed at the facility will be supplied to four student dormitories managed by Nishimatsu Construction's Asset Value-Added (AVA) Business Division. This will cover about 20% of the total electricity consumption of the four dormitories (220,000 kWh annually), reducing CO<sub>2</sub> emissions by approximately 94 t-CO<sub>2</sub>. This reduction will be a part of both Scope 2 emissions (demand from shared areas of the four facilities) and Scope 3 emissions (demand from exclusive areas of the four facilities). We will continue to advance projects that utilize electricity generated at our own facilities for our own consumption.



## Overseas Activities

### Thailand and Laos



BRF Panamera Project

Thailand's economic growth was projected to grow only 2.5 percent in 2023, less than the 2.6 percent figure in 2022. However, the economy in 2024 may see an increased growth rate of 3.2 percent due to the recovery of the tourism sector and sustained private consumption. In 2023, Thai Nishimatsu Construction Co., Ltd. completed the construction of several projects, namely BTMT Phase 5 project, Panamera project, Maco BS & Test Building project, BTMT BB#11 project and Sanmina Plant Expansion project.

Our Group's quest for opportunities in Thailand continues from previous years. Thus, we are now more eager than ever to expand our business into other new fields. Currently, we

are cooperating seamlessly with Asset Value-Added Business to develop high-rise properties and invest in hotels in Thailand. The construction of the Bangkok Sathorn Hotel Project is in progress and can be expected to be completed in 2025. Also in 2023, we successfully acquire quite a few new orders. The new contracts include from the existing clients and brand-new customers, such as Yuasa New Head Office project, new warehouse Logisteed project, SCGN Navanakorn Distribution center project, and Aloft Bangkok Sukhumvit 11 project. In addition, Thai Nishimatsu has expanded our scope of activities to include Regional Environmental Solutions Business.

Preparations are in progress and we are pursuing opportunities to conclude power purchase agreements (PPA) with clients in the near future.

Lao Nishimatsu Construction Co., Ltd. operated its business as usual during 2023. Pakse-Japan SME SEZ Development Co., Ltd. (PJSEZ), also works to fully support investment in Laos and assist revitalization of the Lao regional economy.

With these initiatives, the journey of the Nishimatsu Construction Group in Thailand and Laos will continue into our realization of the goals set in the Medium-Term Management Plan 2025 and Nishimatsu-Vision 2030.

### Singapore



Deep Tunnel Sewerage System Phase 2 Contract T-10

2023. Public sector demand is expected to contribute to 55% of the 2024 projected demand with a continued strong pipeline for public housing and infrastructure projects (including future Cross Island MRT Line Phase 2, Changi Airport Terminal 5 and Tuas Port developments).

Land Transport Authority (LTA) C882, the Construction of Keppel station and tunnels for Circle Line 6 was awarded on September 8, 2017 to Nishimatsu in a joint venture with Messrs. China State Construction Engineering Corporation Limited. Works progressed well with all four tunnel drives completed in July 2021, ahead of schedule. All the key dates for Basic Structure Completion on C882 for the station, station entrances and tunnels were also achieved on schedule by October 2023. C882 has also won numerous safety awards and is currently on schedule to achieve Completion of Whole of the Works by December 2025.

The Public Utilities Board (PUB) T10 Contract for the Design

and Construction of sewer tunnels for the Deep Tunnel Sewerage System Phase 2 was awarded on November 17, 2017 to Nishimatsu. All three tunnel drives on T10 were completed by July 2023 and the secondary lining in the tunnels was essentially completed in June 2024. T10 is currently moving towards completing the various shaft structures and target to complete all the works by March 2025.

LTA's CR110, the Design and Construction of bored tunnel between Tampines North station and Defu station for the Cross Island Line was awarded on November 8, 2021 to Nishimatsu. This is the second large diameter TBM project for LTA and will undercross a live military airbase. The TBM launch shaft is scheduled to be completed in August 2024. The first delivery of the large diameter TBM reached site in May 2024 and the TBM is targeted to be launched in December 2024.

The tenders for LTA Cross Island MRT Line Phase 2 were

called progressively from November 2022 with a total of eight contracts to be awarded. Nishimatsu, in a joint venture with Messrs. Okumura Corporation Singapore Branch, participated in the tender of CR210 for the Design and Construction of Tunnels between the Jurong Lake District Station and West Coast Station and Associated Works for the Cross Island Line. A tender was called on July 31, 2023 and closed on January 19, 2024. Nishimatsu-Okumura Joint Venture was awarded this contract on June 19, 2024.

In the year 2023, Nishimatsu was also awarded the prestigious Workplace Safety and Health Council Performance Gold Award. Nishimatsu is only one of six companies across all industries in Singapore, and the only construction company in Singapore to achieve this accolade. Nishimatsu will continue to uphold its high safety standards and build up its core professional and supervisory teams to embrace new challenges.

The Building and Construction Authority (BCA) of Singapore reported in January 2024 a projected construction demand in 2024 ranging between S\$32 billion to S\$38 billion. This is compared to the approximate of S\$33.8 billion awarded in

### Philippines



Metro Manila Subways Project Phase 1 Package CP102

The Philippines Branch Office started from the Pilot Rural Environmental Sanitation Project in March 1985 which was funded by JICA, marking its 39th year this year.

Including Metro Manila Subway Project CP102 which was awarded in September 2022, we have been involved in 36 projects in Philippines.

In June 2016, President Rodrigo Duterte (the 16th president) took office and advocated "Build, Build, Build" for the recovery of the Philippine economy.

In June 2022, President Ferdinand Romualdez Marcos Jr. (the 17th president) took office and advocated "Build Better More," aiming for further infrastructure development.

The national budget of the Philippines for 2024 has been announced to be approximately PHP5.768 trillion (JPY15.6 trillion), a 9.5% increase compared to 2023. Of this, the budget for the Department of Transportation (DOTr), which is responsible for the construction of the metro is PHP214.3 billion (JPY578.6 billion).

In the Philippines, in addition to the Metro Manila Subway Project, there are numerous large-scale infrastructure projects planned, including North South Community Railway Project (extension), Davao City Bypass Construction Project Package 2 and 3, Metro Manila Priority Bridges Seismic Improvement Project (Guadalupe Bridge, Lambingan Bridge), Construction

of 4th Cebu-Mactan Bridge including Mandaue Coastal Road, Metro Manila Interchange Construction Project (Phase VI), Bataan-Cavite Interlink Bridge Project, Paranaque Spillway Project, Dalton Pass East Alignment Road Project and Paranaque Spillway Project.

The Philippines Branch Office intends to continue contributing to the development of the Philippines by engaging in these large-scale infrastructure projects.

# Technology Development / Intellectual Property Management

## Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Materiality solutions	Medium-Term Management Plan 2025 Priority Measures	Initiatives	KPI Initiatives
Realize a society for people with safety and vibrancy	Preserve the environment and biodiversity while realizing a circular economy through business activities	<ul style="list-style-type: none"> <li>Develop environmental technologies to create new value</li> <li>Develop new technologies for preserving and coexisting with the natural environment</li> </ul>	Conducting of joint research and development with industry, government (communities), and academia that contributes to SDG-driven solutions to environmental issues	<ul style="list-style-type: none"> <li>Testing of at least five environmental technologies aimed at decarbonization and resource circulation</li> <li>Acquisition of at least two basic technologies related to environmental preservation and restoration</li> </ul>
Advance technological strategies that lead to safety and excitement	Engage in technological development that looks to the future	<ul style="list-style-type: none"> <li>Establish architectural environmental technologies aimed at improving comfort</li> <li>Build resilient national infrastructure and extend the lifespans of infrastructure and buildings / Establish maintenance and management technologies</li> </ul>	<ul style="list-style-type: none"> <li>Realizing of highly satisfactory buildings e.g. Zero Energy Building (ZEB) that combine comfort and energy efficiency</li> <li>Realizing of medium- and large-scale wooden buildings</li> <li>Establishment of bridge renewal (road slab replacement, etc.) technology</li> <li>Establishment of tunnel renewal (lining refurbishment, etc.) technology</li> </ul>	<ul style="list-style-type: none"> <li>Demonstration testing of ZEB-related advanced technologies completed, design method establishment 100% complete</li> <li>Improvement/practical application of developed construction method (two-directional timber frame) more than 50% achieved (scheduled for completion in FY2027)</li> <li>Road slab replacement technology (cutting and removal, lifting and installation, joint joining) 100% established</li> <li>Road tunnel (arch/invert) restoration technology 100% established</li> </ul>
	Increase construction efficiency through technological development and utilization	Improve productivity and promote labor savings through construction DX	<ul style="list-style-type: none"> <li>Development of automated and unmanned mountain tunnel construction systems (remote-control technology for major operations)</li> <li>Development of automated and labor-saving construction system for shield tunneling</li> </ul>	<ul style="list-style-type: none"> <li>Simultaneous remote control technology for multiple machines 100% established</li> <li>Construction of system that allows one person to centrally manage and remotely operate multiple machines more than 50% achieved (scheduled for completion in FY2027)</li> </ul>

## Technology Development Initiatives

### Renewal of Infrastructures

#### Expressway renewal: Highway bridge road slab removal and installation

Technological development relating to road slab replacement works is one of the expressway renewal works, and it is one of the "Take on challenges in new fields" initiatives we are vigorously promoting under Medium-Term Management Plan 2025. To remove the existing slabs, we developed a technology using plate jacks, and the results show that construction time could be reduced by 20-50%\* compared with standard methods.

For the transportation and installation of the new road slabs, we developed dedicated installation equipment to be fitted to a large forklift for locations where cranes cannot be used. Full-scale testing was carried out to verify that the construction capabilities of this equipment are equal to or greater

than those of a standard crane. Going forward, we will introduce and verify these technologies on-site, aiming to develop technologies that are safer and have higher construction capabilities.

\* Comparative result of construction time with standard construction method during experiment



Separation experiment using plate jack



Full-scale transport and installation experiment using a large forklift and dedicated installation equipment

### Technologies for Sustainable Architecture

#### ZEB buildings: Efforts in energy-saving technology demonstration spaces

The Technical Research Institute's office having been renovated into a space for demonstrating energy-saving technologies, design methods were verified starting in FY2023.

To achieve both comfort and energy conservation, we are implementing a number of relevant initiatives. These include: Demonstration research into appropriate air-conditioning capacity; the challenge of forming indoor temperature distribution to improve energy efficiency; the establishment of



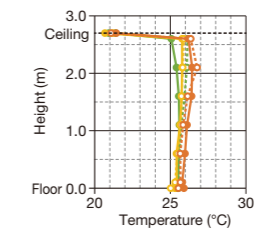
Interior of the office that serves as a demonstration space



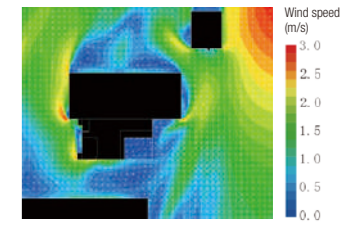
Air-conditioning performance test with simulated load

design methods to improve comfort and energy efficiency in ceiling radiant air-conditioning and underfloor air-conditioning systems; efforts to predict and control the ventilation and cooling effects of natural ventilation; and semi-outdoor space design methods to form spaces open to the outside so that comfort can be achieved even without air-conditioning.

By promoting these initiatives, we aim to develop more advanced design techniques to realize ZEB buildings that provide high levels of customer satisfaction.



Vertical temperature distribution of radiant air-conditioning



Wind analysis by CFD simulation

### Initiatives Toward Biodiversity Preservation Establishing a biotope within the Technical Research Institute

Due to growing social interest in biodiversity, it is essential for companies to give consideration to the environment in their business activities. Having set out its Biodiversity Action Guidelines in March 2023, Nishimatsu Construction developed the Nakatsu Crosspoint biotope as a biodiversity field on the premises of its Technical Research Institute in April 2024.

Its environmentally friendly features include: (1) The preservation of rare native species that grow naturally around the town of Aikawa in Aiko-gun, Kanagawa Prefecture, where the Technical Research Institute is located; (2) A biotope pond that uses collected rainwater as its main water source; (3) Insect hotels (places where insects can easily live) to different specifications; and (4) A facility designed with the environment in mind, including reducing waste through the installation of a compost bin.

Going forward, we aim to make use of the facility as a venue for raising awareness of biodiversity through maintenance and biological monitoring by staff as well as a place where local elementary school students can experience local nature and receive environmental education.



An overall view of Nakatsu Crosspoint



Insect hotel made from scraps generated during construction work

## Intellectual Property Management

### Intellectual Property Activity System

The Company regularly holds Invention Committee meetings that are chaired by the Director of the Technical Research Institute and made up of members selected from each technical field. These meetings serve to verify our intellectual property (IP) management policy and report on and discuss IP-related activities.

### Promotion of IP Activities

We conduct IP training on a regular or as necessary ad hoc basis, so that all employees, regardless of position, can recognize the importance of IP and act on their own initiative. To increase employee incentives for technological development, we have also put in place a system for paying bonuses at the time of application and registration of inventions made during employment, as well as according to the implementation record, to promote IP activities.

### IP Utilization

Basing our IP on our patent holdings, we aim to generate revenue through licensing both within and outside the industry. By reviewing the patents we hold on an annual basis and optimizing patent maintenance costs, we are able to invest in new technological developments, thereby creating further IP, which leads to increased corporate value and sustainable growth.

### IP Risk Reduction

We continuously investigate and monitor IP risks such as risks from the infringement of rights, contract risks, technology leakage, and technology imitation. We also take appropriate contractual and confidentiality measures to minimize the risk of information leaks or infringements. By taking these measures, we aim to reduce IP risks, while helping to maintain and improve our social credibility as a company.

# DX Strategy



The DX certification system certifies that a company is ready to transform its business digitally (DXReady), including the formulation of a vision and the development of a strategy and system for realization of DX.

See the Company's website for details (Japanese only) <https://www.nishimatsu.co.jp/dx/>

## 2030 and Beyond "We will Innovate Spaces Digitally"

### Reforming the Corporate Culture Into a Foundation That Supports the Promotion of DX

#### ◆ Action Guidelines

#### DX Action Guidelines: Self-transformation through a digital mindset

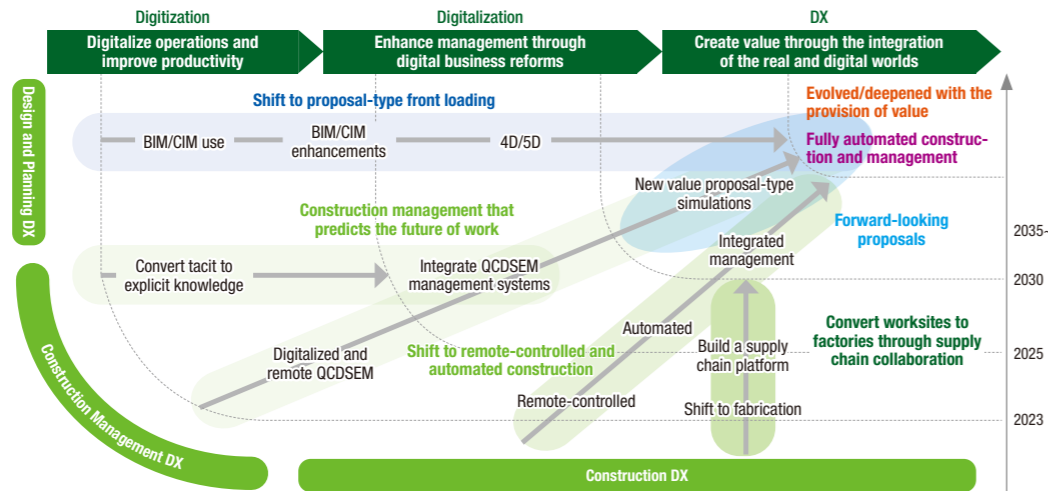
Nishimatsu Construction formulated the DX Action Guidelines to unify the awareness of all employees and officers so that they engage in DX along the same vector. Specifically, we will accelerate transformation by practicing the five approaches of:

- [1] Possess an awareness of transformation
- [2] Turn attention to new value
- [3] Engage with an open mind
- [4] Continue to undertake new challenges
- [5] Execute with a sense of ownership.

### Smart Construction Sites with Evolved/Deepened On-site Capabilities

#### ◆ Road Map

Development of new production systems



#### ◆ DX Initiative DX Conference as an approach to realizing smart construction sites

We organized the DX Conference as an arena to make internal presentations with the goal of sharing DX technologies intended to build the smart construction sites of the future. Several topics included active use of DX technologies at various construction sites, DX application know-how, and issues and improvement needs that have come to light.

To date, presenters have described construction site case studies including BIM/CIM-use to seamlessly execute construction plans, marking using MR and AR, and going paperless for

inspection sheets and other documents through digital technology use. Other presenters have shared the Technical Research Institute-led development of automated and unmanned mountain tunnel construction and quality control systems.

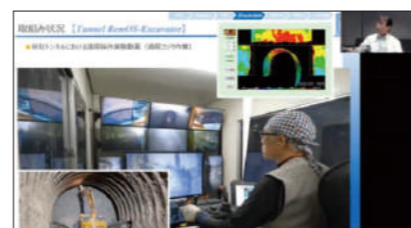
We will continue to accelerate horizontal deployment of these concepts within the Company in aims of early implementation and maximization of DX technology outcomes, including greater fulfillment among employees and workers, as well as improved worksite productivity.



[Design and Planning DX] Use and regular launch of front-loading production design models



[Construction Management DX] Undertaking challenges with tunnel miners! Digitalizing tunnel face transfer documentation (eYACHO+MetaMoji)



[Construction DX] Initiatives for automated and unmanned mountain tunnel construction (Tunnel RemOS- RH)

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

#### ◆ Road Map

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

	2023-2026 Workstyle DX that enhances engagement		2027-2030 Workstyle DX that maximizes capabilities	
	Action	Goals	Action	Goals
Job Comfort	Systems for assisting in work	Freeing up time	Advancement of task assistance Advancement of remote operations and communication	Maximize one's capabilities
	Systems for enabling remote work			
	Advancement of online communication			
	Systems for enabling collaboration among diverse employees			
Job Satisfaction	Systems for supporting physical and mental health	Work with peace-of-mind	Expansion of value provided to stakeholders Initiatives to ensure psychological safety Advancement of learning environments Self-led career development	
	Systems for facilitating learning			
	Systems that link the work of individuals to personal recognition by customers and companies			
	Improve oneself and feel appreciated			

#### ◆ DX Initiative Generative AI-based work style reforms

Nishimatsu Corporation is working to build business systems that incorporate generative AI for the purpose of improving business efficiency and quality. Along with enhancing the secure application environment for AI text generation, we are advancing developments involving text generation that references internal documentation, as well as writing support for technical texts and other highly specialized documents.

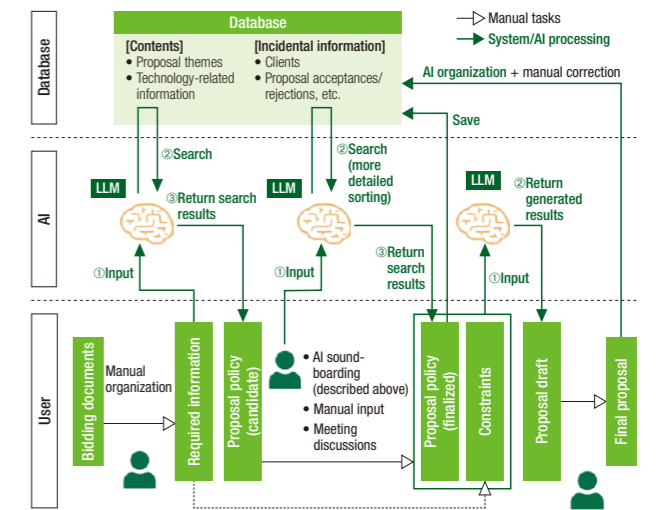
##### [1] Development of an LLM with an internal documentation reference function

By linking the Box cloud storage service offered by Box, Inc., which we currently use to manage documents, and the currently-used AKARI Construction LLM AI text generation model, we enabled text generation that references internal documentation. This effort now allows us to leverage various areas of internal knowledge, for example by improving the efficiency of internal inquiries. And we are currently working to further increase its precision.

##### [2] Development of a text generation function that supports specialized operations in the construction industry

We are also developing an LLM specialized in preparing technical documentation for use in accumulating construction technology know-how, as well as in drafting technical documentation

and construction planning. We are currently hashing-out support and planning ideas based on the provision of technical information, which maximizes use of technologies and experience accumulated within the Company. This effort aims to formulate more efficient, appealing construction proposals, and to contribute to solutions for the issue of passing on know-how.



### Businesses that Create New Services and Spaces in the Ecosystem

#### ◆ Road Map

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

Business Concept	2023~ Create vibrant spaces through the combination of business and digital tools	2030~
	<ul style="list-style-type: none"> <li>Provide content support for regional vitality</li> <li>Create new experiences through a combination of the Metaverse and AR/MR</li> <li>Improve efficiency of space management costs</li> </ul>	<ul style="list-style-type: none"> <li>Provide community development services offering a variety of structures and experiences that revitalize regions</li> </ul>

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

Business Concept	2023~ Provide know-how possessed by the construction industry in creating structures and human resources	2030~
	<ul style="list-style-type: none"> <li>Reduce workloads in the construction industry</li> <li>Improve the working environment and solve the technical skill succession problem</li> <li>Improve the flow of operations involved in transporting construction materials and equipment, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Provide a fully digital construction platform for training, worksites, materials, and construction equipment, etc.</li> </ul>



Special Feature

# Nishimatsu Construction – Trust. It’s What We Build.

In celebrating its 150th anniversary, Nishimatsu Construction has identified the tagline “Trust. It’s what we build.” Here, employees share their challenges to continue providing “Trust. It’s what we build.” for people’s lives, infrastructure, society, and the future of all nations.

## Domestic Civil Engineering Business

**Proud to be engaged in work that contributes to society**

I currently serve as chief engineer and am responsible for site management, surveying, and temporary works planning. Over a period of two and a half months following the Noto Peninsula earthquake that struck on New Year’s day, I was heavily involved in site restoration work. Seeing local residents using roads that had been blocked by landslide damage and fallen trees after the completion of work, I realized that the construction industry considerably contributes to society. Also, I received words of encouragement and gratitude from victims of the disaster, which once again made me feel that this work was worthwhile. However, amid a downturn in the number of job applicants in the construction industry, I believe it is necessary to convey the industry’s appeal which is arguably the backbone of social infrastructure. I am confident that those of us who work within the industry realize that we all strive for a better society. With this in mind, I will endeavor to increase the number of people who are seeking a career within construction industry, which in turn will lead to the development of the industry as a whole.



**Kento Hashimoto**  
Senior staff  
Kamiseya Site Office  
Kanto Civil Engineering Regional Headquarters



**Ryota Adachi**  
Manager  
Hakata Site Office  
Kyushu Regional Headquarters

## Domestic Building Business

**The power of forward-looking observation adds value to Nishimatsu Construction’s technological and technical capabilities**

I believe that “passion,” which encompasses empathy and care, is critical to the construction process. Since the manager’s thoughts and feelings are transmitted to the site, I place emphasis on improving the openness of the site, promoting communication and teamwork to foster a sense of unity at the site. The unexpected is part and parcel of work in the field. An open environment can quickly find and share any discomfort and in turn prevent errors. Nishimatsu Construction continues to receive an unbroken stream of large-scale project orders and makes efforts to create value. Passion within the site is the foundation behind our ability to complete this flow of orders and build the trust of customers and society. I am convinced that this power of forward-looking observation is the greatest added value of our technological and technical capabilities. Moving forward, I intend to further cultivate this power of observation and raise the skill level of our young employees by documenting frontline operations in a manual.

## Site Administration Innovation Center

**Contributing to the Company’s development by creating a workplace where everyone can work with vitality**

The Site Administration Innovation Center is responsible for a broad range of functions, including safety, the environment, and quality focusing mainly on on-site administrative and accounting operations. Steps are also being taken to promote the transfer of tasks and outsourcing to reduce the burden of on-site operations. In addition to on-site administrative duties, my role is to handle the various problems that arise on a daily basis. I am currently in charge of large-scale warehouses, which will play a critical role in the e-commerce sector, indispensable to people’s lives as distribution hubs for a broad array of commodities, including food, clothing, and daily necessities. Despite the heavy responsibilities associated with addressing the wide range of issues that continue to arise on a daily basis, there is a strong sense of satisfaction linked to the value that we provide to society. Meanwhile, providing an environment where employees can continue to work with vitality is essential for the Company’s development. I recognize that it is also the task of administrative staff to help foster such a workplace environment and systems. With this in mind, I will strive to help realize an environment where those with whom I work closely can feel a sense of fulfillment.



**Kodai Abe**  
Senior Staff Group 4  
Site Administration Innovation Center  
Kanto Architectural Regional Headquarters



**Sandy Yeh**  
Senior Contracts Manager  
Tampines Site Office  
Singapore Branch Office

## International Business

**Becoming a leader who can foster a work environment built on teamwork in a bid to ensure project success**

The Contracts Department handles all contractual and commercial issues, and deals with all parties involved in the project. I lead a team of Quantity Surveyors and Purchasers to procure and sublet the required works and provide contractual advice to the team. As we carry out tunneling works and infrastructure building, we improve the public transportation system of the country and provide the public a more convenient, reliable, accessible, and affordable journey. Good communication and teamwork are the essential keys to success. A successful project is never done by one person but by a team of people sharing the common goal. I look forward to the expansion of the Singapore Branch Office by undertaking both civil and building projects. Apart from the continuous contribution with my past experiences in both civil and building works, I would like to grow with the organization by exploring new opportunities and technologies. Eventually, my goal is to become a compassionate and influential team leader, empowering the team members to achieve their goals, and foster a collaborative work environment.

## Regional Environmental Solutions

**Generating a multiplier effect in concert with co-creation partners to create businesses that bring out the appeal of the region**

I am stationed at the Company’s Kyushu Regional Headquarters and involved in the development of businesses that are deeply rooted in the community as well as co-creation with local business operators. In FY2023, I was in charge of our first methane fermentation biogas power generation project in Kumamoto City. This project encapsulates our success in creating a business that contributes to the resolution of local issues. This was done through a multiplier effect that combines the collaboration we maintain with the local community nurtured over many years and technological capabilities as well as our passion toward improving the recycling rate of local industrial waste contractors, a co-creation company. I am confident that this project is contributing to the local community by helping resolve the local waste disposal problem and building a recycling-oriented society with less environmental impact. During my time at construction sites, I frequently witnessed the power of each individual, no matter how small, coming together and working as a team to build a massive structure. Moving forward, I will continue to take up the challenge of engaging in projects that bring out the best of the region. I will do so by combining local strengths with those of Nishimatsu Construction coupled with co-creation partners and employing a multiplier effect through the efforts of a unified team.



**Daiki Sakaguchi**  
Senior Staff  
Business Creation Section,  
Regional Development Department  
Regional Environmental Solutions Business Division



**Mari Shiga**  
Senior Staff  
DX Planning Section, DX Planning Department  
DX Strategy Management Office

## DX Strategy Management Office

**Supporting each employee’s optimal work style through DX**

The DX Planning Department is engaged in the consideration, planning, and promotion of DX. In addition to formulating strategies, the Department is responsible for matters relating to DX for the Company as a whole, including investment plans, organizational structure, human resource development, and culture reform. I am responsible for work styles and new business as they relate to DX. In carrying out my duties, I find it very rewarding to be able to influence the Company’s organizational culture by reflecting feedback from employees in workstyle improvement. At some time in the future, I hope to also help provide new value through the creation of new businesses. Values and circumstances, including family life, and career aspirations as well as self-actualization differ by individual employee. Looking ahead, I intend to contribute through my work by fostering a corporate culture in which each employee can realize his or her own preferred workstyle while respecting differences as diversity.

Special Feature

## Collaboration with ITOCHU Corporation: Constructing a Five-story Wooden Dormitory

### Medium- to large-scale wooden building using the P&UA (one-directional timber frame) construction method



Recently, from the perspectives of carbon neutrality and environmental protection, there has been growing interest in utilizing wood in the construction industry, and it is expected that the construction of wooden buildings will contribute to environmental measures by reducing environmental impact during material production and construction as well as through its carbon storage effects. In the past, there were strict legal regulations governing medium to large wooden buildings, but in recent years, laws have been revised and regulations have been streamlined to allow their construction.

It is under these circumstances that we received an order for and are proceeding with the construction of a five-story wooden dormitory building in collaboration with ITOCHU Corporation. This property is the first to apply the panel and unbonded anchor (P&UA, one-directional timber frame) construction method, a high-performance, earthquake-resistant frame construction method for medium- to large-scale wooden structures, which received plan evaluation in October 2022. Progressed through a joint research and development project with the Construction Method Joint Technology Development Group, represented by ICHIURA Housing & Planning Associates Co.,Ltd., the construction method was developed under a system that covers design, evaluation, materials, procurement, and construction through collaboration between industry, government, and academia. Our goal is for this construction method to become widespread

throughout society and for it to become a versatile mid- to high-rise wooden construction technology.

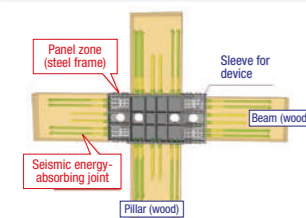
Concerning its construction, a mock-up was created at our Aikawa Technical Research Institute, and the construction procedures, time required for each task, and construction methods were confirmed in advance, which enabled the on-site work to proceed smoothly. During construction, we discovered challenges that will be faced in the future when it comes to the full-scale expansion of mid- to high-rise wooden buildings, such as the unique fit of wooden structures, and we will continue to make further improvements. We also plan to install various measuring devices on the building to measure livability, earthquake resistance, and durability, which are areas where future research is expected to focus on mid- to high-rise wooden buildings. We will then use the data obtained to improve our construction methods for our next project.

Using this project to gain a foothold in the market, we will establish construction techniques and design know-how and contribute to solving social issues and realizing a sustainable society through our business.

Currently, the same joint technology development group is also jointly developing a P&UA (two-directional timber frame) construction method, which will enable the realization of plans with even greater openness. It is therefore expected that this construction method will be utilized in office buildings and other structures in the years to come.

#### P&UA Construction Method Joint Technology Development Group

**Technical developers:** ICHIURA Housing & Planning Associates Co., Ltd., ORIMOTO STRUCTURAL ENGINEERS Inc., Tokyu Construction, Toray Construction Co., Ltd., TODA CORPORATION, Nishimatsu Construction Co., Ltd., HASEKO Corporation, Sumitomo Mitsui Construction Co., Ltd.  
**Joint researchers:** Kyoto University Professor Isoda; Kindai University Professor Matsumoto; Forestry Technology Center, Hiroshima Prefectural Institute of Technology  
**Collaborators:** ALPHA KOGYO K.K., Uchida Giken, WOOD ONE CO.,LTD., Eichoh Co., Ltd., KOUJIMOTO-GUMI CO, TEAM SAKURA, Chuto Co.,Ltd., Fujita K Forest Products Professional Engineer Office, MEIKEN LAMWOOD Corp.



#### High-performance timber frame joint construction method (New technology: GIUA\*)

Glued in Unbonded Anchor (GIUA) is a joining method that fixes unbonded sections, where the steel rods have intentionally not been bonded, to GIR (Glued in Rod)-type adhesive joints, into which steel rods are inserted. This unbonded section prevents the brittle wood from splitting, and allows the steel rods to absorb energy without causing damage to the wood.

\* Patent pending (ICHIURA Housing & Planning Associates Co.,Ltd.)

Special Feature

## Initiatives to Promote Sustainability

### Received Excellence Award at 9th Sustainable Finance Awards

Highly commended for its issuing a sustainability-linked bond (SLB), the Company received an Excellence Award at the 9th Sustainable Finance Awards sponsored by the Research Institute for Environmental Finance (RIEF).

The Sustainable Finance Awards is an awards system that has been implemented by the RIEF since 2015. On the basis of both quantitative and qualitative evaluations, experts from both the environmental and financial fields select financial institutions, companies, related organizations, etc. that have been active in Japan's environmental and sustainable finance market that year. At the ninth awards event (2023), a total of 11 organizations received the award including the Company.

This award is in recognition of the issuance of our first SLB, which had reductions of Scope 1+2 and Scope 3 emissions in line with Zero30 Road Map 2023, our CO<sub>2</sub> reduction plan for 2030, set as its KPI/SPT\*.

The reason for being granted the award was that the Company had been highly praised for "incorporating Scope 3 (emissions associated with building use) targets into its ZERO30 Roadmap 2023, our CO<sub>2</sub> reduction roadmap for 2030, issuing a sustainability-linked bond with the achievement of emissions reductions including this target as the SPT, and setting an annual reduction rate for the SPT, thereby spearheading efforts to focus on real reductions."

Proactively utilizing ESG bond financing, such as the SLB we issued on this occasion, we will work to resolve climate change-related social issues as our contribution to sustainable management through financial activities and as an Eco-First Company.

\* A Sustainable Performance Target (SPT) is a measurable improvement target for a KPI over a pre-defined time frame.



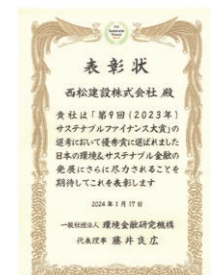
Company presentation speech



At the award ceremony venue

#### Sustainability-linked Bond Issue Overview

Issue duration	5 years			
Total amount issued	¥20 billion			
Issue date	July 27, 2023			
KPI	KPI-1: Reduction rate of CO <sub>2</sub> emissions in Scope 1+2 KPI-2: Reduction rate of CO <sub>2</sub> emissions in Scope 3 (Category 11)			
SPT	SPT-1: Annual targets for reducing Scope 1+2 emissions by 54% in fiscal 2030 (compared with FY2020) SPT-2: Annual targets for reducing Scope 3 (Category 11) emissions by 27% in fiscal 2030 (compared with FY2020)  <SPT for this bond (5-year bond)>			
	SPT	Reduction rate of CO <sub>2</sub> emissions (compared with FY2020)	Fiscal year subjected to judging	Date of judging
	SPT-1	42%	FY2026	September 30, 2027
	SPT-2	25%	FY2026	September 30, 2027



Certificate of commendation

# Environmental Initiatives

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

Having raised the realization of a society for people with safety and vibrancy as a materiality, Nishimatsu Construction has presented several solution approaches, including the formation of a decarbonized society, preservation of biodiversity and coexistence with nature, and formation of a recycling-oriented society. We have also established medium- to long-term targets for these solutions along with detailed initiatives, renewed our Eco-First Commitment\*1 in June 2024, and are promoting activities as a leading company on the environment.



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

## Medium and long-term targets

(Medium-term: FY2030, Long-term: FY2050)

Nishimatsu Climate Information 2024  
[https://www.nishimatsu.co.jp/eng/esg/environment/pdf/nishimatsu\\_climate\\_information\\_2024.pdf](https://www.nishimatsu.co.jp/eng/esg/environment/pdf/nishimatsu_climate_information_2024.pdf)

### [Decarbonized society]

Long-term target: Realization of carbon neutrality [CO<sub>2</sub> Net Zero Plan "ZERO50 Roadmap"]

- Scope 1, 2, 3 Net Zero

Medium-term target: Significant reductions in Scope 1, 2, and 3 emissions, and engagement in renewable energy generation [CO<sub>2</sub> Emissions Reduction Plan "ZERO30 Roadmap 2023"]

- (1) Scope 1 + 2 -54.8% (compared with FY2020)
- (2) Scope 3 (Category 11)\*2 -27% (compared with FY2020)
- (3) Amount of Green energy generation 108,000 MWh (CO<sub>2</sub> reduction effect: Equivalent to 40,000 t-CO<sub>2</sub>)

### [Biodiversity preservation]

Long-term target: Realization of a society that coexists with nature through all business activities

Medium-term target: Ongoing preservation activities at construction sites based on biodiversity-conscious tools, certification of company-owned lands as Nature Coexistence Sites and preservation activities at each location, ongoing coral preservation activities through collaborations with various entities

### [Recycling-oriented society]

Long-term target: Final landfill disposal rate Zero

Medium-term target: Final percentage of waste sent for landfill disposal at 2.5% or lower

\*1 Eco-First Commitment: A commitment to self-led initiatives for preserving the environment, including global warming, waste, and recycling countermeasures, that a company makes to the Minister of the Environment. Since 2016, Nishimatsu Construction has received certification as an Eco-First Company by the Minister of the Environment in recognition of our advanced, original, and industry-leading business activity initiatives involving environmental preservation.

\*2 Scope 3 (Category 11): One of the 15 categories under Scope 3 (emissions other than Scope 1 and 2), one of the greenhouse gas emissions classifications (Scopes). In regard to the Company, this refers to CO<sub>2</sub> emissions coinciding with energy use during building operation after completion and delivery, and accounts for the greatest part of total emissions from Scope 1, 2, and 3.

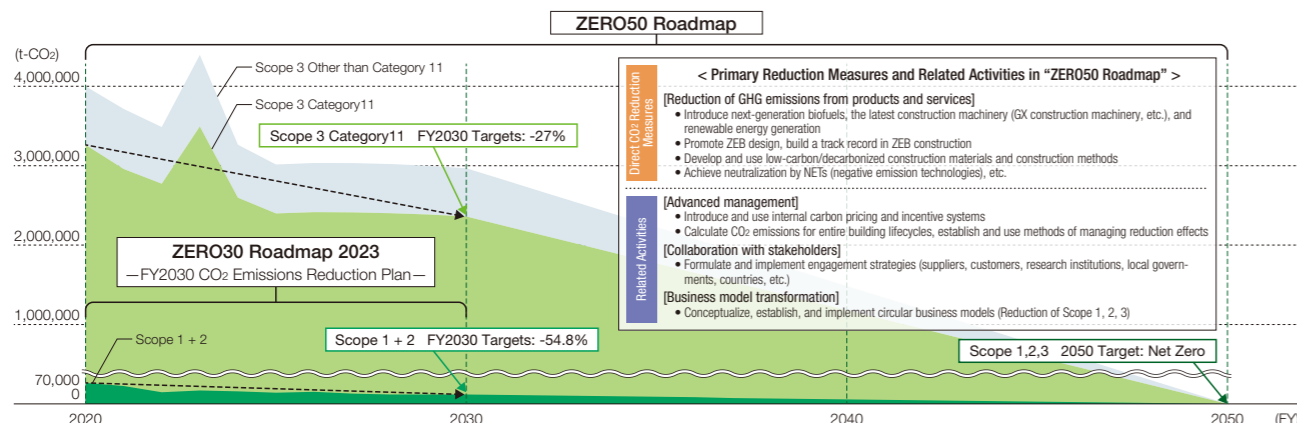
## Decarbonization

### Formulating the ZERO50 Roadmap

In working to achieve a carbon neutral society by 2050, Nishimatsu Construction formulated the ZERO50 Roadmap as our CO<sub>2</sub> Net Zero Plan for the entire value chain. Specifically, this roadmap aims to realize a carbon neutral society by transitioning to next-generation fuels as part of direct operations, making renewable energy generation standard for all projects, procuring materials with an emphasis on LCCO<sub>2</sub> options throughout the value chain, making ZEB designs standard, and engaging in other such initiatives.

### Promoting ZERO30 Roadmap 2023

With a target year of 2030, our CO<sub>2</sub> Emissions Reduction Plan "ZERO30 Roadmap 2023" falls within the scope of ZERO50 Roadmap. As part of this Plan, we are working to significantly reduce CO<sub>2</sub> emissions in line with international standards and produce green energy via renewable energy generation. Specifically, we are making use of environmentally conscious fuels and a renewable energy generation standard to address Scope 1 and 2 emissions, and actively introducing ZEB design to manage Scope 3 Category 11 emissions.



### Results and targets of ZERO30 Roadmap 2023

	Unit	FY2020	FY2023	FY2024	FY2030
		End Results	End Results	Target	Target
Scope 1 + 2	1,000 t-CO <sub>2</sub>	70.2	41.0	41.7	31.7
Rate of renewable energy introduction	%	—	47	52	77
Scope 3 Category 11	1,000 t-CO <sub>2</sub>	3,191.8	1,673.2	2,560	2,328
Green energy power generation	1,000 MWh	0.02	0.9	14	108

TOPIC 1

#### Acquiring SBT 1.5°C certification

Nishimatsu Construction elevated the existing 2030 GHG reduction targets for the entire Group, and received 1.5°C certification in August 2024 from the SBTI. And we will work to reduce GHGs at a higher level to achieve a carbon neutral society by 2050.

## Biodiversity

### Biodiversity preservation activities at construction sites

Utilizing the Company's original Biodiversity Options Book, environmental control and inspection charts, and other biodiversity-conscious tools, Nishimatsu Construction considers biodiversity as part of its business activities.

At the Kawauchisawa dam construction site managed by the North Japan Regional

Headquarters, for example, we painted the concrete plant and other equipment in natural colors (brown tones) in consideration of nest building activity by birds of prey (Goshawk and Gray-faced Buzzard-eagle) as part of our efforts to preserve the habitats of wildlife.



Concrete plant painted in natural colors (North Japan Regional Headquarters, Kawauchisawa dam Site Office)

### Contributing to 30 by 30

We have participated in the 30 by 30 Alliance since 2022 in an effort to help preserve health land and marine ecosystems.

We are currently making preparations with the goal of obtaining Nature Coexistence Site certification for the biodiversity-rich lands owned by the Company, including conducting field surveys to assess the value of natural capital for the land.



Following our initial industry-academia collaboration with Tamagawa University involving coral preservation in 2018, we have engaged in coral preservation activities together with various entities. Coral collected from Ieshima Island, Okinawa Prefecture, is being bred at Tamagawa University. And together with our partners, we will transplant the coral to the ocean around Ieshima Island as part of an activity to increase the amount of coral there.

### Coral preservation activities

Following our initial industry-academia collaboration with Tamagawa University involving coral preservation in 2018, we have engaged in coral preservation activities together with various entities. Coral collected from Ieshima Island, Okinawa Prefecture, is being bred at Tamagawa University. And together with our partners, we will transplant the coral to the ocean around Ieshima Island as part of an activity to increase the amount of coral there.



Packing up coral at Tamagawa University for transplantation

TOPIC 2

#### Formulating biodiversity action guidelines

In March 2024, we formulated the Nishimatsu Construction Group Biodiversity Action Guidelines. These Guidelines provide details on ascertaining both the degree of impact and dependency on biodiversity, integrating biodiversity into business strategies, and making proper disclosures. [https://www.nishimatsu.co.jp/eng/esg/environment/nature\\_positive/](https://www.nishimatsu.co.jp/eng/esg/environment/nature_positive/) (Japanese only)

TOPIC 3

#### Participating in the TNFD Forum and disclosure initiatives

Having endorsed the TNFD (Task Force on Nature-related Financial Disclosures) principles, we participated in the TNFD Forum, a TNFD support organization. Going forward, we will establish a framework for properly assessing risks and opportunities involving natural capital as recommended by the TNFD, and for making related disclosures.

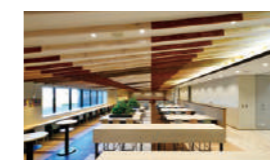


## Recycling-oriented society

### Pursuing zero emissions

In an effort to eliminate all waste, the Company incorporates 3R initiatives in its design and construction planning activities.

During work on Prologis Park Morioka (Iwate Prefecture), considerable care was taken to reduce, reuse, and recycle construction by-products through a variety of initiatives, including the use of ICT construction equipment to curtail the amount of excavated soil. Steps were also taken to promote the effective use of excavated soil, construction sludge, and harvested trees. The Shiga Konan Site Office (Shiga Prefecture)



Interior work using harvested trees (Prologis Park Morioka)

introduced resin identification handy sensors. Previously sorted into a maximum of two types, these handy sensors augment the sorting process helping to sort waste plastics into four types. This in turn helps to improve what are recognized as advanced material and chemical recycling rates.

### Participating in Circular Partners

Nishimatsu Construction has participated in the Circular Partners program, an industry, government, academia initiative led by Japan's Ministry of Economy, Trade and Industry and Ministry of the Environment to promote a circular economy. The aim of the program is to realize a circular economy in cooperation with various industries and organizations.



# Information Concerning Climate-related Risks and Opportunities

See Nishimatsu Climate Information for details [https://www.nishimatsu.co.jp/eng/esg/environment/pdf/nishimatsu\\_climate\\_information\\_2024.pdf](https://www.nishimatsu.co.jp/eng/esg/environment/pdf/nishimatsu_climate_information_2024.pdf)

## Nishimatsu Transition Plan for 2050 Carbon Neutral (CN) Society

Recognizing that addressing climate change is an important management issue in the companywide business strategy, Nishimatsu Construction has developed the Transition Plan for 2050 Carbon Neutral (CN) Society. It consists of the “ZERO50 Roadmap” and “Nishimatsu Action Plan for Climate Risks/Opportunities.”

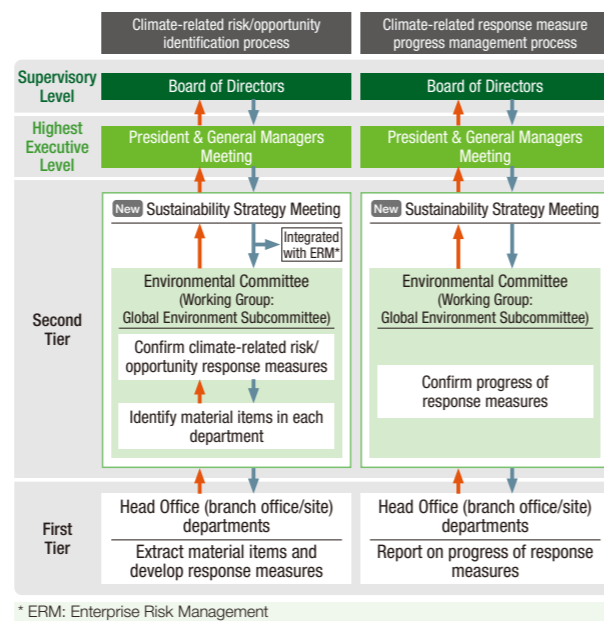
## Governance and Risk Management

### Governance and Risk Management

In working to further promote sustainability management, we established the new “Sustainability Strategy Meeting.” Climate risks/opportunities are managed by the “Environmental Committee” established within the Strategy Meeting.

### Identification process and progress management process

After the “material items for climate risks/opportunities” are primarily extracted based on three factors: quantitative and qualitative impacts and likelihood of occurrence, those which have significant impact in terms of finance and strategy are determined through a secondary extraction (i.e., identified). Meanwhile, progress management for material items involves checking progress reports at each level and providing instructions to lower levels as necessary. In both of these processes, the system is designed so that the President & General Managers Meeting makes decisions and the Board of Directors handles monitoring.



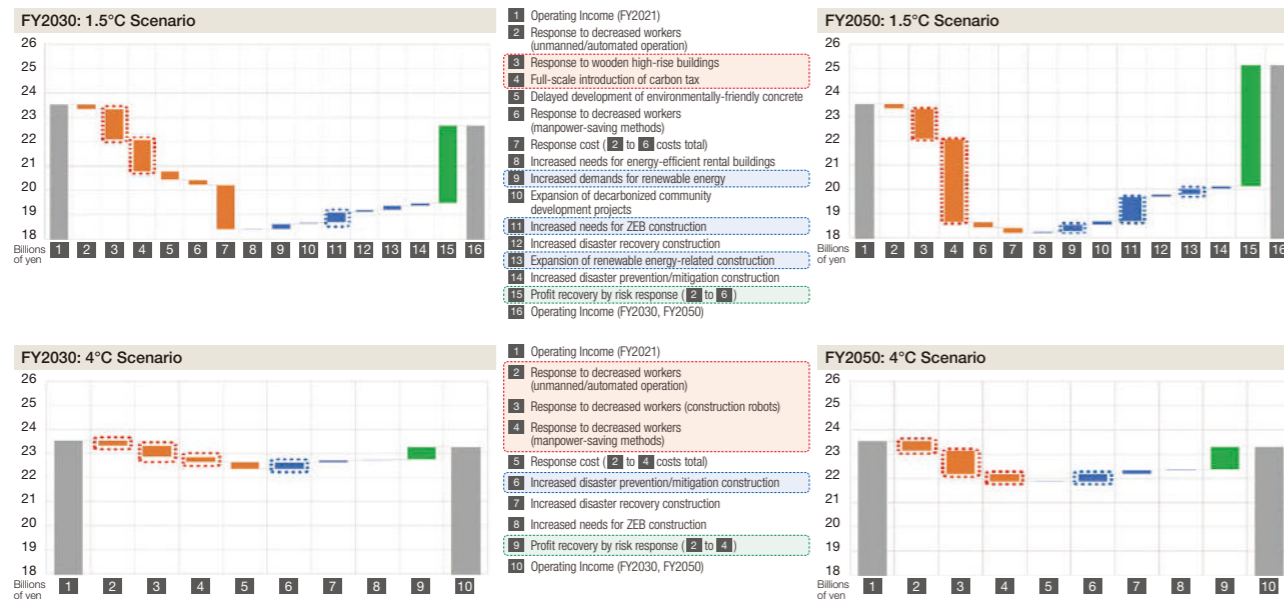
\* ERM: Enterprise Risk Management

## Strategy

### Financial impact on operating income

With regard to resilience to climate change, we verified the financial impact on operating income under climate-related scenarios

of 1.5°C and 4°C (2030 and 2050). As a result, we confirmed that there would be no significant financial impact as long as efforts to restore profits through risk/opportunity response are taken.



## Indicators and Targets

### Nishimatsu Action Plan for Climate Risks/Opportunities

As revealed by the financial impact verification results, responding to climate risks and opportunities is extremely important in terms of both profit recovery and business continuity. For this

purpose, response measures for those climate risks/opportunities identified as material items are managed through a PDCA cycle that sets key performance indicators (KPIs) and quantitative targets, monitors progress, and clearly defines initiatives for the next fiscal year and beyond.

Business classification	Material Item	Response policy	Overall progress check (Indicators and Targets)			Status of efforts up to FY2023		Status from FY2024 onwards	
			KPI (Indicators)	Targets	FY2023 results	Action	Future action (From FY2024)		
Civil Engineering Business	[Temperature rise] Response to a decrease in skilled workers (consideration of power-saving construction methods)	Establishment and accumulated experience of large-scale pre-casting technology	Number of orders received for expressway road slab replacement construction	A total of 5 cases by FY2030	1 case	• Develop large-scale precasting technology • Establish precast product procurement systems	• Continue actions taken in FY2023		
Civil Engineering Business	[Temperature rise] Response to a decrease in skilled workers (unmanned and automated operation)	Establishment and on-site implementation of unmanned and automated construction technology	Number of workers in mountain tunnel and shield construction	Reduce 30% from FY2018 level by FY2027	0%	• Establish remote-control technology for major works in mountain tunnel construction • Introduce unmanned and automated technology to shield tunnel construction	• Continue actions taken in FY2023 • Introduce unmanned and automated technology to construction		
Building Business	[Temperature rise] Response to a decrease in skilled workers (increase in labor costs, construction robots)	Development and introduction of construction robots, remote control, and manpower-saving apps	Reduction in total annual working hours of all workers	Reduce total annual working hours by 66,000 by FY2030	10,900 hours down	• Participate in the RX Consortium to develop and test construction robot technology • Collaborate with partner companies to develop construction robots • Develop productivity improvement technology through collaboration with technical research institutes and manufacturers	• Continue actions taken in FY2023		
Building Business	[Decarbonization needs] Technological response related to environmentally-friendly concrete	Promotion of development of environmentally-friendly concrete	(1) Low-carbon concrete (2) Carbon negative concrete	Implement in buildings (1) by FY2026 and (2) by FY2028	0 cases	• (1) Develop technology for implementing low-carbon concrete buildings • (2) Develop technology for implementing carbon negative concrete buildings	• Continue actions taken in FY2023 • (1) Implement technology-developed (slagrete, volcanic glass powder, geopolimer) low-carbon concrete in buildings • (2) Implement carbon negative concrete in buildings		
Building Business	[Decarbonization needs] Technological response related to wooden high-rise buildings	Enhancement of design and construction technology for wooden high-rise buildings	Annual sales of wooden mid- and high-rise buildings	17.2 billion yen as of FY2030	1.35 billion yen	• Acquire fire resistance technology for wood materials • Develop and practically apply structural design technology for one-directional timber frames for wooden low- and mid-rise buildings • Jointly develop construction methods for practical application of wooden high-rise buildings (11 stories or more)	• Continue actions taken in FY2023 • Establish and practically apply structural design technology for two-directional timber frames for wooden low- and mid-rise buildings • Extract and address issues in fire resistance construction methods in actual buildings		
International Business <Civil Engineering>	[Temperature rise] Response to a decrease in skilled workers (technological response)	Introduction of manpower-saving tunnel construction in overseas construction projects	Manpower-saving technology in tunnel construction	Adopt one case by FY2027	0 cases	Consider specific measures for implementation	• Introduce manpower-saving technology in tunnels • Promote ICT construction		
International Business <Building>	[Temperature rise] Response to a decrease in skilled workers (consideration of construction methods)	Adoption of pre-fabrication methods	Achievements of buildings using pre-fabrication methods	Construct one case by FY2030	0 cases	• Verify technology and costs for pre-fabrication of factory logistics facilities	• Continue actions taken in FY2023		
Company-wide	[Strengthened policies] Response to the full-scale introduction of carbon tax	Reduction of Scope 1+2 CO <sub>2</sub> emissions in line with ZERO30 Roadmap	Scope 1+2 emissions	Achieve 31.7k t-CO <sub>2</sub> by FY2030	41k t-CO <sub>2</sub>	• Promote energy conservation in construction • Introduce renewable electricity in business activities • Extract technologies, methods, and ideas that contribute to decarbonization at construction sites, and tentatively introduce environmental technology	• Continue actions taken in FY2023		

Business classification	Material Item	Response policy	Overall progress check (Indicators and Targets)			Status of efforts up to FY2023		Status from FY2024 onwards	
			KPI (Indicators)	Targets	FY2023 results	Action	Future action (From FY2024)		
Civil Engineering Business	[Temperature rise] Increased disaster recovery construction	Establishment of a system for rapid response in disaster restoration construction	Acceptance of requests for disaster recovery assistance	Achieve 100% by FY2030	100% (2/2 cases)	• Establish a system for rapid response • Establish a system that contributes to strengthening procurement capabilities for emergency materials, equipment, and labor • Collect information on unmanned and automated technology	• Continue actions taken in FY2023 • Introduce unmanned and remote technology to actual disaster recovery construction		
Civil Engineering Business	[Decarbonization needs] Increased renewable energy-related construction projects	Enhancement of orders received for offshore wind power generation construction projects	Number of orders received for offshore wind power generation projects	A total of 1 case as of FY2030	0 cases	• Acquire wind power generation construction technology • Possess SEP vessels (construction barges)	• Continue actions taken in FY2023 • Accumulate construction experience necessary for offshore wind power generation construction		
Civil Engineering Business	[Temperature rise] (Strengthened policies) Increased disaster prevention and mitigation construction	Enhancement of orders received for shield construction and renewal construction (disaster prevention and mitigation related)	Disaster prevention and mitigation related construction completed	More than 14 billion yen/year as of FY2030	13 billion yen	• Continuously receive orders for shield construction and renewal-related construction • Strengthen relations with shield construction companies (build cooperative relations)	• Continue actions taken in FY2023		
Building Business	[Decarbonization needs] Increased needs for ZEB construction	Promotion of ZEB in new construction and renovation projects	Increased sales due to ZEB	2.24 billion yen/year as of FY2030	160 million yen	• Extract measures to improve energy saving performance in design and build projects • Understand air-conditioning operating efficiency in the Company's development properties • Begin verification of optimal operation and management methods in the Company's energy-efficient facilities • Design and build Nearly ZEB buildings	• Continue actions taken in FY2023 • Design and build verification buildings for Nearly ZEB (75% reduction without energy creation) • Build achievements of ZEB in renovation projects		
International Business <Civil Engineering>	[Temperature rise] Increased disaster counter-measure work	Collection of sales and technical information and technological development related to flood prevention construction	Number of flood prevention construction projects	One by FY2027	0 cases	• Collect sales and technical information related to flood prevention construction	• Continue actions taken in FY2023		
International Business <Building>	[Decarbonization needs] Increased needs for energy-efficient buildings	Promotion of ZEB in new construction and renovation projects	Nearly ZEB design and build results	One by FY2030	0 cases	• Market research on energy-efficient building needs	• Continue actions taken in FY2023 • Consider ZEB Ready design		
Asset Value-Added Business	[Decarbonization needs] Increased needs for energy-efficient rental buildings	Implementation of ZEB and energy-efficient rental buildings owned	Percentage of ZEB and energy-efficient rental buildings owned	More than 60% of owned rental buildings by FY2030	6% (3/50 cases)	• Determine the specifications of rental buildings owned • Promote ZEB and energy conservation in newly built properties • Promote energy conservation or asset replacement in existing properties owned	• Continue actions taken in FY2023		
Regional Environmental Solutions Business	[Decarbonization needs] (Strengthened policies) Response to global environmental issues	Promotion of energy creation and related businesses	Electricity volume generated by energy creation business	108k MWh per FY2030 * Target for FY2023: 1.7k MWh	0.9k MWh	FY2023 business launch project: • One solar power generation (PPA) Preparation for scheduled FY2024 business launch project: • One biomass power generation Preparation for scheduled FY2025 business launch project: • One methane fermentation biogas power generation	• Stable operation of new solar power plants and acquisition of existing mega solar power plants • Business development in collaboration with local communities and companies, focusing on areas with high potentials for geothermal power generation • Business development in small-scale hydropower generation • Business development utilizing unused domestic materials in biomass power generation • Business development in collaboration with companies with new technologies in methane fermentation biogas power generation • Business development in collaboration with partner companies in floating offshore wind power generation • Development of a power storage station (grid storage batteries) business as a renewable energy-related business		

**TOPIC 4** Nishimatsu Climate Information 2023 listed as a good practice

As a resource that compiles responses to climate risks/opportunities, Nishimatsu Climate Information 2023 was featured as a good practice in regard to addressing the TCFD for the relevant year, the only such example from a general contractor, in the Financial Services Agency's "Collection of Good Practices on Disclosure of Narrative Information" and in the Ministry of Land, Infrastructure, Transport and Tourism's revised "Guidance for the Real Estate Sector". This edition was recognized as being more readable with more accurate information disclosures when compared with disclosures by other companies.

Financial Services Agency: <https://www.fsa.go.jp/news/r5/singi/20231227/01.pdf> (Japanese only)  
Ministry of Land, Infrastructure, Transport and Tourism: <https://www.mit.go.jp/totikensangyo/content/001734387.pdf> (Japanese only)

# Human Resource Strategy

## Changes in Conditions Surrounding Human Resources

The environment surrounding human resources is changing at a dizzying pace, with intensifying competition for and increasing mobility of human resources, promotion of work style reform, and in recent years growing attention to human capital management. Especially for work style reform, the construction industry is at a major turning point, as regulations limiting

overtime hours will be applied to the industry beginning in FY2024. In order to continue to create new value and provide it to society amid rapidly changing external conditions, the challenge is to secure human resources with diverse abilities and values, increase engagement, and increase the number of personnel who can flexibly adapt to changing conditions.

## Human Resources that Create New Value and Solve Social Issues

Our strength lies in our ability to bring together diverse competencies. We have acquired and cultivated this strength over many years of involvement in social infrastructure projects in Japan and overseas. Leveraging this strength, we view each of our employees as capital and take measures to continuously increase the value of our human capital in order to

create new value and solve social issues. Specifically, we will pursue 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.

## Risks, opportunities, and initiatives for human resources

Materiality	Materiality solutions	Major Initiatives	Linking together the "Medium-Term Management Plan 2025" Reform Program			Key KPIs for initiatives (dynamic)	Progress			
			Reforming our mindsets and actions	Strengthening our organizational abilities	Creating growth resources		2023 results	2024 target	2025 target	
Create systems that enable diverse human resources to play active roles with excitement	Provide environments in which everyone can work with a sense of fulfillment and demonstrate their abilities	Securing diverse human resources and enabling them to thrive		○	○	Percentage of newly hired female employees (career-track positions)	17.6%	20% or above	20% or above	
						Number of career hires	29	20 or more	20 or more	
						Percentage of female managers (Number of female managers / Number of all managers)	0.4%	1.0%	2.0% or above	
						Remote work usage ratio (Number of implementors / Number of employees)	34.1%	75% or above	100%	
						Percentage of male employees taking childcare leave* (Number of employees taking leaves / Number of subject employees)	75.8%	100%	100%	
				Participation rate of detailed examination after regular health checkups (Number of employees who underwent detailed examination / number of subject employees)	61.1%	80% or above	80% or above			
	Instill cross-organizational thinking	Increasing employee engagement		○	○	○	Engagement score of employees	3.68	More than FY2023	More than FY2024
						Voluntary resignation rate (Number of voluntary resignations / number of employees at start FY)	2.99%	Less than 2.0%	Less than 1.5%	
		Raise awareness of a challenger mindset		○			Number of participants in dialogues with the president (cumulative)	967	1,500	2,000
							Percentage of dialogue implemented between supervisors and subordinates (Number of times implemented / number of times planned)	—	100%	100%
Raise awareness of collaboration				○		Mechanism to praise employees engaged in collaborative projects (progress rate)	—	50% Concept and design	100%	
Building systems for employees to learn independently		○			Mechanism that allows employees to select curriculums (progress rate)	10% Commencing operation	50% Commencing operation	100%		
Visualizing human resources data (create a talent management system)		○	○		Human resource data visualization progress rate (Number of visualization implementation items / total visualization items)	36%	73%	100%		

\* Including leave for the purpose of childcare

## Key Initiatives to Improve Human Capital

### 1. Securing diverse human resources and enabling them to thrive

As competition for human resources intensifies and their mobility increases, we see it as an important and urgent task to secure diverse human resources and create an environment in which all types of employees can play an active role.

In order to secure human resources, we introduced a recruiter system in FY2023 and strengthened our recruitment system. We aim to increase opportunities for dialogue with job-seeking university students, as well as to raise their interest in and desire to apply to the Company. We appoint young employees as recruiters in the hope that job seekers listening to the job-hunting experiences of employees who are similar ages will help avoid any misconceptions after joining the Company.

To improve working conditions and enable diverse work styles, we have introduced various systems such as flextime, telecommuting, and support for balancing work and childcare, as well as worked to reduce total work hours. Particularly to support childcare among male employees, in FY2022 we established the Post-birth Papa Leave System (paid). This childcare leave system allows male employees to take up to 20 days in addition to annual paid leave. As a result, the percentage of male employees taking childcare leave reached 75.8% in FY2023, significantly higher than the 55.6% in FY2022.

In order to promote active roles among female employees, female engineers nationwide took the initiative in holding seminars to share issues specific to women, learn about human resource systems, and promote communication with their managers. In addition to the development of systems, we are actively working to create career paths and foster a corporate culture that allows women to remain active for a long time while coping with life events such as childbirth and childcare, as well as health issues unique to women. The number of

female career-track positions has increased annually 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. Going forward, we will create working conditions where diverse human resources can play an active role, including not only women but also seniors and non-Japanese employees.

### 2. Increasing employee engagement

We began conducting an engagement survey in FY2023, replacing the employee satisfaction survey conducted prior to that, with the aim of identifying issues related to the retention and active participation of human resources.

In addition to total engagement, this survey measures engagement in terms of the separate categories: "job," "workplace," and "company." The results of the FY2023 survey showed that the overall results were generally good, with scores for "total," "job," "workplace," and "company" all exceeding the standard score (3.5/5 points).

The results of the survey are analyzed in detail by the Human Resources Department, which then provides feedback to management and other departments. The Human Resources Department plays a central role in tackling the Company's common issues, determining the specific causes and taking countermeasures to address each department's specific issues. The Company as a whole and individual departments will work in tandem to address these issues with the aim of improving engagement scores as quickly as possible.

#### FY2023 Engagement Score

Total Engagement Score (excluding branch office hired employees and temporary employees)			
3.68	Job	Workplace	Company
		3.67	3.76



Conducting Human Resources System Workshops



Organize seminars to promote communication between managers and subordinates

## Human Resource Strategy

### 3. Raise awareness of a challenger mindset

In order to increase a challenger mindset, we strive to share the Nishimatsu-Vision 2030 and increase the psychological safety of each employee, fostering an environment in which they can proactively and safely express their opinions. As one of these measures, then president Nobutoshi Takase began engaging in dialogue with employees in FY2023, visiting each of the Company's domestic and overseas locations. In FY2023, Mr. Takase spoke with 967 people, mainly in the pre-management age group, who will become the next generation of leaders. He expressed his vision, spoke about the current state of management, and sincerely answers questions and opinions from employees from a management perspective. In so doing, he provided employees an opportunity to consider what value they can provide on their own and what proactive measures can be taken going forward.

As measures to further arouse a challenge mindset among employees, we will create a system to expand dialogue between managers and subordinates, provide training to encourage a challenger mindset, and increase the weight of evaluations for challenging actions in personnel evaluations.

### 4. Raise awareness of collaboration

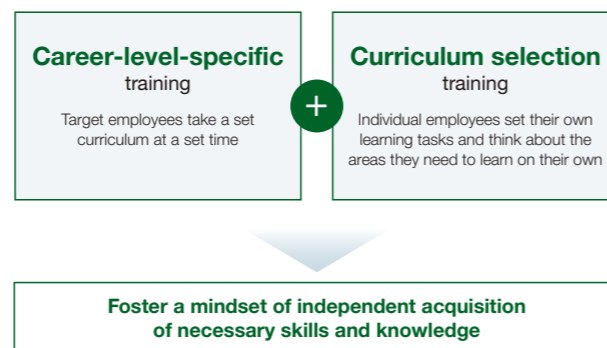
In order to promote organic collaboration among individual businesses, we have to date conducted organization and human resources review meetings to consider the placement of human resources in the Company and across divisions. From the perspective of promoting internal collaboration, these efforts have yielded steady results but remain a work in progress in terms of instilling this awareness of collaboration among all employees.

In order to pursue rebuilding social functions promoted in Nishimatsu-Vision 2030, inter-business cooperation is indispensable. We will accelerate our efforts to foster a sense of collaboration that transcends organizational boundaries mainly by developing an evaluation and commendation systems for employees involved in collaborative projects and an internal recruitment system to recruit human resources companywide.

### 5. Building systems for employees to learn independently

In addition to cultivating advanced technical skills, the Company launched the internal human resources training system Nishimatsu Employees' University in 2019 in order to foster employees able to respond to changes in society with a broad perspective. We since have worked to enhance the curriculum of this system. In fiscal 2023, we mainly developed an expert course for employees in the pre-management age group who will become the next generation of leaders and established the DX Faculty aimed at fostering digital talent

#### Targeted training systems



who can provide new value to companies by utilizing cutting-edge digital technology.

However, most of the training prepared so far is mainly based on stratified training, and only the target employees took the course when the decided curriculum was determined. Since this resulted in employees undergoing training in a passive manner, we took on the challenge of switching to raising awareness independent learning.

In order to change employee attitudes, we believe that individual employees need an environment where they can create their own vision and gain skills and knowledge to achieve it. In addition to stratified training conducted to date, we help employees create a desired vision through dialogue between managers and subordinates. By adding curriculum selection and training, we provide an environment where a variety of learning courses and opportunities are available for individual employees to freely choose from.

### 6. Visualizing human resources data (create a talent management system)

In order to maximize each employee's abilities, we introduced a talent management system in FY2021, as we see a need to shift from human resource management relying on intuition and experience to data-based management. We believe that visualizing employee abilities, experiences, values, and career aspirations, as well as accumulating objective data on their strengths and weaknesses, will contribute to optimal human resource allocation and training efficiency, which in turn will improve individual and organizational performance.

We finished building this system in FY2023. Currently, we are collecting human resources data and incorporating it into the system, as well as considering its use for strategic human resources allocation at the Organization & Human Resource Review Meeting. In addition, we utilize a talent management system for employees to learn independently to track competencies acquired by the employees and required skills.

## Health and Productivity Management

### Employee's well-being is the source of corporate vitality, and the foundation of well-being is health

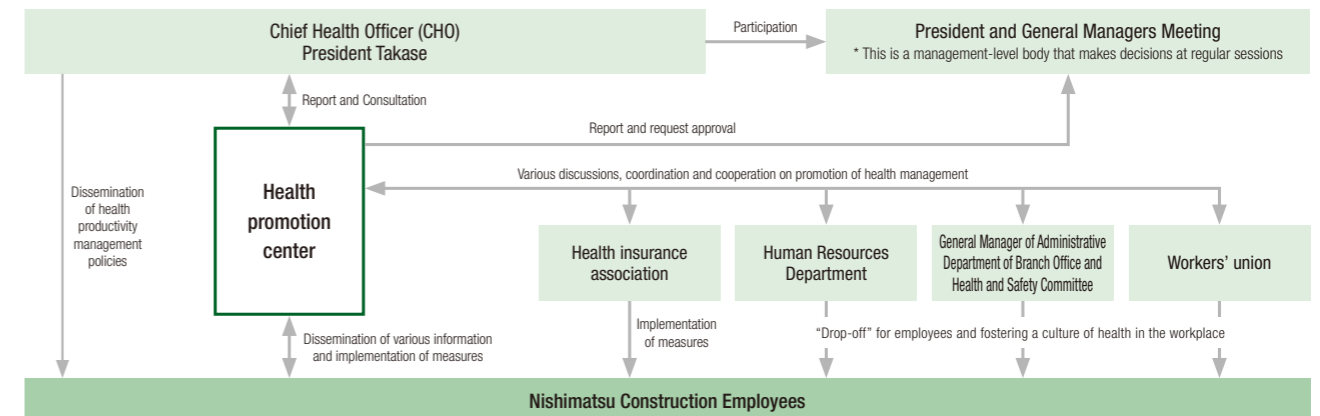
We believe that the well-being of employees is the source of energy for sustainable corporate growth, and that good health is the source of this well-being. To achieve this, we recognize that the loss of work opportunities due to illness is a management issue, and aim to improve productivity by preventing it. Therefore, we are promoting health and productivity management<sup>®</sup> 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 and similar subsidies are available for dependent spouses), putting forward recommendations for

detailed 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 "2019 KENKO Investment for Health," a certification promoted by the Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, in recognition of the aforementioned measures and our continued improvement. This was the first time a general construction company received this designation.

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<sup>®</sup> is a registered trademark of Non-Profit Organization KenkoKeiei

### Topic

#### Provide Opportunities to Quit Smoking

In FY2019, we introduced a support program for smokers accompanied by specialists to help them quit smoking. Employees who are highly motivated to cut back on smoking, as identified through lifestyle surveys, as well as those who have received separate health guidance are introduced to smoking cessation programs led by medical professionals to provide them with the motivation to quit smoking. The Company continues to provide support for getting employees to quit smoking, including covering all the costs for those who successfully quit.

During National Occupational Health Week in October 2023, medical professionals visited workplaces to give lectures on cigarettes and provide health counseling with partner companies. We will continue to implement measures to raise health awareness so that employees and others we work with along with their families can lead healthy and fulfilling lives.



# Creating Safe Construction Sites

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

## Basic Safety and Health Policy

We are committed to ensuring the safety and health of not only our employees, but also temporary staff, sub-contractors and their crews, and all workers at construction work sites.

### Basic Safety and Health Policy

We implement occupational health and safety measures (COHSMS) to uphold the basic principle of respecting human life, to comply with the law, and in consideration of all people related to our Company. All people that work at our offices cooperate to achieve a safe, healthy and comfortable workplace environment and to promote physical and mental health.

## Occupational Health and Safety Management System

Our occupational health and safety management system operates in accordance with Japan's Construction Occupational Health and Safety Management System (COHSMS).

We undertake risk assessments in advance and aim to continuously improve health and safety management standards by applying the Plan-Do-Check-Act (PDCA) cycle.

\* The scope of application covers all business locations in Japan, excluding the Technical Research Institute.

### Major Initiatives

1. Implementing safety measures based on risk reduction priorities
2. Promoting voluntary activities to prevent human error mainly by pointing and calling
3. Improving safe installation practices, with efforts centered on foremen

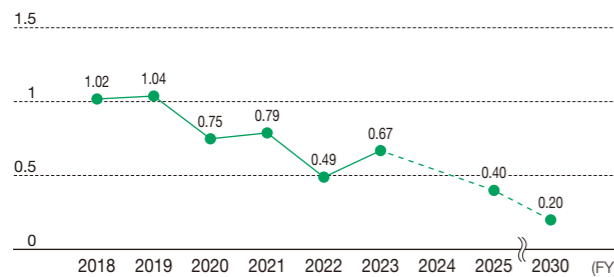
## Initiatives to Reduce Workplace Accidents

To achieve the health and safety management goals for FY2023, we focused on three actions.

- Implement safety measures that take into account intrinsic safety and engineering measures
- Eliminate the three major accident-related disasters in Nishimatsu
- Promote voluntary activities by fully establishing Action 7\*.

However, none of these targets have been achieved. In working to ensure thorough compliance with Nishimatsu Rules, which incorporate lessons from past incidents and exceed legal requirements, we still aim to use the foremen's association to build ties between foremen, who are the key personnel for on-site health and safety,

Frequency rate (4 days absence or more) and future target



as we transition from a prime contractor-led system to autonomous health and safety management by on-site workers.

\* Action 7: Seven measures for preventing human error: on-site hazard-awareness training (HAT), personal HAT, calling out to fellow workers, the 3-3-3 method (for stringing operations), reporting on employment of older workers and giving them due consideration, raising awareness regarding near misses, and "point and call" safety check routines.

### Nishimatsu Construction's FY2023 safety and health management targets

- Achieve no deaths and no major injuries
- Frequency rate of 0.5 or below for injuries requiring four or more days of absence from work (12 or fewer incidents)
- Frequency rate of 0.8 or below for injuries requiring one or more days of absence from work (20 or fewer incidents)
- Five or fewer "big three" accidents, as designated by Nishimatsu Construction (slips/falls; getting caught up in machinery, equipment, vehicles or materials; and flying/falling objects).

Comparison of safety performance (more than 1 day lost from work) and fatalities

	2019	2020	2021	2022	2023
General construction industry frequency rate	1.69	1.30	1.39	1.47	1.69
Nishimatsu Construction (non-consolidated) frequency rate	1.52	1.57	0.99	1.21	0.91
Number of fatal accidents (partner companies)	1	1	0	1	0
Number of fatal accidents (regular employees)	0	0	0	0	0

## Safety and Health Training

We focus on education for young employees and foremen, and in FY2023 we conducted safety and health training sessions for 326 employees and 712 foremen.

Number of employees trained in health and safety standards

	2019	2020	2021	2022	2023
New employees	115	107	116	115	113
By career level	190	81	302	225	213

Number of attendees in new appointed and existing supervisor ability improvement training

	Northern Japan	Kanto Civil Engineering	Kanto Architectural	Western Japan	Kyushu	Total
Supervisor training (New)	38	0	0	50	0	88
Supervisor ability improvement training	105	57	60	226	176	624

# Quality Management

## Policy on Quality

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

### Policy on Quality

1. Providing Trusted Buildings and Services
2. Improving Customer Satisfaction
3. Continual System Improvement

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

## Quality Management System

In the Civil Engineering and Building divisions, we have established a Quality management system based on ISO 9001, and are working to ensure quality and continuously improve the system at each

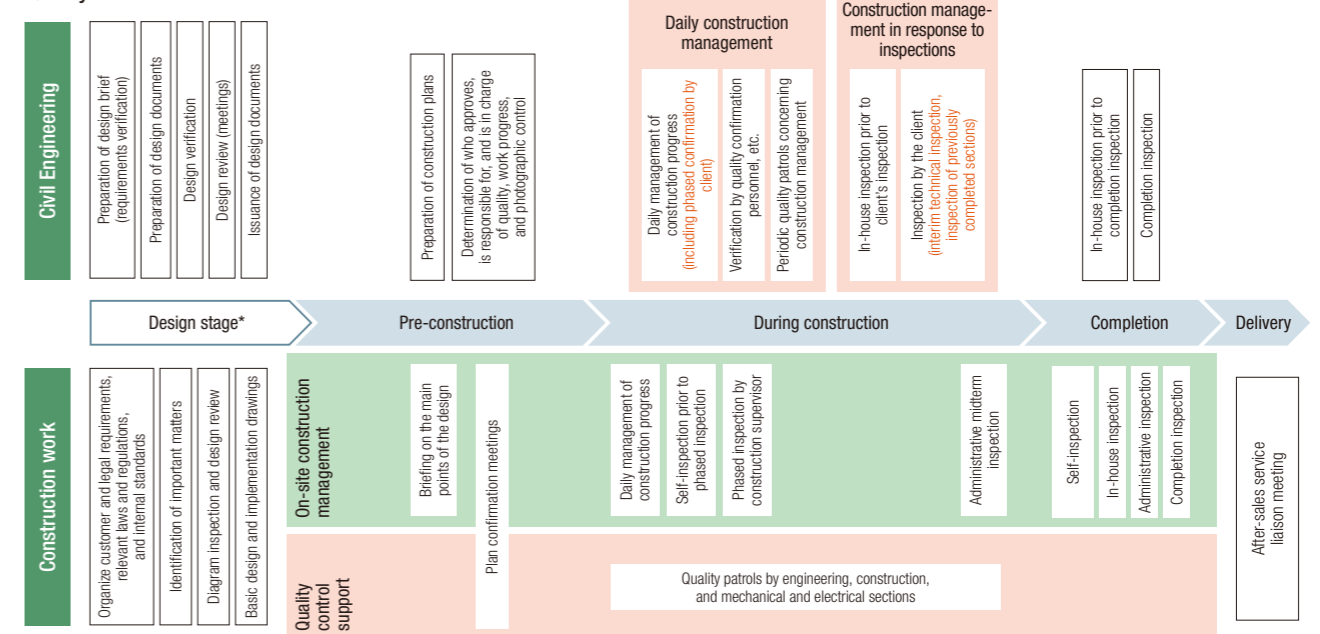
stage of sales, design, construction, and after-sales service to achieve our quality policy of Providing Trusted Structures and Services and Improving Customer Satisfaction.

## Quality Control Systems in Construction Projects

The Civil Engineering Business aims to ensure greater quality by effectively addressing defects that occur during construction at worksites throughout Japan. Specifically, it investigates the causes, response measures, and recurrence prevention measures at worksites, and reports on these to the Civil Engineering Department at the Head Office through the regional headquarters. Each regional headquarters, the Head Office's Civil Engineering Department compiles and analyzes reports from each regional headquarters, after which it shares information again with each regional headquarters via e-mail. Along with reflecting these defect case studies in construction plan drafts for similar projects to be built in the future, each regional headquarters utilizes these as learning materials as part of technical training for young employees.

In order to assure the quality of buildings, the Building Business manages quality through a work flow that integrates every step from design to construction and after-sales service following delivery. Specifically, the Building Business focuses on constructing buildings for which quality can be assured by steadfastly solving points of concern raised at the design stage after construction begins, by providing technical guidance and education through worksite review meetings and onsite quality confirmation meetings covering the actual materials and structures, and by providing quality and technical support through the Quality Management Department. Moreover, in regard to after-sales service following delivery, the Building Business is working to strengthen the review function used to determine if service is provided in a fast, precise manner, and from a customer-oriented perspective.

### Quality control flow



\* In the case of design and construction by Nishimatsu

# Addressing Human Rights Issues

## Human Rights Policy

We believe that the fundamental human rights of all people involved in our business should be respected. Based on the United Nations' Guiding Principles on Business and Human

Rights, we formulated the Nishimatsu Group Human Rights Policy and are promoting initiatives for respecting human rights.

### Human rights policy

- |   |  |   |
|---|--|---|
| 1. Applicable scope   | 5. Implementation of human rights due diligence    | 9. Education and training                       |
| 2. Respect for and compliance with norms, laws, and regulations | 6. Grievance handling mechanisms                   | 10. Dialogue and consultation with stakeholders |
| 3. Accountability for respecting human rights                   | 7. Rectification and relief                        | 11. Disclosure of information                   |
| 4. Action on human rights issues                                | 8. Human rights governance and promotion framework |   |

➔ <https://www.nishimatsu.co.jp/company/policies.html> (Japanese only)

## Initiatives for Priority Issues

The Group formulated a human rights risk map based on the results of an employee survey. We have also engaged in dialogue with stakeholders and consulted with external experts

based on the human rights risk map and human rights policy to address the following items as our priority issues.

### Major Initiatives during FY2023

#### 1. Proper management of working conditions and provision of a comfortable working environment

In anticipation of the caps set to be placed on overtime work starting in FY2024, we are working to rationalize attendance reports through the introduction of new systems, and to more strictly manage work records. This initiative is in addition to existing efforts including the promotion of substitute holiday and paid leave taking, realization of a five-day work week at construction sites through a shift system, worksite operations support by the Site Administration Innovation Center, initiatives to close worksites for eight days over the course of four weeks, and the introduction of flex-time systems.

#### 2. Prohibition of harassment and discrimination

Along with working to curtail the occurrence of harassment and other issues through operations at the "Nishimatsu Hotline" reporting desk, as

part of new employee training and new appointee career-level-specific training, we conducted human rights, compliance, and harassment training for the purpose of confirming the Company's human rights stance and initiatives, adhering to compliance, and preventing harassment.

#### 3. Protection of human rights of foreign workers in domestic operations

We implemented the following as initiatives to protect the human rights of foreign workers at construction sites.

- Display safety signs in multiple languages
- Install facilities that consider the beliefs of foreign workers
- Continuously promote registration in the Construction Career Up System among companies that employ foreign workers

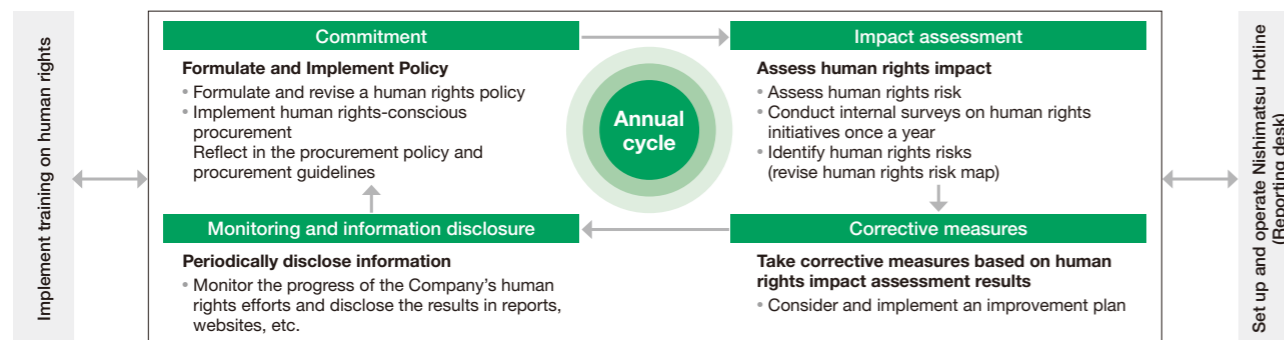
In addition, we have established a human rights due diligence process and are continually working to improve it.

## Established Human Rights Committee

Within the Sustainability Strategy Meeting, we have established a new Human Rights Committee. The Human Rights Committee promotes initiatives targeting internal and external stakeholders based on our Human Rights Policy, including human rights due diligence in the supply chain.

Starting in the current fiscal year, we will begin investigating and identifying potential human rights risks along the supply chain, and act to prevent and mitigate these. In this way, we seek to further enhance the awareness of human rights throughout our supply chain.

### Human rights due diligence process



# Supply Chain Management

## Formulating a Procurement Policy and Procurement Guidelines, and Promoting ESG-conscious Procurement Activities

In March 2023, we formulated a procurement policy and procurement guidelines based on the Corporate Philosophy and Code of Conduct. By obtaining the understanding of and active support from our partner companies, we are advancing

ESG-conscious procurement activities via cooperation throughout the supply chain as a means of fulfilling our social responsibilities and realizing a sustainable society.

### Procurement Policy

- |  |   |   |
|--|---|---|
| 1. Compliance with laws, regulations, and social norms | 5. Environmental conservation activities        | 8. Social contribution activity initiatives               |
| 2. Fair and equitable transactions                     | 6. Assurance and enhancement of quality         | 9. Business activity continuity in the event of disasters |
| 3. Respect for human rights                            | 7. Thorough information security and disclosure |   |
| 4. Promotion of health and safety                      |   |   |

➔ <https://www.nishimatsu.co.jp/company/policies.html> (Japanese only)

## Initiatives for Increasing Skilled Worker Wage Levels

### Compliance with the Declaration of Respect for Labor Cost Estimates

In order to secure a labor force for the construction industry, we will consistently raise wages so that the annual incomes of skilled workers reach the average level for workers in all industries. And for this purpose, we have requested that all partner companies ensure they appropriately indicate labor costs on estimates, which we strive to respect.

### Guidelines Concerning Price Negotiation for Appropriate Shifting of Labor Costs

In November 2023, the Japanese government formulated the Guidelines Concerning Price Negotiation for Appropriate Shifting of Labor Costs as an initiative covering efforts to reflect costs in prices. These guidelines aim to resolve the undue burden placed on subcontractors and to secure capital for wage increases among small- and medium-sized enterprises. In January 2024, we also formulated a similar set of guidelines, renewed our Declaration of Partnership Building, and entered deliberations with partner companies.

## Co-Creation with the Supply Chain

Both the Company and our partner companies as one of our supply chains are struggling to secure a labor force due to a declining working age population and harsh working conditions. In particular, we recognize securing skilled workers as a critical issue involving the continued existence of the construction industry itself, and are therefore working together with partner companies on a solution.

### Provision of a comfortable working environment

We strive to provide comfortable working environments for all skilled construction workers, regardless of age, nationality, or gender.

Specific examples: Air-conditioned clothing, subsidies for assistive suit purchase costs, promotion of pleasant workplaces, multilingual worksite announcements

### Training and support of skilled construction workers

We are actively promoting the Construction Career Up System (CCUS) for the purpose of addressing the issue of labor shortages as a problem faced by the entire construction industry, and of improving benefits for skilled construction workers.

Although the CCUS card scan rate in FY2021 was only 24%, it has increased steadily, reaching 61.1% in FY2023.

We presented the targets of 80% for the Civil Engineering Business and 70% for the Building Business in FY2024, and have since focused on further improving the card scan rate.

As an initiative targeting registered technicians, we opened the Nishimatsu Construction Registration Support Office as a department dedicated to supporting registration within the Company. Moreover, we developed our own high-caliber technician system that is linked to the four-level competency evaluation system in the CCUS, and have provided allowances to technicians.

Our own high-caliber technician system	CCUS and competency evaluation system	Payment allowances
Nishimatsu Meister * Those among our senior foremen who serve as models for other senior foremen	Gold	3,000 yen/day
Senior foremen	Gold	2,000 yen/day
Next generation senior foremen	Silver	1,000 yen/day
Candidates for Nishimatsu foremen	Blue	500 yen/day




# Sustainability Promotion System

## Sustainability Slogan (Basic Policy)

The Company has set forth as its Corporate Philosophy to “Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services,” while having as its mission to contribute to regional society and the environment through the structures and services it provides, and to build a sustainable future. This is the very essence of a sustainable way of thinking.

Under this Corporate Philosophy, we have formulated our Sustainability Slogan (Basic Policy), which is to “create together, shine together.” We will further put into practice sustainability management as we look to realize our goal of a sustainable society.



**Sustainability Slogan (Basic Policy)**

## “Create together, shine together.”

**Our thoughts**

In 2050, a time when we can imagine that an array of social issues will become even graver, just what kind of sustainable society will we be able to accomplish?  
Our strength lies in our ability to develop social infrastructure, which we have cultivated over the years, and in our ability to bring together a diverse range of skills to fulfill our objectives.

Our intent is to provide solutions to social issues by keeping close relationships with regional communities and by making full use of our collaboration with various partners.

We strive to realize a society where everyone can shine by thoughtfully connecting people, communities, and nature, and creating vibrant spaces for all.

## Sustainability Promotion System

### FY2023 activity details

We developed a sustainability promotion system in April 2023, established the Sustainability Committee as an advisory body to the Board of Directors, and the Risk and Opportunity Management Committee with the aim of Company-wide management of risks and opportunities.

The Sustainability Committee, consisting of external directors, internal directors and outside experts, 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, based on consultations with the Board of Directors, and then reports back to the Board of Directors.

In FY2023, we came to mainly formulate our Sustainability Slogan (Basic Policy), identification of materiality, and KPI tree with the Sustainability Slogan and KGI at the top, after relevant consultation and reporting.

The Risk and Opportunity Management Committee, consisting mainly of the assistant general managers of each

business division, held meetings 17 times in FY2023. In addition to risks and opportunities in our business activities, as one part of the committee’s management of risks and opportunities from a long-term perspective, it also formulated our Sustainability Slogan (Basic Policy), and deliberates on the consideration and practice of overall sustainability policies.

### Review of sustainability promotion system

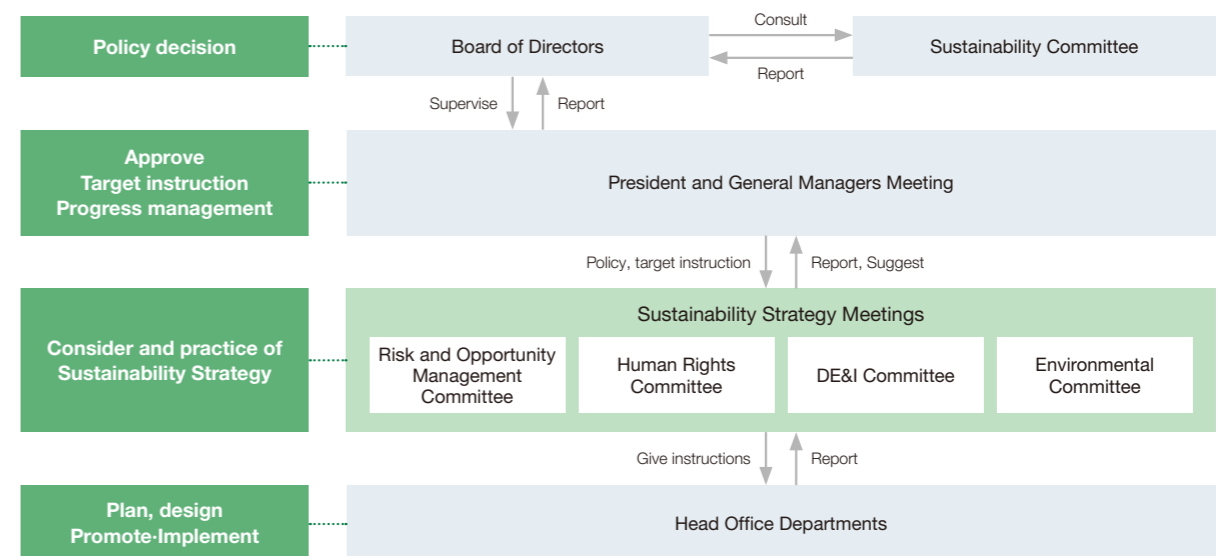
In FY2023, we endeavored to promote sustainability, mainly through the Risk and Opportunity Management Committee. However, the Company reviewed its sustainability promotion structure as the comprehensiveness of efforts revealed the challenge of deepening and expediting discussions.

The Company established the Sustainability Strategy Meeting to study and implement a sustainability strategy to resolve materiality issues and to realize a sustainable society.

In tandem with this, we established four committees in critical areas within the meeting, namely the Risk and Opportunity Management Committee, Human Rights Committee, DE&I Committee, and Environmental Committee, and appointed a chairperson and secretariat for each.

The Sustainability Strategy Meeting consists primarily of assistant general managers of each business division and representatives of each strategy office. This meeting consolidates each of the committees and conducts their overall management, and then reports on their conditions to the President and General Managers Meeting. The Sustainability Strategy Meeting, which includes these four committees, will perform as the leader of the Company’s sustainability strategy, and actively engage in discussions with new perspectives and driving the promotion of sustainability.

Sustainability promotion system chart



## Sustainability Strategy Meetings and Each Committee

Name	Purpose
Sustainability Strategy Meetings	Study and implementation of a sustainability strategy to resolve materiality issues and to realize a sustainable society
Risk and Opportunity Management Committee	The appropriate implementation of Company-wide risk management pertaining to risks and opportunities. Implements “management of risks and opportunities from a long-term perspective” and “management of risks and opportunities in business activities.”
Human Rights Committee	Promotes initiatives to internal and external stakeholders for respecting human rights based on our Human Rights Policy, including human rights due diligence in the supply chain.
DE&I Committee	Nurtures a corporate culture that enables diverse human resources to play active roles with excitement as well as evaluates, implements and monitors diversity, equity, and inclusion initiatives with a long-term view.
Environmental Committee	Promotes environmental management and facilitates Company-wide environmental activities.