Integrated Report 2025

NISHIMATSU CONSTRUCTION CO., LTD.

Corporate Philosophy

Establish a sustainable society for people structures and services

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Editorial Policy

This report is an instrument for dialogue with our stakeholders. The purpose of this report is to deepen stakeholders’ understanding of our value co-creation process with stakeholders and possibly improve our corporate value, as well as our efforts to address materiality (priority issues) in order to realize our corporate philosophy of “Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services.”

Coverage

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

Applicable Period

April 1, 2024, to March 31, 2025 (including some information after April 1, 2025).

Referenced Guidelines

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

Forward-Looking Statements

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

to live with peace of mind, providing worthwhile

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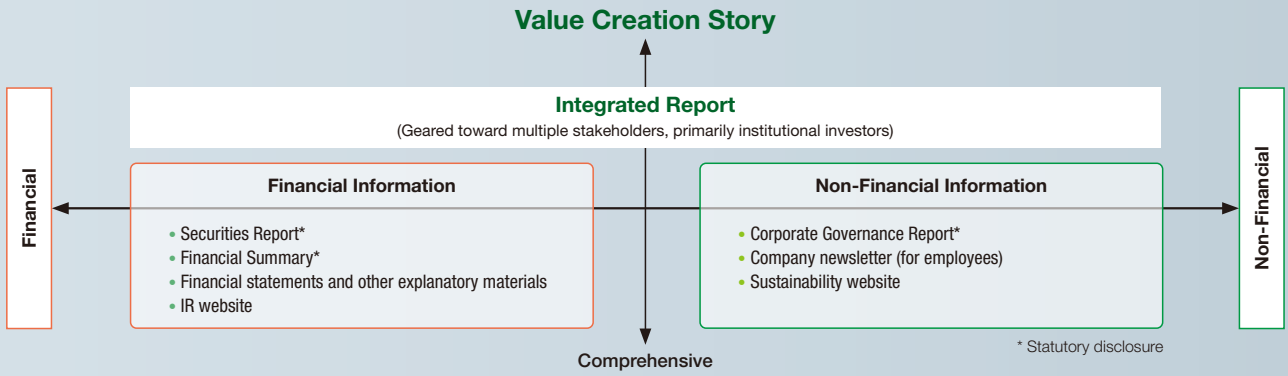
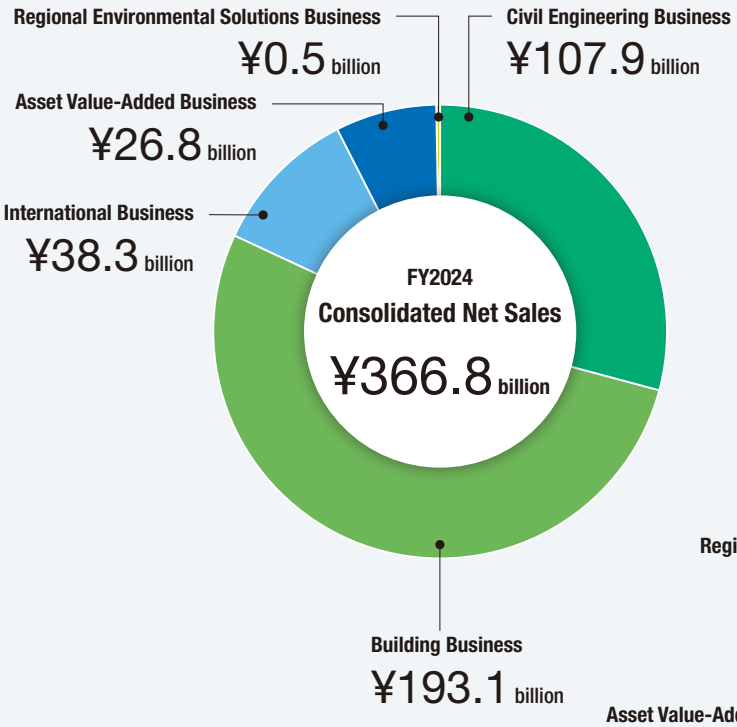
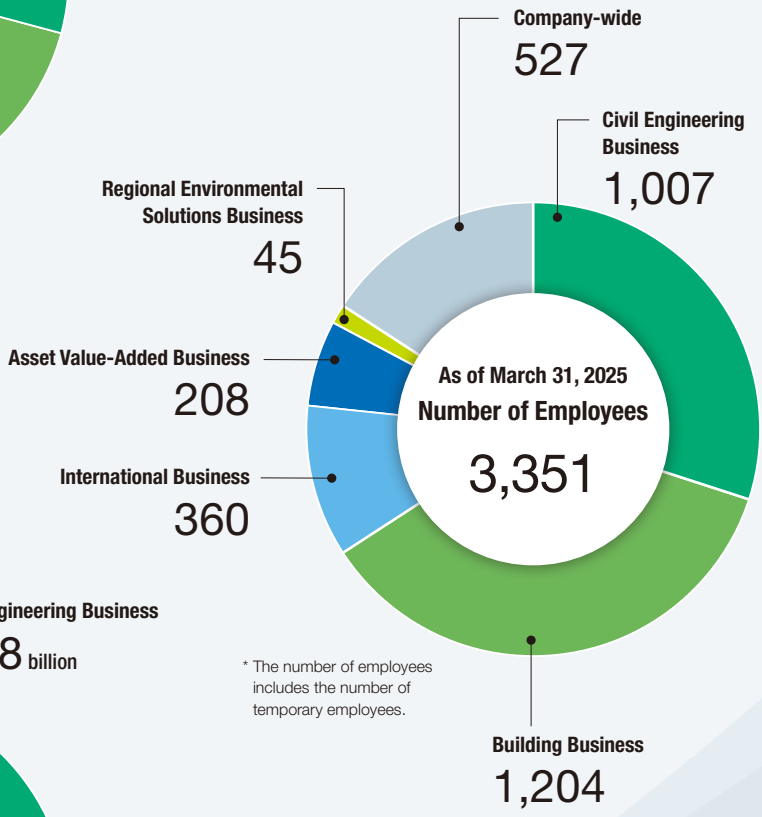
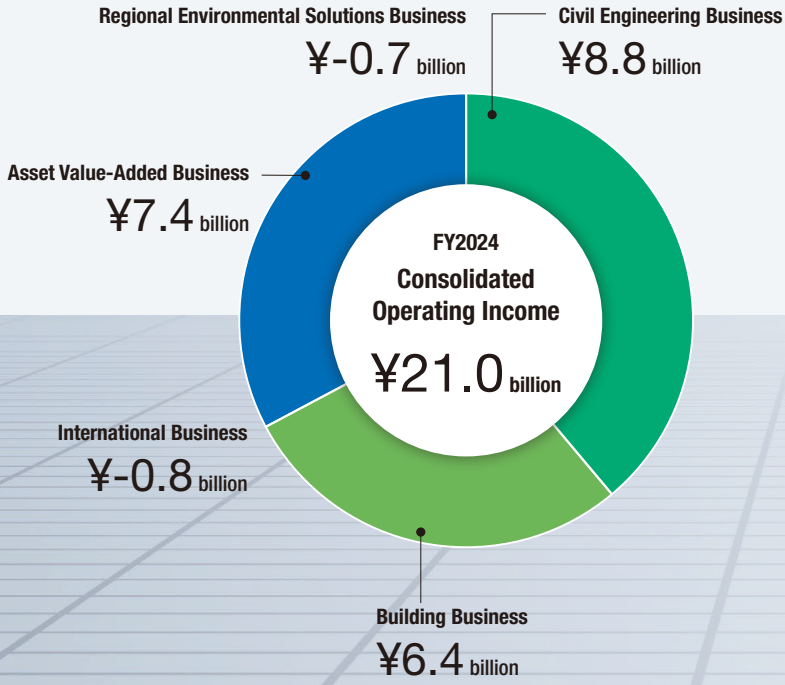


At a Glance
The Foundation of Business Supporting the Co-Creation of Value





* The number of employees includes the number of temporary employees.



Domestic Civil Engineering Business

By developing social infrastructure, including roads, railways, power plants, dams, airports, and ports, this business supports people's lives and their economic and social activities. Leveraging its technical expertise and the field experience it has gained over many years, the business contributes to the safety, security, and prosperity of Japan.

Domestic Building Business

This business leverages advanced technology to construct a diverse array of buildings, including office buildings, cultural and educational facilities, retail facilities, and medical centers. It offers comprehensive services throughout the entire lifecycle of buildings, from the planning and design stages to the operation and maintenance.

International Business

With extensive experience abroad and strong relationships with stakeholders, this business is primarily expanding in Southeast Asia and Southwest Asia. Its civil engineering efforts focus on the development of infrastructure that serves the public interest, while its building projects involve the construction of factories and facilities for Japanese companies.

Asset Value-Added Business

This business offers comprehensive, high-value solutions through attractive community development projects, redevelopment projects that result in the revitalization of regions, and the development and management of office buildings and other commercial facilities. The business has also begun development and real estate projects overseas.

Regional Environmental Solutions Business

This business develops and invests in domestic and international power generation projects that utilize renewable energy, including solar power generation and small-scale hydropower projects. The business is also working to promote a resource-recycling circular economy and revitalize local communities by leveraging local resources. Additionally, it aims to contribute to the creation of a sustainable society while generating new value through the creation of solutions in the construction sector.

ROE
10.3%

Capital to Assets Ratio
29.1%

D/E Ratio
1.2 times

Dividends
¥220

DOE
5.1%

TSR (5-year cumulative total)
279.4%

Number of Regional Headquarters and Branch Offices

Domestic Offices
50

Overseas Offices
10

Our Value Creation Activities “Rebuilding of Social Functions”

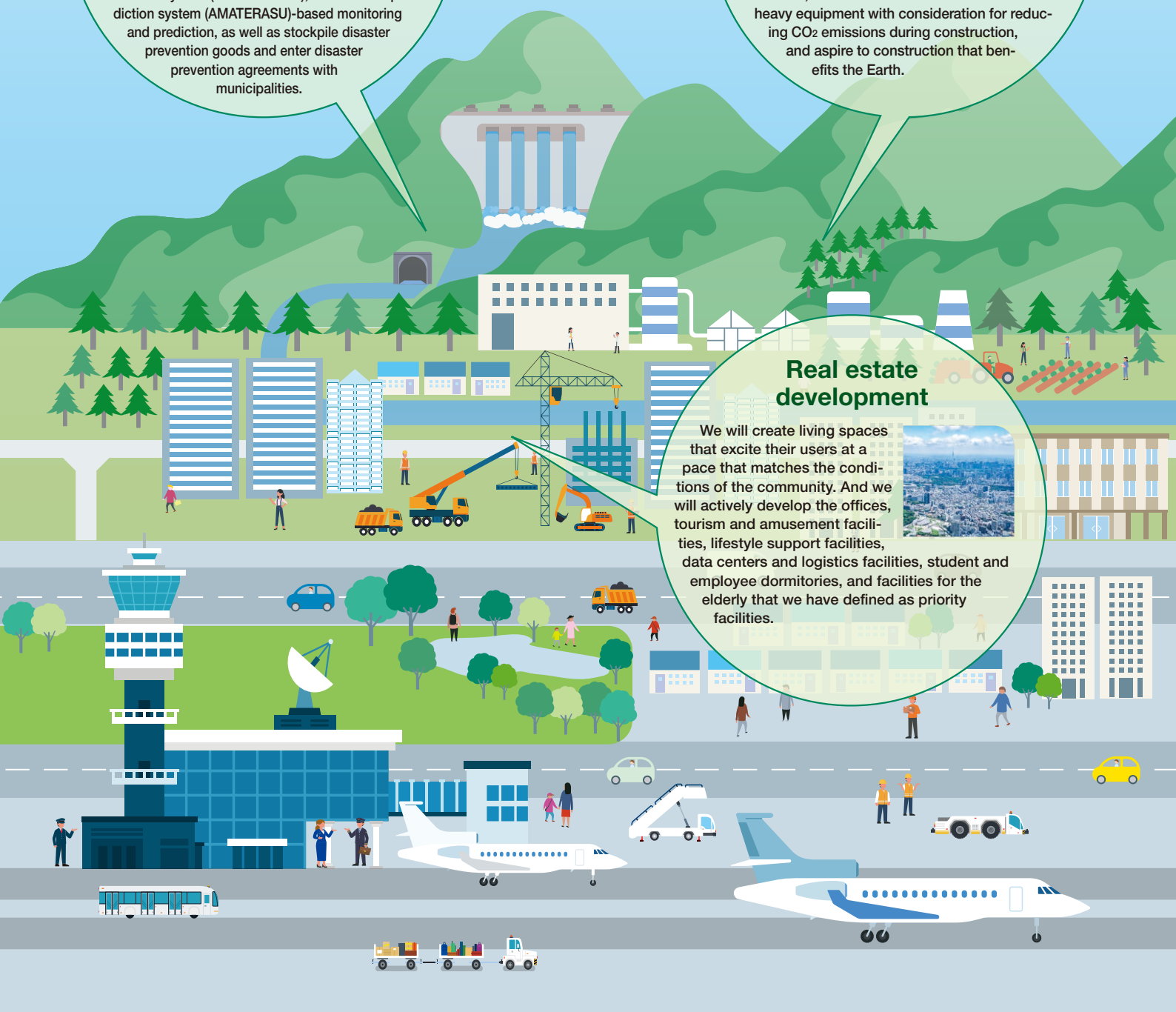
To expand our value creation activities from developing social infrastructure to rebuilding social functions

Disaster prevention and safety

In response to torrential rains and other natural disasters, we seek to develop communities in which local residents can live with peace of mind, both during construction and after the start of operations. To achieve this, we apply our slope monitoring system (OKIPPA), rainfall measurement system (OKIPPA Green), and weather prediction system (AMATERASU)-based monitoring and prediction, as well as stockpile disaster prevention goods and enter disaster prevention agreements with municipalities.

Environmental protection

As part of community and facility development, we work to conserve energy (utilizing zero energy building (ZEB)), use green energy in the construction sites, and consider harmony with the surrounding environment by taking into account appearance and greenery. Moreover, we select construction methods and heavy equipment with consideration for reducing CO_2 emissions during construction, and aspire to construction that benefits the Earth.



Real estate development

We will create living spaces that excite their users at a pace that matches the conditions of the community. And we will actively develop the offices, tourism and amusement facilities, lifestyle support facilities, data centers and logistics facilities, student and employee dormitories, and facilities for the elderly that we have defined as priority facilities.

Energy

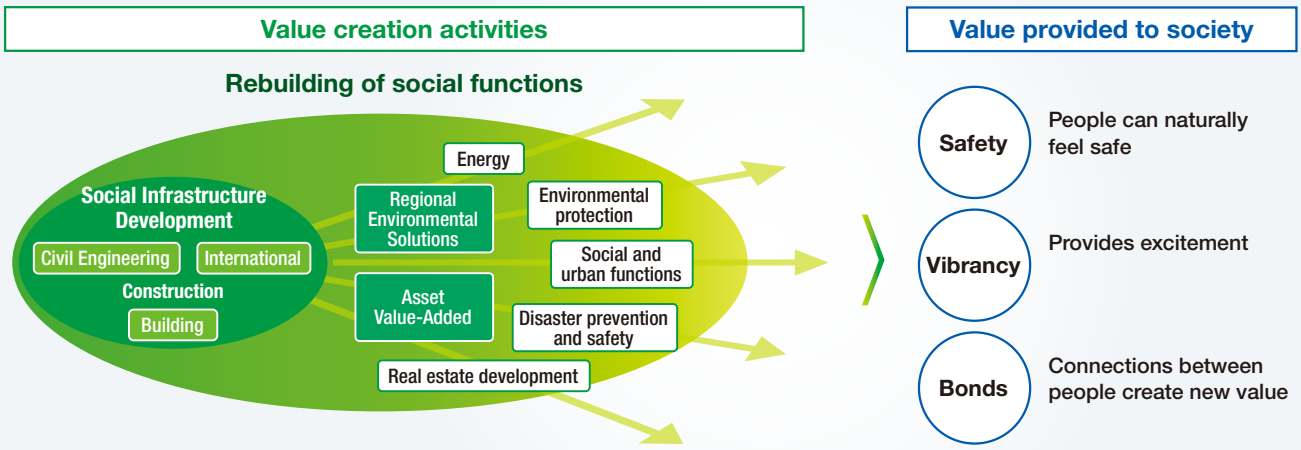
To reduce our environmental impact, we generate and utilize clean energy whenever possible at the facilities we develop. In addition to our solar panel-based PPA, collective electricity receiving, and small-scale biomass power generation systems, we will enable cutting-edge facilities in a way that embraces collaborations with companies involved in various areas of research.

Social and urban functions

Land readjustment projects and redevelopment projects are planned based on the relevant region's comprehensive plan and disaster prevention plan, and are formed through public-private partnerships with the intent of solving issues faced by the region. We leverage our know-how and relationships while soliciting and developing the optimal facilities in an effort to create communities that are beloved by their residents.

Rebuilding of Social Functions

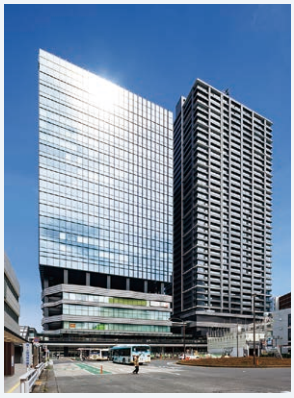
We will expand our value creation activities from developing social infrastructure to rebuilding social functions, providing safety, vibrancy, and bonds between people.



Nakano 2-chome Area Redevelopment Project (Asset Value-Added × Building × Civil Engineering)

Social and urban functions | Real estate development

This project involved the coordinated implementation of land readjustment and urban redevelopment. It features a complex that has a variety of urban features, including offices, condominiums, and retail facilities. One part of the project was the development of traffic routes to enhance mobility around the station. Additionally, the project site includes a plaza that will serve as a space for relaxation and social interaction. The project successfully combined the infrastructure base development activities of the Civil Engineering Business, the large-scale construction capabilities of the Building Business that highlight the charm of the local community, and the comprehensive business support provided by the Asset Value-Added Business. This collaboration ensured the project met the needs of the local community. Through value co-creation activities in which the Company’s various departments utilized their expertise, we have succeeded in increasing safety, vibrancy, and bonds within the local community.



Nakano 2-chome Area Redevelopment Project

Hera Hill Development and Land Readjustment Project (Asset Value-Added × Civil Engineering × Building)

Social and urban functions | Disaster prevention and safety | Environmental protection | Energy

This project is a land readjustment project implemented by a land readjustment association made up of landowners and is positioned as a hub for the creation of an energetic urban area in the 6th Hatsukaichi Comprehensive Plan. The goal of this project is the development of two key sites: a site for tourism and interaction facilities that will create synergy with Miyajima and a site for industrial facilities that will provide space to companies that are based in Hatsukaichi so they can relocate, addressing the need to change the streetscape in areas that are a mix of residential and industrial properties. The development of these sites aims to create new vitality for Hatsukaichi with a future vision, including securing new financial resources, increasing the number of visitors, and expanding employment opportunities, ultimately energizing the city. We are developing a large area of land, a total of approximately 70 hectares, for the city. From the stage of starting construction, we are monitoring and forecasting potential natural disasters, such as heavy rain, using our slope monitoring system (OKIPPA), rainfall

measurement system (OKIPPA Green), and weather forecasting system (AMATERASU) in response to torrential rains and other natural disasters. We aim to stockpile disaster prevention goods and enter disaster prevention agreements with municipalities to develop communities where residents can feel safe.

Environmentally friendly construction is our goal, and we have chosen construction methods and heavy machinery designed to reduce CO_2 emissions. We consider energy-saving measures, including ZEB in particular, and the use of green energy in the local area. To promote harmony with the surrounding environment, we also consider landscaping measures.

Hera Hill Development and Land Readjustment Project

PPA solar power generation business (Regional Environmental Solutions × Building, International)

Energy

We have started supplying renewable energy to the Nippon Institute of Technology. The Regional Environmental Solutions Business and the Building Business worked together to install a self-consumption solar power generation system on the Saitama Campus. Part of the system designed to generate electricity to be used by the institute is installed on the rooftop of the main building.

The Regional Environment Solutions Business partnered with the International Business to install a self-consumption solar power generation system on the rooftop of a newly constructed frozen storage warehouse belonging to SCG Nichirei Logistics Co., Ltd. in Thailand. This system is designed to provide electricity for the warehouse, and it started to supply renewable electricity when the warehouse began operating.

The power generation capacity of these projects is approximately 1.4 MW and 1.0 MW, respectively, and it is expected they will reduce CO_2 emissions by approximately 940 tons per year and 760 tons per year, respectively.

We will continue to capitalize on our strengths, utilizing business collaborations to provide safe, secure, and environmentally friendly energy.

Nippon Institute of Technology PPA

Nichirei Thailand PPA

Sigfox Canary: a Wearable Device for Preventing and Notifying People about Heatstroke (Regional Environmental Solutions × Technology Strategy Unit, Civil Engineering and Building)

Disaster prevention and safety

Environmental protection

This device worn on the wrist estimates the increase in the wearer's core temperature and alerts the wearer of heatstroke. It can also notify supervisors of heatstroke. This feature makes it possible to assess the wearer's heatstroke risk in real time, facilitating prompt intervention. This device uses a wireless communication standard that eliminates the need to carry a smartphone, and its energy-saving design means that it does not require charging. These features significantly reduce the difficulty of using the device on construction sites.

In FY2025, we began providing the device to our construction sites and external partners to help protect on-site workers from heat-related risks to their health and reduce the number of heatstroke incidents.

Sigfox Canary and the management screen of its application

Message from the President

With the goal of making Nishimatsu the most attractive general contractor, we will promote a developmental cycle of engagement and continuously enhance our corporate value.

It has been one year since I became president. Recognizing that people are the foundation of a company, we have reviewed the ways we enhance employee engagement and initiated an organizational reform across all of our business divisions. We will transform our organizational structure into a lean and highly productive organization by reducing the number of redundant business operations and leveraging DX and AI technology for labor saving.

Representative Director and President **Masakazu Hosokawa**

Reflecting on My First Year in Office

Nishimatsu Construction has had several slogans over the years that accurately express the Company’s philosophy. For instance, when I joined the Company, its safety slogan was “Show compassion and consideration throughout the workplace, just as you would for your parents and siblings.” Our current basic safety and health policy slogan is “Compassion and consideration throughout the workplace!” This has been our guiding principle for many years. We also developed the corporate slogan “Successfully Building a Better Future” in 2015 and introduced a new one, “Trust. It’s what we build,” in 2024. Our traditions emphasize our employees sincerely taking on challenges that are faced on each work site, delivering quality work and bringing joy to many, including our customers and local communities. The underlying message remains unchanged, with employees at its core.

One year has passed since I became the president of the Company. Initially, I focused on changing dialogue stance, believing that people are the foundation of a company. During employee training sessions, I always ask, “What does the term ‘attraction’ mean when discussing a company that is attractive to you?” At first, I expected most people to respond with “compensation.” However, their responses included “a company where communication is good,” “I want people to be happy with what I build,” and “I want to construct buildings I can be proud of.” I learned that employees wanted good communication and an environment where they could demonstrate their value, and I realized the significance of 1-on-1 meetings between supervisors and subordinates, in addition to the ongoing dialogue between the president and employees.

To increase engagement, it is necessary to do more than just talk with people. In 1-on-1 meetings, it is important to maintain a horizontal relationship, even if there is a supervisor-subordinate dynamic, and to foster psychological safety. We encourage employees to express their individual thoughts, issues, and complaints. The Company strives to address these matters. If that is challenging, we provide feedback in a way that is acceptable to them. This will enhance employee motivation and loyalty, fostering a bottom-up flow of information where employees can offer valuable suggestions to help improve the Company. This is what it means to enhance employee engagement. We are starting to increase employees’ awareness of this method of dialogue.

Subsequently, we initiated an organizational reform. The Company has five business divisions. They were siloed off from each other. To improve this organizational structure, we modified our dialogue stance. In addition, in April 2025, we established the Corporate Unit. This unit cuts across the five business divisions and comprises the Corporate Strategy Unit, Human Resource Strategy Unit, Technology Strategy Unit, and Management Unit, all responsible for mid-to-long-term strategy. This has aligned the departments focused on medium- to

long-term strategies with the departments responsible for executing business operations. This alignment enables the entire Company to backcast to develop strategies and plans. We have created a system that encourages employees to adopt a company-wide perspective and facilitates communication between them.

Toward Realizing Nishimatsu-Vision 2030

Advancements during the second year of Medium-Term Management Plan 2025

In Nishimatsu-Vision 2030, we aim to expand our value co-creation activities from developing social infrastructure to rebuilding social functions, providing safety, vibrancy and bonds between people. We believe that we can expand value co-creation activities by bringing together our partners' strengths to create greater value. In Medium-Term Management Plan 2025, we are focused on the enhancement of the profitability of Building and International (Civil Engineering), while pursuing medium- to long-term initiatives to achieve Nishimatsu-Vision 2030.

In FY2024, the second year of the plan, we encountered challenges, such as high-priced construction materials and restricted supply from equipment contractors. However, we successfully implemented the Earnings Improvement Plan, which led to improved profits and results that exceeded our forecasts. While the growth investments in GX and community development have been somewhat slow, the growth investments in the Asset Value-Added Business, human resources development, DX, and technology development have progressed successfully. We are building a solid foundation for future growth.

In our external value co-creation activities, we actively collaborated with companies in different industries. We established a capital and business alliance with ITOCHU Corporation to develop new business operations that leverage ITOCHU's diverse operations and extensive network in Japan and abroad. In FY2024, we completed our first medium- to high-rise wooden building, a five-story wooden dormitory. We also created synergies in other projects, particularly in the real estate development and renewable energy sectors.

Increasing the value created through a developmental cycle of engagement

I aim to position Nishimatsu Construction as the most attractive general contractor. To achieve this, I have advocated the significance of a developmental cycle of engagement.

Employees demonstrating 100% of their potential is a challenge. However, high employee engagement could significantly unlock their potential.

When employees feel a greater sense of solidarity, the

Message from the President

We will accelerate our transformation by implementing labor-saving measures and increasing productivity.

Company’s fundamental strength improves, leading to higher quality work, and customers view Nishimatsu Construction as an excellent company and choose us. This leads to increased customer engagement. As a result, profits and performance increase, leading to increased returns for shareholders, customers, employees, local communities, partner companies, and other stakeholders. This enhances employee engagement. I call this the developmental cycle of engagement.

I believe that we can make Nishimatsu the most attractive general contractor by continuously enhancing our corporate value while implementing the developmental cycle of engagement.

Labor-saving measures and the enhancement of productivity

We will focus on labor-saving measures and productivity improvements to advance to the next stage. We are exploring two approaches: leveraging technologies, such as DX and AI, and reassigning staff.

First, if we can reduce the number of employees at each work site by actively leveraging technologies, we can, for example, decrease the workforce from ten people to nine people at nine sites. Then, we can consolidate the redundant employees to create a new work site and increase productivity.

Second, we aim to reassign staff. For instance, we review our current organizational redundancies and transfer some of the administrative tasks currently handled by technical staff to administrative positions. We will be able to assign these technicians to more specialized positions that are directly linked to production.

We will merge these two processes to accelerate our transformation into a lean and highly productive organization.

Expanding current businesses and fostering organic collaboration

Nishimatsu Construction’s core businesses are Civil Engineering and Building. However, we recognize that our growth potential is limited within the traditional framework, which only encompasses construction. Honestly, there are not many areas in the Civil Engineering and Building businesses that only Nishimatsu can handle. Given the country’s declining population, it will be extremely difficult for a company that relies solely on investments in construction to achieve sustainable growth. I believe that creating new added value based on our accumulated experience will strengthen us.

I am exploring three areas where we can generate added value. The first is Asset Value-Added Business. A characteristic of the construction industry is projects that are not recurring. It is crucial that we develop recurring business. We can create unique value by merging our history and experience in the construction business with our know-how in real estate development. In real estate development business, we are focusing on the circular reinvestment model. This involves purchasing properties, selling them when their value increases, and using the proceeds for subsequent investments. However, in this model, we generate profits only after selling properties, making us vulnerable to changes in the environment. We aim to incorporate a real estate rental business to enable us to secure stable income over the medium to long term and to build a business portfolio that has a good balance of non-recurring and recurring revenue streams from the circular reinvestment model.

The second is Regional Environmental Solutions Business. We will leverage our experience in renewable energy and community development businesses to collaborate closely with cities and regions. We aim to propose and implement solutions

to issues and foster the co-creation of businesses. We plan to develop our business with a focus on permanent power sources such as solar, geothermal, and wind energy. The earnings from these businesses will not be affected by rising fuel prices.

The third is International Business. As the domestic market contracts, we need to develop business operations in the international area. These efforts extend beyond construction. We can do this to create value in new areas.

We aim to promote the growth of established businesses while also advancing organic collaboration among divisions to foster the growth of new businesses. Additionally, to enhance the Company's appeal, we plan to employ strategies involving M&A and special purpose companies (SPCs) to create new value, embracing partnerships with companies in different industries.

Human Capital Management to Develop Human Resources and Unlock Their Potential

Fostering a corporate culture that promotes high employee engagement

During employee training and meetings with young employees, they often talk about their career paths. They say, "I want to grow," and "I want to explore various opportunities." Employees are eager to learn. Some wish to increase their expertise, while others aim to build their careers with a broader perspective instead of being confined by an organizational structure that is divided into distinct divisions. To address these diverse aspirations, it is important to provide every employee with an environment where they can thrive beyond the boundaries of their business. If we create a system that supports employees' aspirations, they are able to realize their potential, and the value of the Company's human capital increases, ultimately contributing to the growth of the Company as a whole. This is the human capital management I aim to implement.

We have created a new structure with the Corporate Unit. Our immediate challenge is to develop management personnel that can view the entire Company from a broader perspective. We asked each department to select candidates and created a human resources pool of approximately 70 people divided into three groups. Most of them are employees in their 40s to mid-50s. We are designing a program aimed at helping them expand their horizons and develop broader perspectives, and we will implement it. This program is designed to be aligned with future succession plan. We are considering the identification of candidate presidents from among the employees who are 50 to 55 years old. We plan to involve the outside directors in the selection process.

I believe that talent management focused on individual people is an essential part of human capital management. Currently, our program is not functioning as well as we would like. My ideal scenario involves understanding individuals not only by their skills but also by their personalities and interests. This way, we can place them in the right positions and guide them towards the areas in which they genuinely wish to grow. We are currently focusing on the individuals in the human resources pool.

Meanwhile, we acknowledge the problems with the existing personnel evaluation system. Evaluation criteria were not effectively established, and the content of evaluations was not clearly communicated to the people being evaluated. Evaluation information is extremely valuable in the assessment of human capital. Organizing this data properly while enhancing its quality is the foundation of effective talent management. The Human Resource Strategy Unit is developing evaluation criteria that will be used across our various businesses. We aim to optimally allocate human resources and maximize their potential.

To Our Stakeholders

We have adopted our Corporate Philosophy: Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services. This means that our mission is to build a sustainable future by contributing to regional society and the environment through structures and services we provide. I believe that it is our approach to sustainability itself. We have identified six material issues that we need to address. As I mentioned, we are focusing on securing and developing human resources. We are also addressing environmental issues related to our business activities.

I have two key phrases that are central to my management philosophy. The first is "benefiting both oneself and others." This phrase originates from Buddhism and suggests that serving others ultimately benefits oneself. The idea is aligned with the concept of the developmental cycle of engagement. The other is "I think, therefore I am," which is attributed to Descartes. This idea suggests the indisputable fact of your ability to think proves your existence. By differentiating between objective facts and your thoughts about them, you can see the true nature of things.

Philosophically, I believe that to fulfill our mission and become the most attractive general contractor, the Company must be valued and chosen by all of its stakeholders, including its shareholders, customers, employees, local communities, and partner companies. We are living in an era of volatility, uncertainty, complexity, and ambiguity. Although the future is uncertain, we will move forward and embrace challenges to achieve sustainable growth. As we work toward achieving these goals, I humbly ask for your continued support and understanding.

Message from the Executive Vice President in charge of Corporate

We aim to achieve sustainable growth and enhance corporate value from a company-wide perspective in times of rapid change.

Makoto Isshiki

Representative Director and Executive Vice President, in charge of Corporate Unit

Goals of the Reorganization

In April 2025, we reorganized our headquarters and created the new Corporate Unit comprising four units; the Corporate Strategy Unit, Human Resource Strategy Unit, Technology Strategy Unit, and Management Unit. Needless to say, the Corporate Strategy Unit draws up an overview of the Company’s key medium- to long-term corporate strategies. We have established the Human Resource Strategy Unit to address the challenge of recruiting and retaining human resources, which is undoubtedly one of the Company’s highest priority issues in its corporate strategies. This issue is due to a widespread labor shortage across the country that is the result of Japan’s transition into a phase where its population is decreasing, in addition to the rapid change of the social environment. For companies to grow in the construction industry, they must have technological capabilities, especially construction techniques. Accordingly, we have established the Technology Strategy Unit to focus on the development of technologies, including our digital transformation. The position of the Management Unit is similar to the position of the former Management Division, which existed until the previous fiscal year. The unit aims to enhance Nishimatsu Construction’s corporate activities and strengthen its relationships of trust with its shareholders.

Nishimatsu Construction was founded in 1874. Focused on Civil Engineering and Building businesses, they have been operating for 150 years. We have a long history of expanding overseas. In recent years, our Asset Value-Added Business and Regional Environmental Solutions Business have experienced growth. However, our primary focus has been on contract construction work, specifically supporting our customers’ business operations through construction. We have concentrated on developing our ability to strengthen relationships with our customers, which is a core strength of Nishimatsu Construction. We realize that we have not paid sufficient attention to our medium- to long-term corporate strategies, and we deeply regret this oversight.

In a society experiencing a rapid decrease of its population, there is clearly limited potential for growth in our construction business including the civil engineering and building businesses, although it is not expected to vanish completely. In this environment, we must consider how we grow from a company-wide perspective and develop the ability to continually adapt to change. In today’s world, where predicting the future is challenging, we must adopt an approach that involves setting goals, monitoring progress, and flexibly adjusting our plans, similar to the plan-do-check-act (PDCA) cycle.

The Corporate Unit plays a key role in this approach. Our business divisions, regional headquarters, and branches have developed strong business operations. The Corporate Unit will

Roles of Each Unit

Corporate Strategy Unit	This unit accurately analyzes the rapidly changing business environment and develops corporate strategies to optimize the business portfolio and effectively allocate management capital, aiming for sustainable growth and the enhancement of corporate value. The unit also facilitates the execution of these strategies.
Human Resource Strategy Unit	This unit focuses on developing human resources and providing support for their active participation over the medium to long term. It assigns personnel to maximize organizational strength and designs systems to address various challenges, such as recruiting and retaining talent, which are urgent management issues.
Technology Strategy Unit	The Technical Research Institute has been merged with the DX Department to reduce labor and enhance productivity through the integration of technologies and digital transformation. This unit promotes digital innovation to facilitate the exploration of new business areas.
Management Unit	This unit oversees accounting, legal, and administrative functions and promotes reforms to optimize efficiency and effectiveness throughout the Company. The unit encourages strategic discussions with shareholders to build trust-based relationships.

be responsible for determining how we transform our current business model—which relies heavily on contract construction work—while sustaining the Civil Engineering and Building businesses that remain our foundation. This unit will lead our dramatic transformation.

Naturally, our financially independent business divisions will have differences of opinion with the Corporate Unit. However, I am sure that lively discussions between the Corporate Unit, which has a medium- to long-term perspective, and the business divisions, which solidify the foundation of Nishimatsu Construction, will drive our growth.

I have primarily been engaged in civil engineering. The times are changing rapidly. In this environment, it is crucial that we clarify the roles of the Corporate Unit and enhance its functions. We will develop a system in which our corporate and business strategies complement each other, facilitating in-depth discussions with the goal of achieving sustainable growth and increasing corporate value from a company-wide perspective.

The Key Is Improving Employee Engagement

To achieve reform, it is important that all employees understand the answers to the following questions: Why are we implementing this reform, and what changes will occur as a result? It is also important to address the numerous issues the Company faces one at a time. I believe that management and employees must strive for a shift in mindset through constant communication. Since May 2025, I have been visiting regional headquarters and branches throughout the country to facilitate dialogue. By communicating with employees, I have realized that many of them identify with President Hosokawa's goal of becoming the most attractive general contractor and they aim to achieve this goal. Many employees have expressed a desire to be proud to tell their family and friends about the structures they have worked on and be able to say that these structures are something that they (the Company) constructed. I am pleased to see that our employees maintain a strong passion for building things.

I joined Nishimatsu Construction because I have a strong desire to create. Listening to our employees' opinions, I feel the need to reconsider the kind of work that they can truly take pride in. Iconic structures might not be profitable. While we cannot overlook profits, we should carefully reevaluate the balance between profitability and employee satisfaction and pride.

The key to sustainable growth is the developmental cycle of the engagement of all stakeholders which President Hosokawa has advocated. The enhancement of employee engagement is an urgent issue. Currently, our Company's average employee age remains stable due to successful new graduate hiring. However, the reality is that nearly half of our employees across all of our different age-groups retire before reaching retirement age. One of the things that is required to make Nishimatsu Construction a company that people are eager to join and continue to work for is the creation of an environment where employees can take pride in their work. By achieving this, we can become the most attractive general contractor.

This is a reason that we have established the Human Resource Strategy Unit. We will examine the ways in which we support the development of our employees' careers. In other words, we have acknowledged that the current system is outdated. To ensure our corporate strategy quickly reflects potential solutions to on-site issues, we will encourage bold internal personnel transfers. We also aim to develop management and professional human resources.

The Most Attractive General Contractor to Our Stakeholders

Who is the most appealing general contractor? The answer can vary depending on people's individual perspectives. Different groups, including employees, partner companies, customers and the general public, have different views. To determine who the most attractive general contractor is, we need to consider the opinions of these various groups. As mentioned, being able to construct symbolic structures is one of the elements that makes us the most attractive general contractor to our employees. We are confident that our on-site capabilities are unparalleled. To leverage our on-site capabilities, we must address resource issues, including our internal structure, and transform ourselves into a company that is valued by all. This is one of the elements that makes us the most attractive general contractor to our customers.

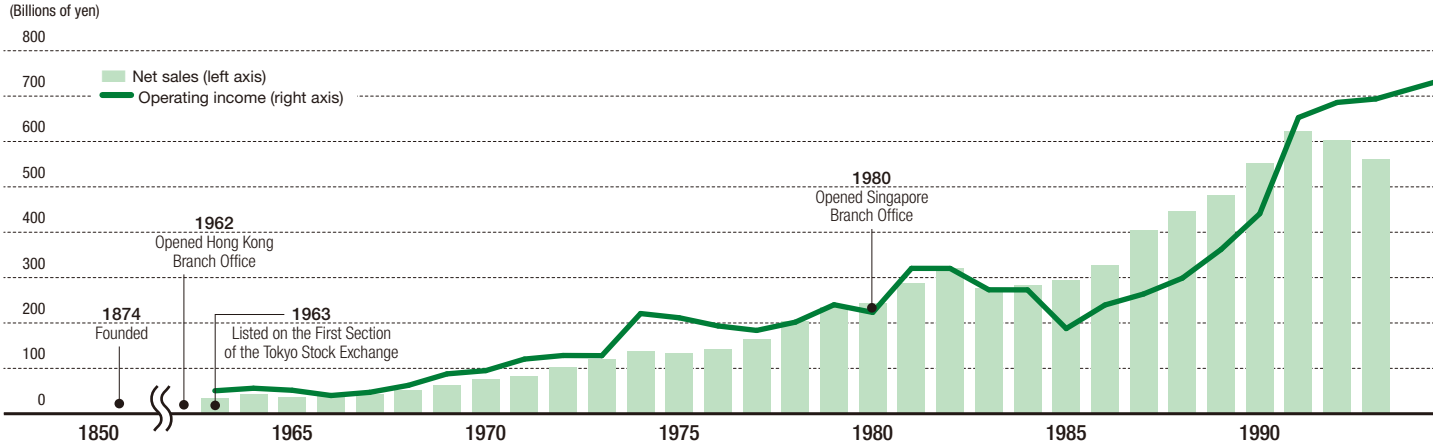
Social issues are becoming increasingly complex, and values are becoming more diverse. The Civil Engineering and Building businesses remain the cornerstones of Nishimatsu Construction. We will continue to deliver products that satisfy our clients and will strictly adhere to quality, safety standards, and construction timelines. In the future, Nishimatsu Construction's new roles must extend beyond merely performing construction tasks to include generating value for customers and local communities, aiming to rebuild the functions of society. There are limits to what the Company can achieve independently. Building strong partnerships, including capital relationships, is essential. We are collaborating with ITOCHU Corporation and plan to actively pursue collaborations.

To continue to be the "most attractive general contractor" to all stakeholders, the Corporate Unit will strengthen our human capital, structural capital (value chain), and relationship capital (partnerships). We are committed to making every effort to build a robust organization and accelerate corporate growth.

Source of Value Co-Creation Activities 1

History of the Co-Creation of Value for the Realization

History of Nishimatsu



Major Events

1872 Japan’s first railroad opened (Shimbashi to Yokohama)

1945 End of WW2

1960s Period of high economic growth

1973 Oil shock

Late 1980s Trade friction

Early 1990s Collapse of Japan’s economic bubble

Nishimatsu Construction’s Cultivated Technologies and Experience

● Dam ● Shield tunnel ● Mountain tunnel ● General civil engineering ● Building ● Civil engineering and Building ● Environment

History of Technologies Introduced and Developed

1870 to 1969

- Development of testing equipment for aggregate screening for pouring concrete for the Sup’ung Dam
- First use of prepacked concrete* in Japan
  * A method of placing coarse aggregate into a formwork before injecting mortar to create concrete
- First use of a mechanical shield machine in Japan
- First application of the freezing method for a large-section tunnel
- Development of the continuous underground cast-in-place pile method (PIP method)
- First application of the slurry shield tunneling method for a large-section tunnel

Keiyo Railway Line’s Haneda-Oki Tunnel

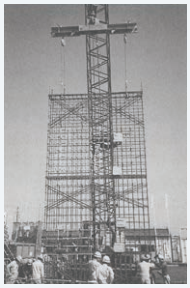
1970 to 1979

- Development of tunnel support work using steel sheet piles (the armor method)
- Application of the aqua-packed method for a submerged tunnel for automobiles
- Development of the PIP-S method, a continuous underground cast-in-place pile method with enhanced water-stopping properties
- Development of the NHS method of constructing prefabricated high-rise residential buildings

Armor method

1980 to 1989

- Development of super-high-rise RC residential building construction method
- Development of technology for deep continuous underground walls



Deep continuous underground walls

Major Events

1850 Founder Keisuke Nishimatsu was born

Founder Keisuke Nishimatsu

1874 Foundation of Nishimatsu

1903 Keisuke Nishimatsu withdrew from civil engineering operations

1906 Period of cooperation with Hazama Corporation. Conclusion of 39 regulations

1914 Received sole contract for construction of the 12th construction section of the Kyushu-Miyazaki Line. A fateful construction project

1916 Company name changed to Nishimatsu Gumi

1926 Constructed the Nippon Chisso Hiryo K.K. (Chosen Hydroelectric) Pujon River Power Plant waterway (3rd and 4th construction sections)

1927 Constructed Nippon Chisso Hiryo K.K. (Chosen Hydroelectric) Hunnam Factory

1929 Established limited partnership Nishimatsu Gumi

1931 Nishimatsu Gumi headquarters transferred to Tokyo

1932 Established the Manchuria Dalian Branch Office

1933 Chosen Nagatsu River Hydroelectric Power Plant waterway and dam construction

1935 With passing of Kojiro Nishimatsu, Yoneshichi Hayashi became the Company’s second president

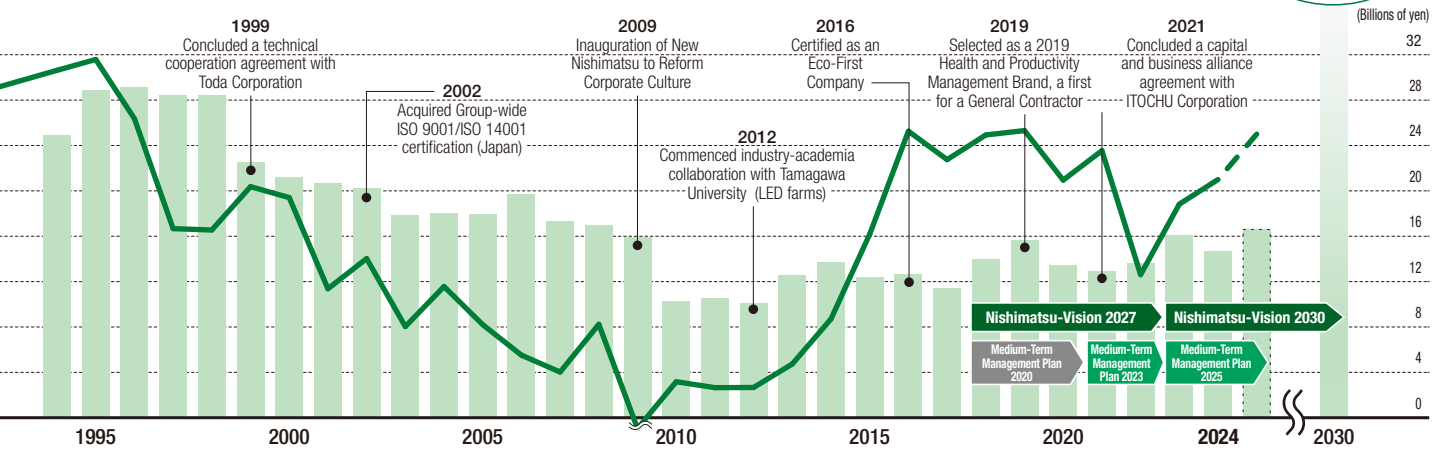
1937 Established Nishimatsu Gumi Co., Ltd.

1940 Established Manchuria Nishimatsu Gumi

# of an Ideal Society Using the Power of Construction

Nishimatsu-Vision 2030

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



1990 to 1999

- Adoption of MIN dampers in base-isolated buildings
- Development of technologies regarding shield tunnel segments
- Introduction of unmanned construction technologies during restoration work after the eruption of Mt. Unzen-Fugen
- Development of the DRISS technology for survey ahead of tunnel faces

2000 to 2009

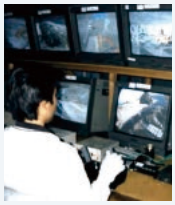
- Development of the MOVE HAT method for the demolition of high-rise buildings using an elevating cover frame
- Development of the Tunnel Balloon total curing method for mountain tunnel lining concrete
- Development of a wave trapping artificial reef
- Development of the Nishimatsu Air Cleaning System

2010 to 2019

- Development of the Uruoi and Nuku-Nuku curing method for mountain tunnel lining concrete
- Development of the BiD Frame Construction Method for the seismic retrofitting of existing buildings by external frames
- Start of the development of Tunnel RemOS technologies for automated and unmanned construction of mountain tunnels

2020 onwards

- Development of the tunnel lining form with automatic controls system for mountain tunnels
- First application of the seismic wooden frame system P&UA for mid- to high-rise wooden buildings



Unmanned construction technologies

Tunnel balloon

BiD frame construction

Image of a building applying the P&UA construction method

1946 Constructed Japan's first rock-fill dam, Ishibuchi Dam, on the Kitakami River (Iwate Prefecture)

1948 Company name changed to Nishimatsu Construction Co., Ltd.

1953 Constructed the Arase Dam (Kumamoto Prefecture), a model for mechanized construction

1960 Constructed a government office complex in Tokyo's Otemachi District.

1961 Constructed Amagasaki Steel Sakai steelmaking plant. Honored with the BCS award in 1964

1965 Adopted the freezing method on the Kanasugibashi section of the No. 1 Line, Toei Subway

1967 Constructed the world's largest bowling alley (at the time)

1971 Constructed Hong Kong container yard. Received UK civil engineering international award

1984 Won order for Singapore subway construction

Constructed Nagai River Bridge on the Kan-Etsu Expressway. Japan's tallest bridge pier rises.

Constructed ultra-high-rise building in Thailand

1986 Tsubayama Dam (Wakayama Prefecture) received the Minister of Health, Labour and Welfare Award of Excellence

1987 Constructed the Daimon Dam (Yamanashi Prefecture). Received the 1986 Outstanding Civil Engineering Achievement Award from the Japan Society of Civil Engineers

1988 Won order for the Tate's Cairn Tunnel on Build, Operate, Transfer (BOT) project basis

Commenced construction of the Gassan Dam (Yamagata Prefecture), one of Japan's largest gravity concrete dams

1998 Established the Aikawa Technical Research Institute

2003 The Company's first PFI project in Japan, participated in Esaka Minami Parking Service

2015 Became the first Japanese general contractor to establish a joint venture in Laos

2017 Started the Company's first commercial facility development and operation business, "hareno terrace"

2022 Opened Hotel JAL City Toyama, the Company's first foray into the hotel business

Acquired certification from the SBT initiative for targets at reduction of greenhouse gas emissions

Certified by the Ministry of Economy, Trade and Industry as a "DX Certified Business Operator"

2023 Participating in biogas power generation projects

2024 The Aso Tateno Dam in Kumamoto Prefecture won a ZENKEN Award and an Outstanding Civil Engineering Achievement Award from the Japan Society of Civil Engineers

Source of Value Co-Creation Activities 2

The Ability to Develop Social Infrastructure

Leveraging our strengths related to the technologies we have cultivated and our achievements, we will continue to coexist with local communities and establish a sustainable society and environment for people to live with peace of mind.

Mountain tunnels

Major construction achievements in the past three years

- FY 2017: Construction of the Gifu-Yamagata No.1 Tunnel on the Tokai-Kanjo Expressway
- Construction of the Shiribeshi Tunnel (Kamikitazawa) and others on the Hokkaido Shinkansen
- Construction work of the Shin-Tomei Expressway Yubunehara Tunnel on the Shin-Tomei Expressway
- FY2020-2023: Construction of the Fubahara Tunnel on the Kubokawa-Saga Road
- Kuyama Tunnel (West) and others on the Kyushu Shinkansen (Nishi Kyushu)

We have more than 100 years of history. We have safely and efficiently conducted construction activities even in complicated geological conditions, such as the conditions during the construction of the Nabetateyama Tunnel. With a view toward the practical implementation of unmanned construction and a digital twin platform by 2030, we are working to establish a next-generation construction system that will reduce the necessary workforce by around 30%.

Construction work for establishment of the Matsuura 1st Tunnel route 497 in Nagasaki Prefecture

Construction work of the Arasima second tunnel area of Simoyama in Ono Aburasaka road

Our technologies for mountain tunnels

The Drilling Survey System (DRISS)* is used at a large number of mountain tunnel construction sites. It makes the direct, quantitative and rapid evaluation of the properties of the ground possible in the area to be excavated (ahead of the tunnel face). This makes it possible to select the proper measures and support work to prevent the tunnel face from collapsing. This supports safe excavation and construction activities at tunnel construction sites across the country.

It has been utilized at our mountain tunnel construction sites since 1993. By the end of FY2024, it has been used in 70 or more of our projects and in at least 440 projects implemented by other companies.

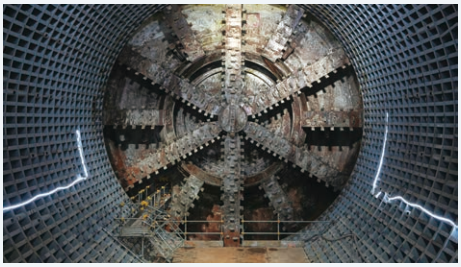
* Drilling Survey System: Probe ahead of the tunnel face using hydraulic drilling equipment

Shield tunnels

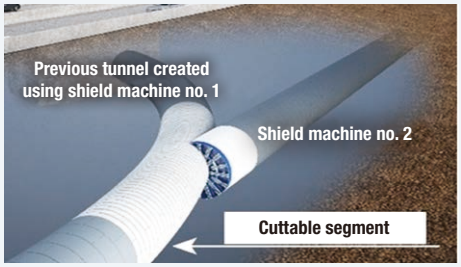
Major construction achievements in the past three years

- Water pipe installation (Niwakubo-Bampaku inter-system connection pipe in Settsu City and others)
- Branch piping construction around Akabanedai 1-chome and Akabanenishi 4-chome in Kita-ku
- Construction work of Okuhata-Myohoji Connection Pipe (Part 1)
- Yokohama Shonan Road Tunnel construction Phase 3
- Reconstruction around Senjuakebonocho in Adachi-ku

Leveraging our more than 60 years of history in shield tunneling, we are actively developing industry-leading technologies and using them at construction sites. Through these activities, we have helped advance urban infrastructure and resolve social issues. We are responsible for a large number of technologies that were the first of their kind in Japan or the world, including large-section slurry shield tunneling, large-section slurry pressure shield tunneling, branching shield tunneling and cuttable segment technologies. We are able to flexibly meet our clients’ complicated construction needs.



Yokohama Shonan Road Tunnel construction Phase 3



Underground connection diagram of the Yokohama Shonan Road Tunnel construction Phase 3

The world’s first effort to connect shield tunnels underground

We are constructing a pair of 5.4-km-long shield tunnels for traffic in two directions in the Metropolitan Inter-City Expressway (Ken-O Expressway) Project. In the method we have adopted for the inner loop, we first use two shield machines, and each machine create 2.7 km of tunnel. Then, the following shield machine no. 2 cut a cuttable segment of the previously drilled tunnel from an oblique backward angle to connect the tunnels. This is a first-in-the-world technology for connecting underground large cross-section tunnels by diagonally cutting the entire cross-section constructed with cuttable segments. It is expected to have advantages in terms of an increased construction efficiency and a reduction of required land.

Cultivated Technologies and Achievements

Logistics facilities

Major construction achievements in the past three years

- New construction of Building A for ARAI PROVANCE Kasai
- Minami Suita Logistics Facility Project (tentative name)
- CBRE IM Shigakonan (tentative name)
- PROLOGIS Park Morioka Project
- New construction of DPL Nagareyama II (tentative name)

We have accumulated many achievements in the design and construction of large-scale logistics facilities. We propose efficient plans and reasonable structures. We implement initiatives to acquire Net Zero Energy Building (ZEB) and Comprehensive Assessment System for Built Environment Efficiency (CASBEE) certification to reduce the environmental impact of the buildings. We are working to facilitate smooth consensus building with clients and design offices through the use of building information modeling (BIM). We provide the solutions that best meet the needs of the customer. We also standardize detailed drawings and estimated specifications to streamline the production process and ensure consistent quality. The drawings and specifications above are created leveraging the combination of our accumulated experience and the specialist knowledge we have cultivated. In addition, we will expand into the growing cold chain-related facility market to create new value based on our expertise in the design and construction of logistics facilities.

New construction of LogiSquare Fujimino A & B

LOGI'Q Minami-ibaraki [Project for Kurakakiuchi 1-chome, Ibaraki City, Osaka Prefecture] (tentative name)

Overseas infrastructure development

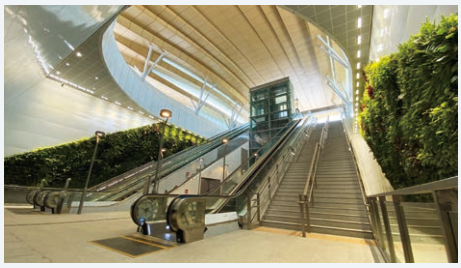
Major construction achievements in the past three years

- Reprovisioning of Fu Shan Public Mortuary at Sha Tin
- KOWA GENERAL FOODS (VIETNAM) FACTORY PROJECT
- BTMT Phase 5 Project
- AIRBAG FABRIC FACTORY ASAHI KASEI VIETNAM PROJECT
- New Warehouse LOGISTEED Project

We have been operating construction businesses in Hong Kong, Singapore and the rest of Asia for more than 60 years. In both Singapore and Hong Kong, we have utilized our advanced technical strengths and our quality management system to carry out large subway tunnel projects. Through these efforts, we have steadily established a track record in construction. Notably, we were the first to use a slurry pressure shield machine in Singapore. As a pioneer in tunnel construction technologies, we develop local infrastructure.

In 1963, we became the first Japanese general constructor to enter the Thai market. It is located at the heart of the Greater Mekong Subregion (the GMS, which consists of Thailand, Vietnam, Laos, Myanmar and Cambodia). At the beginning, we worked to construct highways and other transport infrastructure. Today, we operate locally based businesses mainly carrying out private sector construction projects for the continuous creation of value.

Going forward, we will continue our efforts to further improve our technological strengths and the quality of our construction with a view toward continuing to aid in the construction of infrastructure in Asia based on our overseas track record and the relationships of trust that we have cultivated.



T228 Construction of Gardens by the Bay Station and tunnels for Thomson Line

Yuasa Trading (Thailand) Co.,Ltd.'s new head office project

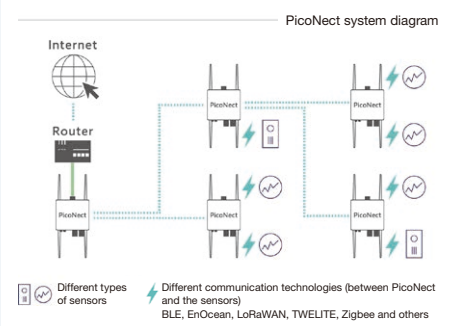
Development of technologies

that aid the improvement of productivity and labor-saving measures

Major construction achievements in the past three years

- Construction work of the No.11 tunnel in Asahi atsumi road section 2
- New environmental center construction project
- Land reclamation in the Hera Hill Land Readjustment Project
- Construction work of the Chokai dam main body (First phase)
- Construction work of the Suzu area slope restoration in route 249 section 1

We developed the PicoNect system for constructing a stable communication environment using the minimum necessary network equipment even on construction sites where communication conditions are unstable. We have combined multi-step wireless Wi-Fi relay technologies and IoT gateway functions, and then we combined this with AI technology to achieve the evolution from the visualization of on-site operations to predicting, optimizing and automating them. We will actively promote initiatives to implement PicoNect outside the Group to support the improvement of productivity and labor-saving measures in the construction industry as a whole.



PicoNect diagram

Source of Value Co-Creation Activities 3

Trust. It’s What We Build.

For 150 years, Nishimatsu Construction has taken on a wide range of projects. On every site, our employees embody the Nishimatsu spirit, finding joy in their work, growing together with colleagues, and bringing our tagline, “Trust. It’s what we build,” to life. Each challenge our employees undertake helps address social issues and contributes to the enhancement of our corporate value.

Listening to the opinions of local residents and striving for the early completion of the Chokai Dam, Japan’s most beautiful dam

In the multipurpose dam project underway at the foot of Mt. Chokai in Akita Prefecture, I am responsible for construction administration, including negotiations with the clients, cost estimates, and budget management. In recent years, Akita has often experienced flooding due to torrential rains, and local residents have called strongly for the early completion of the Chokai Dam. This has increased my awareness of the project’s vital role in society. I am devoted to completing the Chokai Dam, which will be the most beautiful dam in Japan, worthy of the Mt. Chokai region and developed hand in hand with the community, ahead of schedule. As the construction industry enters a period of transformation, I believe that the greatest risk is resisting change. That is why I will continue to embrace new challenges.

Noriyasu Nishio

Assistant Manager, Chokai Dam JV Site Office, North Japan Regional Headquarters

Domestic Building Business

A construction manager understanding the intentions behind stakeholders’ opinions

I am a construction manager working on a new educational facility project in Tokyo. I coordinate with clients, design offices, and other internal and external stakeholders to ensure progress is smooth. Because many parties are involved in the completion of a building, teamwork and communication are essential. As a manager, I make every effort to understand the thoughts and intentions behind the opinions expressed by people in different positions. The future growth of our Company depends on the development of young employees. I aim to create opportunities for them to take on challenges and share their ideas, enabling them to work energetically and with confidence.

Keiji Maeda

Manager, Ikebukuro Site Office, Kanto Architectural Regional Headquarters

Using AI and DX technologies to establish the future of the logistics infrastructure that will sustain society

I am overseeing the management of the construction of the interior of a logistics facility currently being developed in Shiga Prefecture. This project will contribute to both the improvement of working conditions in the logistics industry and the revitalization of local communities by developing a transit logistics hub. By building trust with partner companies and strengthening teamwork on the site, I work to ensure the project is smoothly executed. To address the industry-wide challenge of the labor shortage, I am proactively introducing AI and DX technologies in construction management tasks, with the aim of increasing efficiency and productivity. Through these efforts, I hope to increase the appeal of the construction industry and contribute to the establishment of a sustainable society.

Keita Nakatani

Shiga Ryuo Site Office, Chubu Regional Headquarters

Domestic Civil Engineering Business

Creating an open atmosphere and contributing to the prevention of accidents

As a site manager for the seismic retrofitting work on the Fuchu viaduct section of the Chuo Expressway, I negotiate with the clients and oversee site operations. I value the creation of an open atmosphere, as I believe this helps us detect even the smallest changes and prevent accidents. Seismic reinforcement work on expressways may not produce visible changes, but our true value lies in ensuring that the infrastructure people use every day remains safe and dependable. While preserving the advanced technical expertise cultivated by our predecessors, I work to eliminate unnecessary tasks and introduce effective DX technologies, thereby contributing to the Company's growth.

Yuji Nakazawa

Assistant Manager, Fuchu Site Office, Kanto Civil Engineering Regional Headquarters

With gratitude on site, aspiring to be a role model for women engineers

I am responsible for negotiating design changes with the clients and managing construction administration tasks for the underground railway work on the Naniwasuji Line, which runs north–south from Osaka Station through the center of the city. Infrastructure development activities may become less visible once they are completed, but they continue to sustain society and enrich people's lives. I am always grateful for the support and cooperation of the many parties which makes it possible to carry out projects safely and securely, such as our internal departments and committees, partner companies, and clients. As a member of a company that is trusted to deliver, I am responsible on site and I aspire to be a role model for women engineers, who are still small in number.

Asuka Uchiyama

Manager, Naniwasuji Line Site Office, West Japan Regional Headquarters

Keeping our corporate philosophy in mind while engaging with my younger colleagues to contribute to society

As a deputy site manager for a government office building project, I am responsible for construction planning, scheduling, and coordinating with design offices and partner companies. While the leadership of senior employees is important, I particularly value listening to the opinions of my younger colleagues and providing instructions or explanations to them in individually tailored ways. Their active contributions truly elevate the workplace. Guided by our corporate philosophy, "Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services," I will continue to communicate with diverse stakeholders to deliver high-quality buildings and contribute to society.

Tsubasa Nagata

Chief Staffer, Isa Site Office, Kyushu Regional Headquarters

International Business

Minimizing environmental impact and supporting smooth construction activities

As an office engineer, I am responsible for cost estimation, progress management, and the preparation of monthly, weekly, and test/inspection reports. Construction activities should minimize inconvenience to surrounding communities and the environment, particularly in terms of noise and dust. My role focuses on introducing and providing materials designed to mitigate them, as well as selecting subcontractors who can adhere to the Company's rules and standards. When these efforts come together and a project is completed to the satisfaction of the building owner, it gives me great joy. My personal goal is to deepen my technical expertise in civil engineering and construction methodologies, ultimately improving both the pace at which we complete projects and the quality of work we deliver.

Wasinee Jaruenmit

OMEGA Site Office (Thailand), International Division

Nishimatsu Construction’s Model for Co-Creation of Value

Corporate Philosophy Establish a sustainable society for people to

Inputs

Sources of value

Human Capital

- Number of consolidated employees 3,351
  (of which 360 are employed by the International Business
  * The number of employees includes the number of temporary employees.)
- Professional engineers 215
- First class architects 444
- First class civil engineering construction management engineers 819
- First class building construction management engineers 830
- Training investment costs per employee ¥90,000

Intellectual Capital

- Number of patents owned 246
  (As of March 31, 2025)
- Research and development costs ¥2.362 billion
- Number of joint industry-academia-government research projects 52
  (FY2024)

Manufactured/Social and Relationship Capital

- Number of offices
  Japan 50 Overseas 10
- Number of construction sites 256
  (As of March 31, 2025)
- Capital investments ¥48.129 billion
  (consolidated)
- Construction track record
- N-NET (Nishimatsu Subcontractor’s Network) 1,023 companies
- Relationships built through social infrastructure development
- Relationships with plant operating companies
- Cross-industry and academia-industry collaborations

Financial Capital

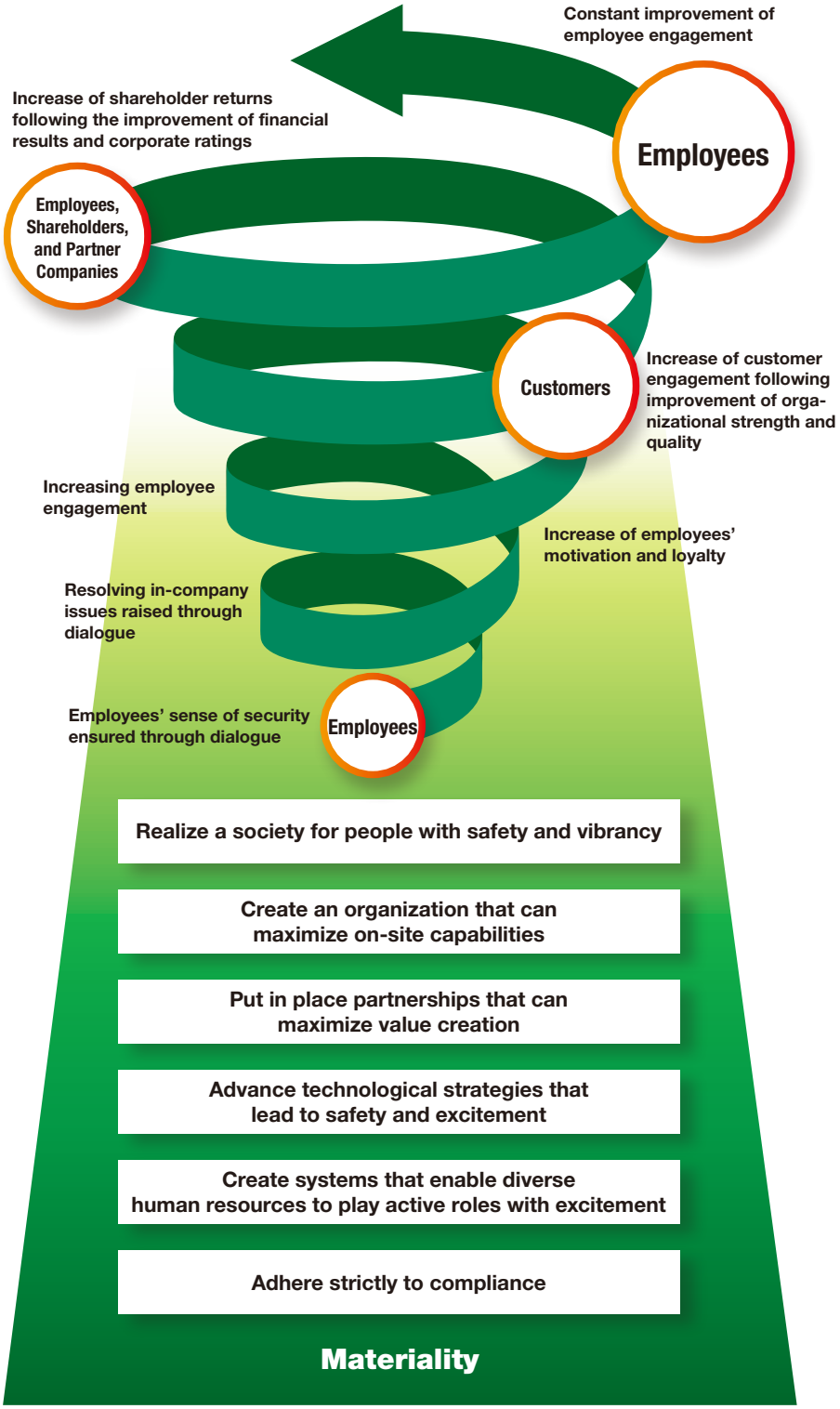
- Total capital ¥181.1 billion
  (consolidated)
- Interest-bearing debt ¥214.2 billion
  (consolidated)

Natural Capital

- Energy usage 256GWh
- Renewable energy usage 63GWh
- Water intake 888,000 m³

Business Model

Developmental cycle of engagement



From created value to sources of value

Under our Corporate Philosophy, “Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services,” we recognize that one means of having an impact on society (shared value) is the ability to provide society with safety, vibrancy, and bonds between people through our value co-creation activities of developing social infrastructure and rebuilding social functions, and we aim to realize a society in tune with our Sustainability Slogan, “Create together, shine together.”

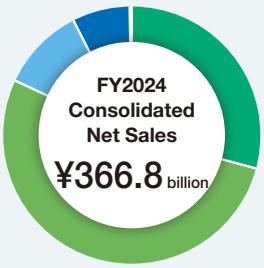
live with peace of mind, providing worthwhile structures and services

Outputs

Value provided

Most Attractive General Contractor

Consolidated Net Sales



- Civil Engineering Business ¥107.9 billion
- Building Business ¥193.1 billion
- International Business ¥38.3 billion
- Asset Value-Added Business ¥26.8 billion
- Regional Environmental Solutions Business ¥0.5 billion

Negative outputs

- CO_2 emissions 43,300 t-CO_2
- Industrial waste emissions 544,000 t
- Water discharge 876,000 m^3

Financial outcomes

- Cash generation
- Improved ROE
- Shareholder return
- Internal reserves for growth investment
- Lower D/E ratio

Outcomes

Value created

Human Capital

- Engagement score of employees 3.71 (5-level evaluation)
- Number of training participants (non-consolidated) 10,089 (total)
  Number of Nishimatsu Employees’ University participants 7,298

Intellectual Capital

- 67 technologies developed by the Technical Research Institute used at 362 construction sites (FY2024)
- New order promotion in new business fields
- Higher first-place capture rate for technical proposals
- Orders received for comprehensive evaluation projects (Civil Engineering: 15 in FY2024)

Manufactured/Social and Relationship Capital

- Number of new projects (Contract amount of ¥50 million or more)
  Domestic Civil Engineering: 40 Building: 104
  International Civil Engineering: 1 Building: 8
- Number of occupational injuries requiring four or more days of absence from work 19 (2 more than in previous fiscal year)
- Number of certified Nishimatsu Meisters Total of 1,038
- Ministry of Land, Infrastructure, Transport and Tourism construction evaluation Score (average) 79.9
  (average of eight sites within the scope of the evaluation by the Ministry of Land, Infrastructure, Transport and Tourism)
- Percentage of S/A ratings in customer surveys
  Civil Engineering: 100% Building: 98.5%
- Redevelopment and readjustment projects underway to revitalize local economies 11
- Enhanced energy security
- Resilient community building
- Regional environment conservation

Financial Capital

- DOE 5.1%
- TSR 279.4% (5-year total)

Natural Capital

- Reduction of CO_2 emissions 13,400 t-CO_2 (Renewable energy, diesel fuel combustion improvers, N-TEMS, etc.)
- Reduction of damage from natural disasters
- Biodiversity preservation activities

Impact

Shared value

Rebuilding of social functions

- Social and urban functions
- Disaster prevention and safety
- Environmental protection
- Energy
- Real estate development

Social infrastructure development

- Construction

Safety, vibrancy, and bonds

Provide value to 60,000 regions and communities*

(FY2024 results: 2,455 regions and communities)

Realizing a society where everyone can create together, shine together

➡P.58

* By having our five businesses—Civil Engineering, Building, International, Asset Value-Added, and Regional Environmental Solutions—working together, we aim to expand the regions and communities that provide safety, vibrancy, and bonds (by 1.5 times the FY2024 level by 2050). The target value is the cumulative total up to and including 2050.

Capital and Strengths for Accelerating Value Co-Creation

Types of Capital	Human Capital		Intellectual Capital	
Business	Strengths	Initiatives for further value co-creation	Strengths	Initiatives for further value co-creation
Domestic Civil Engineering Business	• Diverse technical human resources with a strong ability to develop social infrastructure (Planning, Construction, On-site management and Technology development) • On-site performance skills • On-site support skills • Ability to propose plans • Technology development capability • Business operation skills	• Strengthen planning and proposal capabilities through in-house training and acquisition of experts	• Construction technologies (Tunnels, Dams)	• Establish and introduce new technologies for strengthening orders received for disaster prevention and infrastructure renovation work, etc.
Domestic Building Business		• Deepen dialogue with customers and propose optimum plans that include costs by reinforcing planning departments and planning design departments	• Business collaboration know-how • Construction technologies (Logistics and Environmental facilities) • Environmental technologies	• Establish differentiating factors from competitors that apply logistics facility design and building technologies
International Business		• Further expand markets by enhancing training systems for local staff, localizing business operations, and sharing human capital with business alliance partners	• Construction technology developed in the Domestic Civil Engineering and Building businesses	• Enhance profitability of international bid-based construction projects by utilizing technologies cultivated through domestic construction projects, and by specializing in construction for which the Company offers strong advantages • Establish a one-stop solution business that leverages various types of know-how by collaborating with engineering companies, and secure stable profits by differentiation from competitors
Asset Value-Added Business	• Ability to propose plans • Operation and management skills	• Increase business opportunities by expanding human resource development opportunities using external organizations, and by encouraging a growth mind-set and desire for challenge among individuals • Conduct attentive OJT internally and develop real estate development human resources through a unique approach	• Value-added know-how	• Establish a portfolio with a competitive advantage centered on a circular reinvestment model • Provide comprehensive planning, design, construction, operation, and management solutions in collaboration with Group companies
Regional Environmental Solutions Business	• Ability to propose plans • Management skills • Problem-solving skills • Ability to collaborate with communities	• Strengthen business development capabilities by acquiring experts and knowledge/experience related to new business fields	• Construction technologies	• Expand business that applies the technical capabilities cultivated through the construction business in community development projects

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

	Manufactured/Social and Relationship Capital		Natural Capital	
	Strengths	Initiatives for further value co-creation	Strengths	Initiatives for further value co-creation
	• Brand • Supply chain	• Enhance technical proposals and increase orders received for comprehensive evaluation projects by strengthening the bidding system	• Initiatives for achieving the decarbonization plan for FY2030: ZERO30 Roadmap 2023	• Reduce CO_2 emissions by using renewable energy and diesel alternative fuels, and engage in construction that considers biodiversity preservation
	• Trusting relationships • Supply chain • Alliance partners (alliances with partners in different industries)	• Shift away from a simple contract by leveraging internal and external relationships		• Reduce environmental impact during construction by decreasing CO_2 emissions and considering biodiversity • Deploy environmentally friendly buildings by developing technologies for medium- and high-rise wooden buildings, and by promoting ZEB design
	• Customer base • Trusting relationships • Supply chain • Alliance partners (local JV partners)	• Strengthen the customer base and expand business by collaborating and cooperating with local partners		• Contribute to environmental impact reduction by deploying environmentally friendly construction technologies from Japan to overseas
	• Trusting relationships • Partner companies (collaboration with partners from other industries) • Consolidated subsidiaries • Private REIT	• Strengthen earnings power on a consolidated basis through collaboration with Nishimatsu Asset Management Co., Ltd. and Nishimatsu Jisho Co., Ltd. • Create projects by collaborating with universities and a variety of partner companies		• Reduce CO_2 emissions in FY2030 by applying the Company’s unique environmentally friendly building standards to company-owned properties and new property projects
	• Trusting relationships • Partner companies (collaboration with partners from other industries) • Industry-academia-government collaboration	• Differentiate from competitors through investment in venture companies and the introduction of pioneering technologies developed via collaboration among academia, industry, and government		• Deliver green energy to society by further promoting the renewable energy business (energy creation)

Stakeholder Engagement

Dialogue with Shareholders

Shareholder feedback is communicated to management and incorporated into management strategies

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

At dialogue meetings, the President, the Director in charge of Investor Relations (who is also the General Manager of the Management Unit), the Deputy General Manager of the Corporate Strategy Unit, and the General Manager of the Corporate Planning Department serve as speakers and interact with shareholders. To enhance dialogue on specific topics, such as sustainability or voting rights, managers from respective departments also attend these sessions. The results of dialogue in FY2024, the main themes of dialogue, and matters that were of interest to shareholders are set out below.

Shareholders’ opinions and concerns ascertained through dialogue are fed back to the management team as necessary, and important matters are reported to the Board of Directors as required. Reports received from securities company analysts are also fed back to management as necessary.

Dialogue Results (FY2024)

Category	Number of times	Major Nishimatsu attendees
Individual interviews	73	General Manager of the Management Division, General Manager of the Strategy Management Office, General Manager of the Corporate Planning Department, heads of ESG-related departments, etc.
Small meetings	4	General Manager of the Management Division, General Manager of the Strategy Management Office, etc.
Financial results briefings	2	President, General Manager of the Management Division, General Manager of the Strategy Management Office, General Manager of the Corporate Planning Department, General Manager of the Asset Value-Added Business Division, General Manager of the Finance & Accounting Department, etc.

* Titles are as of FY2024.

Main themes of dialogue and matters of interest to shareholders

Item	Dialogue themes and matters of interest to shareholders	
Business environment, growth strategy	• About business environment • About the progress on the Medium-term Management Plan	• About impact of cap on overtime work on business performance • About progress of synergies with ITOCHU Corporation, our capital and business alliance partner
Financial strategy, shareholder returns	• About balance between growth investment and shareholder returns • About D/E ratio and capital to assets ratio	• About the shareholder return policy
Sustainability Social, Environment	• About the human resource strategy (ensuring human resources, human resource development, and future human resources portfolios, etc.) • About employee engagement and resignation rate • About wage hikes	• About disclosures of climate change-related information • About state of preparedness for biodiversity-related disclosures
Corporate governance	• About requests for further reduction of strategic shareholdings • About reviews of the evaluation indicators and performance-linked compensation ratios in the officer compensation system	• About an effectiveness evaluation of the Board of Directors • About the percentage of outside directors on the Board of Directors • About the strengthening of the supervisory functions of the Board of Directors and the delegation of authority to officers responsible for the execution of business

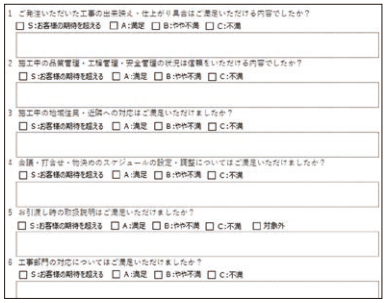
Dialogue with Customers

Listening carefully to our customers’ needs, providing buildings and services that meet their expectations

We accurately grasp diversifying needs and provide buildings and services that meet our customers’ expectations.

Acting as a point of contact and carefully listening to customer needs, our sales staff leverage the comprehensive capabilities that are the Company’s strength to assist its customers in solving their various problems with a total support system that covers planning, design, construction, management, and operations.

During the construction period, we work to provide better structures and services by having both the design and construction management departments and the sales department work closely with customers and communicate in detail. We also ask customers to fill out questionnaires to provide feedback, not only at the time of completion but also after a certain period of time has passed since delivery. In addition to sharing the information promptly within the Company, the evaluation results will be effectively used as a tool for making new proposals and enhancing our after-sales service, leading to future improvements.


1 ご発注いただいた工事の出来映え・仕上がり具合はご満足いただける内容でしたか？
☐ S:お客様の期待を超える ☐ A:満足 ☐ B:やや不満 ☐ C:不満

2 施工中の品質管理・工程管理・安全管理の状況は信頼もいただける内容でしたか？
☐ S:お客様の期待を超える ☐ A:満足 ☐ B:やや不満 ☐ C:不満

3 施工中の地域住民・近隣への対応はご満足いただけましたか？
☐ S:お客様の期待を超える ☐ A:満足 ☐ B:やや不満 ☐ C:不満

4 会議・打合せ・物決めのスケジュールの設定・調整についてはご満足いただけましたか？
☐ S:お客様の期待を超える ☐ A:満足 ☐ B:やや不満 ☐ C:不満

5 お引渡し時の取扱説明はご満足いただけましたか？
☐ S:お客様の期待を超える ☐ A:満足 ☐ B:やや不満 ☐ C:不満 ☐ 対象外

6 工事部門の対応についてはご満足いただけましたか？
☐ S:お客様の期待を超える ☐ A:満足 ☐ B:やや不満 ☐ C:不満

Questionnaire form (extract)

Dialogue with Partner Companies

Building strong relationships of trust with partner companies, promoting sound business activities

For us to conduct sound business activities, we believe it is important to work in partnership with our business partners and in cooperation with the entire supply chain.

Having established the Nishimatsu Subcontractor's Network (N-NET) in 2011, we are currently building not mere construction cooperation partnerships but strong relationships of trust for co-existence and solidarity among businesses with our 1,023 partner companies. Since 2019, we have been holding an N-NET Growth Strategy Meeting every year with the aim of solving issues on site. To date, there has been much discussion on topics such as "improving on-site productivity," "ensuring the taking on of employees," and "responding to the Third Comprehensive Act for the Development and Securing of Human Resources in the Construction Industry," leading to specific initiatives such as the introduction of the "direct," a communication tool and the expansion of our programs for high-caliber technicians.

We are also collaborating with N-NET members on CSR activities such as reforestation and river and coastal cleanups, as well as recruitment support activities such as internship programs.

Group photo of the N-Net General Meeting held on February 5, 2025.

Dialogue with Local Communities

Aiming to coexist with local residents through the provision of buildings and services

It being our mission to contribute to local communities and the environment through the structures and services we provide as well to build a sustainable future, we are committed to promoting the development of local communities and creating prosperous communities.

Participated in the 2024 Toranomon 1-chome Kotohira Festival

In the construction business, it is essential that everyone understands the impact that construction will have on the surrounding living environment during the construction period. Before construction begins, we hold a neighborhood briefing session to carefully explain the construction details and process to the client to gain their understanding and cooperation. During the construction period, we also work closely with neighborhood associations and other local representatives as we work to coexist with the surrounding residents.

In areas other than the construction work, we also support various events organized by local governments, accept tours by children and students, and engage in cleaning activities as part of our contribution to local communities.

Dialogue with the President and Employees

Dialogue with female engineers leading to progress in discussions about the reform of systems

As part of reforming our mindsets and actions, one of the reform programs set out in Nishimatsu-Vision 2030, we have been engaging in dialogue between the president and employees since FY2023. In FY2024, a total of approximately 300 employees participated in this dialogue.

In FY2024, we initiated a dialogue between the president and our female engineers, etc. We categorized female employees by job type—Civil Engineering, Building, and administrative positions (including positions related to information and research)—and engaged in dialogues with approximately ten representatives from each job type. In our dialogue on the theme, "How can women continue to work with enthusiasm?" common topics emerged, including the vague anxieties individual employees had about the changing stages of their lives and their career plans, as well as the importance of flexible working styles. During the sessions for employees in Civil Engineering and Building, there were lively discussions about the unique challenges faced by women on-site as female engineers.

The impact of childcare leave on women's progress in their careers, referred to as the "mommy track," was also discussed during these dialogues, promoting discussions regarding the reform of the system, which resulted in a review of promotion requirements. We aim to mitigate the direct impact of childcare leave to help female employees maintain or improve their motivation when they return to work, ultimately enhancing their engagement.

Materiality

Materiality and Identification Process

In FY2023, we formulated the “Create together, shine together” Sustainability Slogan (Basic Policy), materiality, and a KPI tree.

In the identifying process, we encompassed a variety of global and other perspectives and made use of management interviews, employee awareness surveys, and questionnaires sent to partner companies. We also made the process more easily understandable for our stakeholders by assessing the levels of importance.

Choosing the issues to be considered

Candidate material issues are selected from the issues to be considered

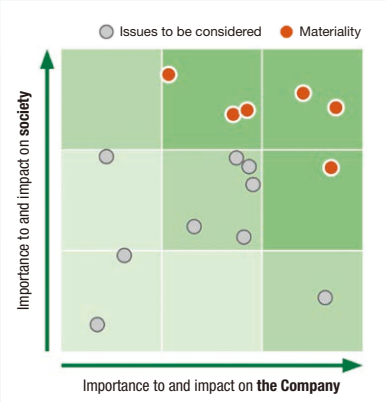
341 issues to be considered that encompassed a variety of global and other perspectives

Integrated and aggregated the 341 issues into 84 issues

Evaluating and narrowing down the list of issues to be considered

Assessed the opportunities and risks associated with the 84 issues for society and the Company

The evaluation results were organized along two axes, “importance to and impact on society” and “importance to and impact on the Company,” and narrowed down to 13 issues.



Selected the more important of these 13 issues based on management interviews, employee awareness surveys, and the opinions of stakeholders

Identifying material issues

The Sustainability Committee discussed the issues and reported its results to the Board of Directors, which passed a resolution on the matter.

The wording of the materiality (material issues) was determined.

The Risk and Opportunity Management Committee will manage risks and opportunities from a long-term perspective at the company-wide management level based on the selected material issues.

	Domestic demographics	Global demographics	Medical care, health, healthcare	Changes in values	Resilient community development	Circular economy and biodiversity	Energy, renewable energy	Partnership	Human rights, gender, employment	Supply chain	Technology	Governance	Business model
Management interviews	More important	Important	Important	More important	More important	More important	Important	More important	More important	Important	More important	More important	More important
Employee awareness surveys	Important	Important	Important	Important	Important	More important	More important	Important	Important	More important	More important	More important	Important
Questionnaires sent to partner companies	More important	Important	More important	Important	More important	More important	More important	Important	Important	More important	Important	Important	More important

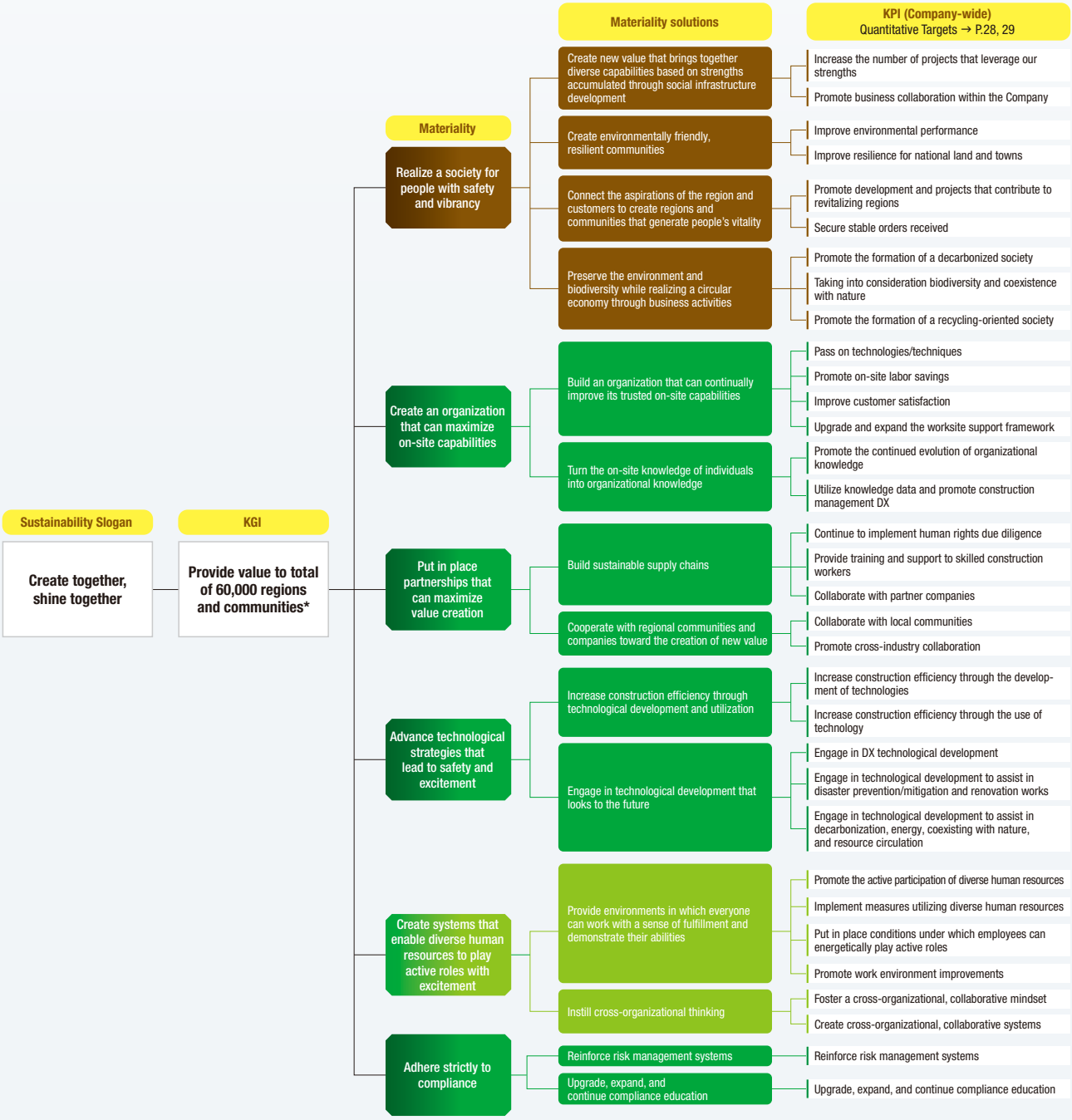
Important / More important / Extremely important

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

KGI and KPI Tree

We formulated the Sustainability Slogan (Basic Policy) and the KPI tree with the Sustainability Slogan and KGI at the top in order to instill materiality through the Company and so every employee could gain a sense of the bond between materiality and their daily operations. We believe that connecting each individual's work to material issues and addressing social issues through our business activities will help us contribute to creating a society where everyone can "Create together, shine together," as stated in our Sustainability Slogan.

In FY2025, we expanded this KPI tree to include each individual, in addition to each department, and have incorporated the KPIs and targets in the performance evaluations for individuals. Every employee will set sustainability goals and work towards them in their everyday tasks. The entire Company will collaborate to promote sustainability.



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

Materiality and KPIs

Specific KPIs and numerical targets were set for 33 KPIs (Company-wide) to resolve material issues. KPIs are listed as follows.

No.	Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2024 results
1	**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	Increase the number of projects that leverage our strengths	Number of planning proposal-type construction initiatives	3 projects/year (until FY2030)	4 projects
				Number of ODA subway projects in Southeast and Southwest Asia	A total of 3 projects by FY2025	0 projects
			Promote business collaboration within the Company	Number of projects in collaboration between new projects (AVA and RES) and construction projects (Civil Engineering, Building, and International)	A total of 13 projects by FY2030	6 projects
		Create environmentally friendly, resilient communities	Improve environmental performance	• Engage in mid- to high-rise wooden buildings initiatives • Promote ZEB design technology • Convert owned properties to renewable energy • Making suitable for installation in environmentally friendly concrete buildings	• 2 projects/year (until FY2030) • 60% (FY2025), 90% (FY2030) (Percentage of ZEB/ ZEH upon completion)*1 • 100% (FY2030) • 1 project or more/year (until FY2030)	• 1 project • Number of initiatives ZEB/ ZEH construction 11 projects • 100% • 1 project
			Improve resilience for national land and towns	Each business division will set specific KPIs and numerical targets to improve the resilience of the national land and cities.		
		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	Build community development business model	A total of 3 projects by FY2025	0 projects
			Secure stable order-received	Each business unit will set specific KPIs and numerical targets to achieve stable order-received.		
		Preserve the environment and biodiversity while realizing a circular economy through business activities	Promote the formation of a decarbonized society	<ZERO30 Roadmap 2023> • Reduction rate of Scope 1 + 2 for all business activities compared to FY2020 • Reduction rate for Scope 3 Category 11 emissions (CO_2 emissions coinciding with energy use during building operation after completion and delivery) • Renewable energy business generation (volume of generated energy sold)	• Compared with FY2020 54.8% reduction (FY2030) • Compared with FY2020 27% reduction (FY2030) • 108,000 MWh (FY2030)	• Compared with FY2020 38.4% reduction • Compared with FY2020 31.2% reduction • 12,000 MWh
			Taking into consideration biodiversity and coexistence with nature	Number of biodiversity preservation activities undertaken	Initiatives at all worksites (As of FY2030)	100%
			Promote the formation of a recycling-oriented society	Final percentage of construction waste sent for landfill disposal	Less than 2.5% (As of FY2030)	3.3%
2	**Create an organization that can maximize on-site capabilities**	Build an organization that can continually improve its trusted on-site capabilities	Pass on technologies/ techniques	Completion certification rates for training system centered on a standard course for young employees	100% (Number of certified persons / Number of eligible persons (year of certification)) (FY2025)	100%
			Promote on-site labor savings	Degree of on-site DX promotion	DX engagement (DX promotion survey) 3% improvement than previous fiscal year (FY2025, 2030)	0.7% decline compared to FY2023
			Improve customer satisfaction	Evaluation by clients	• Ministry of Land, Infrastructure, Transport and Tourism’s average score for the year in construction result evaluations (Average: 80 or higher/year) • Questionnaire evaluations upon completion of private-sector projects gain 99% or higher S/A evaluation	• 79.9 points • 98.5%
			Upgrade and expand the worksite support framework	Set specific KPIs and numerical targets in each business division to enhance the on-site support system.		
		Turn the on-site knowledge of individuals into organizational knowledge	Promote the continued evolution of organizational knowledge	• Maintain collection of details by building type • Increase construction volume per head of Japanese • Human capital data visualization progress rate	• 2 times/year (until FY2030) • Construction volume per head of Japanese/ ¥0.8 billion (overseas civil engineering), ¥2.2 billion (overseas building) (until FY2030) • 100% (FY2025)	• 2 times • ¥0.61 billion (overseas civil engineering), ¥2.13 billion (overseas building) • 73%
				Number of technical status targets achieved by technical institutes • Press releases • Patent applications • Conference presentations • Technical awards from external organizations	• 24 papers/year (until FY2030) • 15 papers or more/year (until FY2030) • At least one paper/person/year as the lead author (until FY2030) • 2 papers/year (until FY2030)	• 20 papers • 31 papers • 1.8 papers/person • 3 papers
			Utilize knowledge data and promote construction management DX	Progress in construction management DX initiatives (convert tacit to explicit knowledge)	2 projects/year (until FY2030)	2 projects

*1 From FY2025, the target will be changed to the percentage for ZEB/ZEH upon completion.

No.	Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2024 results
3	**Put in place partnerships that can maximize value creation**	Build sustainable supply chains	Continue to implement human rights due diligence	Number of companies engaging in human rights due diligence	400 companies or more	457 companies
			Provide training and support to skilled construction workers	• Worksite retention rate of Nishimatsu Meisters and Senior Forepersons • Touch rate for Construction Career Up System (CCUS)	• 60% • Civil Engineering 90%, Building 80% (FY2025)	• 53% • 74%
			Collaborate with partner companies	• N-NET order rate • Conducting a survey regarding the Declaration of Partnership Building	• 60% or more (FY2025) • 400 companies or more	• 59% • 457 companies
		Cooperate with regional communities and companies toward the creation of new value	Collaborate with local communities	• Comprehensive partnership agreement with a local government • Secure sales in new markets	• A total of 3 projects by FY2025 • Sales scale ¥5 billion/year (until FY2030)	• A total of 2 projects • 0 projects
			Promote cross-industry collaboration	Formation of a new business organization through M&A	Construction contract work begins from FY2028	0 projects
4	**Advance technological strategies that lead to safety and excitement**	Increase construction efficiency through technological development and utilization	Increase construction efficiency through the development of technologies	Development of technologies that contribute to society and the sites, including productivity improvement (automated tunnel construction technology, etc.)	10 technologies or more/year (until FY2030)	12 technologies
			Increase construction efficiency through the use of technology	Number of Design BIM building permit applications and application rate*2	1 project (FY2025), 80% (FY2030)	—
				• BIM adoption rate at each phase • Number of BIM application packages installed	• Detailed design BIM 50% (FY2025) • Construction BIM 55% (FY2025) • 230 packages (FY2025) • Detailed design BIM 100% (FY2030) • Construction BIM 100% (FY2030) • 510 packages (FY2030)	• Design BIM 91% • Detailed design BIM 31% • Construction BIM 30% • 152 packages
				Use of proprietary (developed) technologies on-site	50 technologies or more/year (until FY2030)	67 technologies
		Engage in technological development that looks to the future	Engage in DX technological development	Progress of each measures of DX Vision (smart construction site)	2 projects/year (until FY2030)	2 projects
				Rate of achievement of DX technology (labor-saving and productivity improvement) development goals based on the technology development roadmap	Average development goal achievement 70% (until FY2030)	78%
			Engage in technological development to assist in disaster prevention/mitigation and renovation works	Rate of achievement of technology development goals for disaster prevention, mitigation and renovation works based on the technology development roadmap	Average development goal achievement 70% (until FY2030)	75%
			Engage in technological development to assist in decarbonization, energy, coexisting with nature, and resource circulation	Rate of achievement of technology development goals for decarbonization, energy, coexisting with nature, resource circulation based on the technology development roadmap	Average development goal achievement 70% (until FY2030)	100%
5	**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	Promote the active participation of diverse human resources	• Percentage of newly hired female employees • Percentage of female managers	• 20% or more for new graduate hires • 2.0% or above (FY2025)	• 16.1% • 0.65%
			Implement measures utilizing diverse human resources	• Percentage of male employees taking childcare leave (Including leave for the purpose of childcare) • Percentage of 1-on-1 meetings implemented between supervisors and subordinates • DX Vision (work style) implementation progress	• 100% • 100% (FY2025) • 5 projects/year	• 75.0% • 70.9% • 5 projects
			Put in place conditions under which employees can energetically play active roles	• Engagement score of employees • Percentage of high-stress check employees • Participation rate of detailed examination after regular health checkups • Voluntary resignation rate	• 3.71 or above (FY2025) • 7.5% or below • 80% or more • Below 1.5%	• 3.71 • 7.7% • 60.2% • 2.57%
			Promote work environment improvements	Frequency rate (4 or more days of absence from work)	0.4 or below (FY2025) 0.2 or below (FY2030)	0.88
		Instill cross-organizational thinking	Foster a cross-organizational, collaborative mindset	Create award system to reward engagement in collaborative projects and challenges	Initiatives from FY2025	—
			Create cross-organizational, collaborative systems	Establish a mechanism to evaluate cross-organizational and collaborative efforts	Initiatives from FY2025	—
6	**Adhere strictly to compliance**	Reinforce risk management systems	Reinforce risk management systems	• Implement security measures for information risks • Risk and opportunity management effectiveness • BCP training	• 2 or fewer serious incidents (Level 2 or above) occurred • Incidents of serious noncompliance: 0 • Early response rate for safety confirmation training Daytime weekdays: 90% within 3 hours Nighttime and holidays: 90% within 6 hours	• 0 • 0 • 91% on weekdays, 64% on holidays*3
		Upgrade, expand, and continue compliance education	Upgrade, expand, and continue compliance education	Compliance training attendance rate	100%	100%

*2 From FY2025, the target will be changed to the number of Design BIM building permit applications and the application rate.
*3 Figures within 3 hours

Material Issues, Opportunities and Risks

Awareness of Environmental Changes

Social changes

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

Changes in global conditions
- Increasing populations, advancing urbanization, and growing economies in emerging countries
- Expanding infrastructure needs
- Destabilizing international conditions
- Increasing in U.S. tariffs

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

Climate change and global warming
- Increasing severity of natural disasters, abnormal weather
- Collapsing ecosystems (biodiversity preservation)
- Shifting energy supplies

Nishimatsu’s Perspective	Materiality (priority issues) Issues/Vision	Related Capital and Stakeholders	Stakeholder Needs
Solve social issues through business	**Realize a society for people with safety and vibrancy** Put in place safe and secure social infrastructure and sustainable regions and communities	Capital: Financial, Intellectual, Natural, Manufactured/Social and Relationship, Human Stakeholders: Customers, regions and communities, employees, partner companies, suppliers, shareholders, investors	• New value creation • Resilient community development (disaster prevention and mitigation) • Decarbonization, biodiversity, circular economy • Energy management
Strengthen organizational capabilities	**Create an organization that can maximize on-site capabilities** Work toward becoming an organization in which the entire Company comes together as one and enjoys manufacturing	Capital: Intellectual, Manufactured/Social and Relationship, Human Stakeholders: Customers, regions and communities, employees	• Improved on-site capabilities, on-site labor savings • Improved customer satisfaction • Codification of the knowledge from individual sites, technical skill succession
Alliances with external parties	**Put in place partnerships that can maximize value creation** Promote external collaboration to provide safety and excitement to society	Capital: Manufactured/Social and Relationship, Human Stakeholders: Customers, regions and communities, employees, partner companies, suppliers	• Establishment of sustainable supply chains • Training and support of skilled construction workers • Consideration for human rights • Alliances with regions and communities, different industries, and government/academia
Technology	**Advance technological strategies that lead to safety and excitement** Engage in technological development and utilization that helps resolve social issues	Capital: Intellectual, Natural, Manufactured/Social and Relationship, Human Stakeholders: Customers, regions and communities, employees, partner companies, suppliers	• Increase in construction efficiency, DX advancement • Cyber security, data security • Development and utilization of cutting-edge technologies • Technologies that contribute to disaster prevention/mitigation and renovation works • Technologies that contribute to buildings with low GHG emissions
Human resources	**Create systems that enable diverse human resources to play active roles with excitement** Remain a company in which diverse human resources can enjoy an atmosphere of mutual stimulation while maximizing their abilities	Capital: Human Stakeholders: employees, partner companies	• Improved workplace environment, work style reform • Higher motivation, skill levels, and wages • DE&I, consideration for human rights
Governance	**Adhere strictly to compliance** Remain a company that earns the trust of all its stakeholders	Capital: Financial, Intellectual, Natural, Manufactured/Social and Relationship, Human Stakeholders: Customers, regions and communities, employees, partner companies, suppliers, shareholders, investors	• Maximized corporate value • Action on compliance, anti-corruption, anti-social forces • Risk management • Information security

Environment surrounding the industry

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

Internal environment

- Improved earnings toward achieving Medium-Term Management Plan 2025
- Evolution toward the rebuilding of social functions
- Stronger alliances with the five internal businesses and partners in different industries
- [Decarbonization plan] Formulating ZERO50 Road Map, promoting <ZERO30 Roadmap 2023>
- Thorough reduction of overtime hours
- Acquisition of human resources, enhanced training
- Commencement of a developmental cycle of engagement
- Growth investment

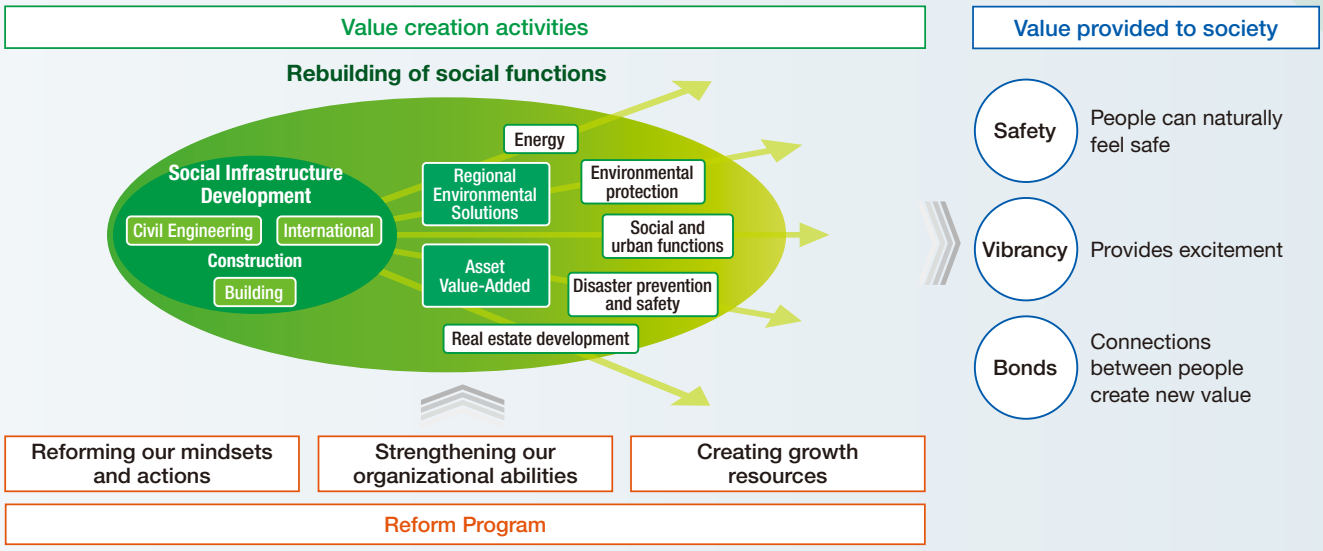
Risks	Opportunities
Risks Related to a Changing Business Environment • Declining construction demand, falling construction orders due to a contracting real estate market, stagnating real estate sales and rental businesses **International Business Risks** • Occurrence of terrorist attacks in countries of operation, fluctuations in the political and economic climate, changes in legal systems **Natural Disaster Risks** • Impacts on projects under construction, construction delays, damage to buildings owned by the Company in the event of large-scale natural disasters **Climate Change Risks** • Higher costs due to new environmental policies and the tightening of legal regulations • Declining demand for real estate for which no decarbonizing measures have been implemented • Lower labor productivity due to rising temperatures, longer construction times due to fewer skilled laborers, loss of sales opportunities • Higher costs due to the full-scale introduction of carbon taxes	• Increased demand for buildings with low GHG emissions • Increased demand for renewable energy-related construction • Increased demand for renewable energy and associated businesses • Increased demand for the development and renovation of infrastructure for disaster prevention and mitigation • Diversification of needs for construction-related services • Implementation of real estate development projects that provide attractive contents • Building maintenance and management services provided through AI and DX • Increasing investment in the construction of semiconductor-related facilities, data centers, etc. • Logistics facilities with enhanced functionality, increased demand for cold chain-related facilities • Increased number of large-scale redevelopment projects in the Tokyo metropolitan area • Diversification of social issues and customer needs, including environmental and decarbonization initiatives and the promotion of well-being • Increased demand for the development of environmentally friendly buildings
Construction Quality Risks • Loss of credibility among customers and compensation for damages etc. in the event of a major defect • Lower quality and productivity in the event technical skills cannot be passed on • Increased costs for handling defects due to rising quality requirements and the demands of society	• Greater customer satisfaction and increased order opportunities resulting from higher construction quality • Robust training system that improves technical construction skills
Materials Price and Labor Cost Fluctuation Risks • Higher costs and negative impacts on construction profit/loss due to fluctuations in materials prices and labor costs • Tight supply chain due to strong construction demand	• New value creation opportunities acquired through alliances with internal and external partners • New services provided through active coordination with other industries • Stronger, as well as expanded scope of, technology development capabilities through alliances with universities, other industries, and other external institutions
Risks Related to Technology Development • Negative impacts on performance due to delays in technology development for climate change, etc. • Loss of sales opportunities due to delays in technology development for environmentally friendly concrete • Loss of sales opportunities due to delays in technology development for mid- to high-rise wooden buildings • Loss of opportunities due to delays in DX promotion	• New services provided through the promotion of DX • Application of new construction technologies and higher productivity resulting from DX promotion • Development and application of technologies that aid in strengthening national resilience, extending the life of infrastructure and buildings, and maintaining and managing buildings • Development of new technologies for decarbonization, resource circulation, and natural environment conservation
Risks Related to Human Resource • Difficulty in securing, as well as outflow of, specialized human resources and leaders, delayed human resources development • Decline in the number of construction industry workers due to a shrinking and aging workforce • Intensifying competition to secure labor • Legal violations and administrative guidance related to overtime work cap regulation • Loss of credibility and poorer performance due to the occurrence of occupational accidents	• New value created and more diverse human resources acquired as a result of empowering diverse human resources • Enhanced employee retention rates and productivity resulting from greater engagement • Development of automation and labor-saving technologies that compensate for labor shortages • Greater safety awareness resulting from safety training • Enhanced construction techniques resulting from improved training systems
Compliance Violation Risks • Major legal violations, including personal acts of misconduct **Information Security Risks** • Information leaks and loss due to external cyber attacks and employee negligence	• Enhanced and embedded awareness through repeated compliance training • Earn the trust of all stakeholders • Cultivation of a healthy, open corporate culture • Enhanced self-purification capabilities against fraud and misconduct

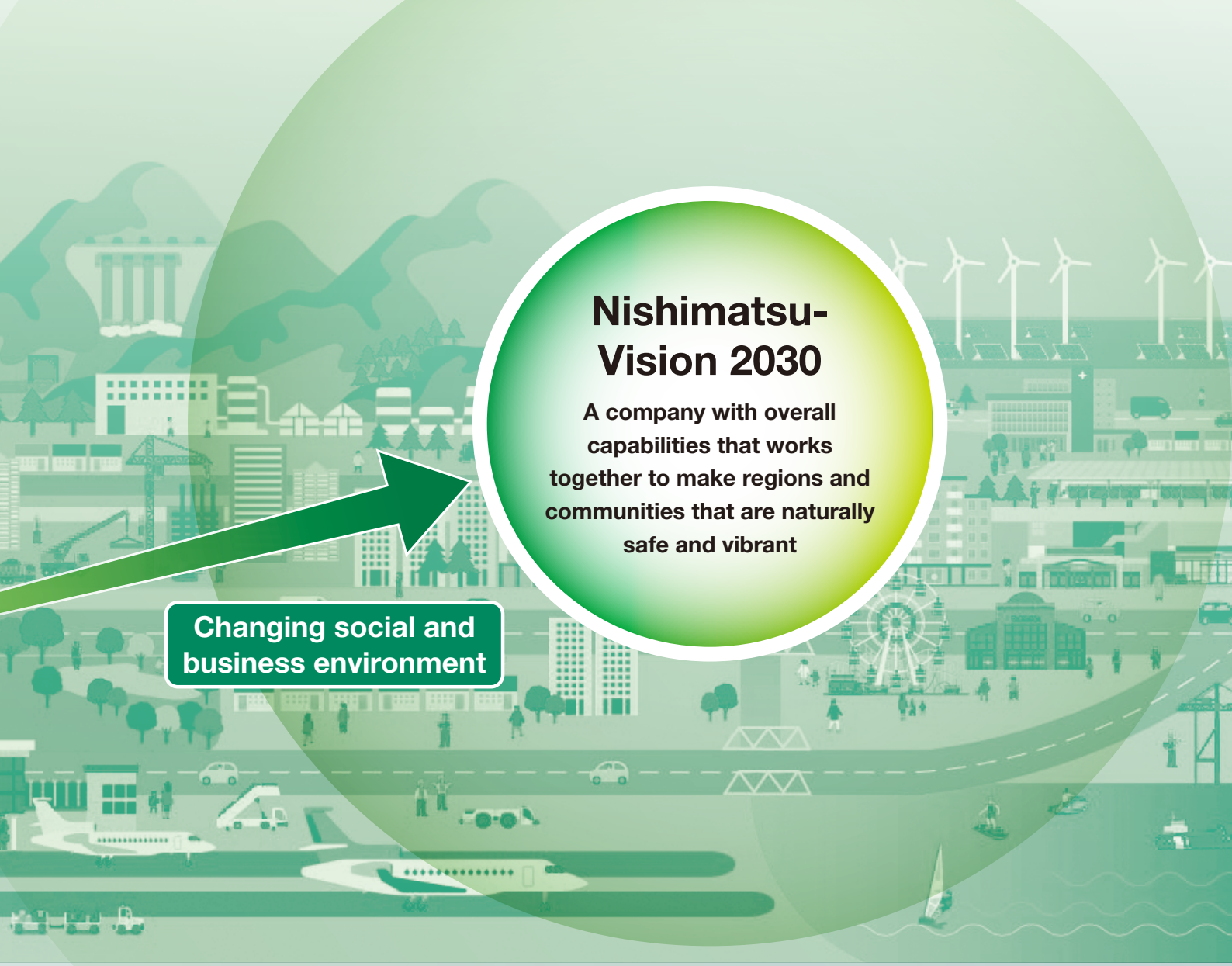
Nishimatsu-Vision 2030

Amid a rapidly changing social and business environment, we have dug deep into the will and strength we have cultivated to date and reexamined our value in society. To us, business activities are value creation activities. Out of a desire to expand areas of co-creation and provide people with safety, vibrancy and bonds between people, we have revamped our long-term vision and established Nishimatsu-Vision 2030: A company with overall capabilities that works together to make regions and communities that are naturally safe and vibrant. To coincide with this new vision, we have formulated Medium-Term Management Plan 2025, with FY2023 as its starting year.

Value Creation Activities and Reform Program

We will expand our value creation activities from developing social infrastructure to rebuilding social functions, providing safety, vibrancy and bonds between people.
To promote value creation activities, we will implement a Reform Program.





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

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

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

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

Review of Previous Medium-Term Management Plans

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

Medium-Term Management Plan 2020 (FY2018-2020)

Basic Policies

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

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

Results (consolidated)

Targets

Net sales	¥380.0 billion
Operating income	¥25.0 billion

End Results

	FY2018	FY2019	FY2020
Net sales	¥349.3 billion	¥391.6 billion	¥336.2 billion
Operating income	¥24.9 billion	¥25.3 billion	¥20.9 billion

Finance (consolidated)

Targets

ROE	8.0% or more
Capital to assets ratio	Approx. 50%
D/E ratio	Approx. 0.3 times
Dividend payout ratio	30% or more
Annual dividend per share	¥100 or more

End Results

	FY2018	FY2019	FY2020
ROE	9.9%	9.5%	8.5%
Capital to assets ratio	42.3%	39.6%	43.6%
D/E ratio	0.4 times	0.6 times	0.6 times
Dividend payout ratio	30.6%	30.7%	33.5%
Annual dividend per share	¥105	¥105	¥105

Review of Initiatives

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

1. Evolving the construction business

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

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

International Business
- Commence market research in six Southeast Asian countries

2. Expand Business Fields

Urban Development & Real Estate Business
- Started in-house development projects such as student dormitories

New businesses
- Working to create renewable energy businesses

Medium-Term Management Plan 2023 (FY2021-2022)

Basic Policies

Period of transformation into a company with overall capabilities

Results (consolidated)

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

Factors behind the significant deterioration in operating income:
- Soaring material prices in the Domestic Building Business
- Construction issues and soaring material and energy costs in the International Business

Finance (consolidated)

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

Review of Initiatives

1. Organic Collaboration on Various Projects

Overseas development business: Construction of the Grand Nikko Bangkok Sathorn hotel commenced, and is scheduled to open for business in 2025 ◀ (Urban Development & Real Estate Business × International Business)

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

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

2. Initiative for the Realization of a Decarbonized Society

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

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

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

3. Collaboration with Partners from Other Industries

- Formed a capital and business alliance agreement with ITOCHU
- Order was received for the Shibata Town Gymnasium Development Project based on a public-private partnership model (collaboration with ITOCHU)
- Hotel JAL City Toyama was opened (collaboration with Hotel Okura Group and ITOCHU Group)
- Formed a comprehensive partnership agreement for the realization of a decarbonized society with a local government in Kyushu

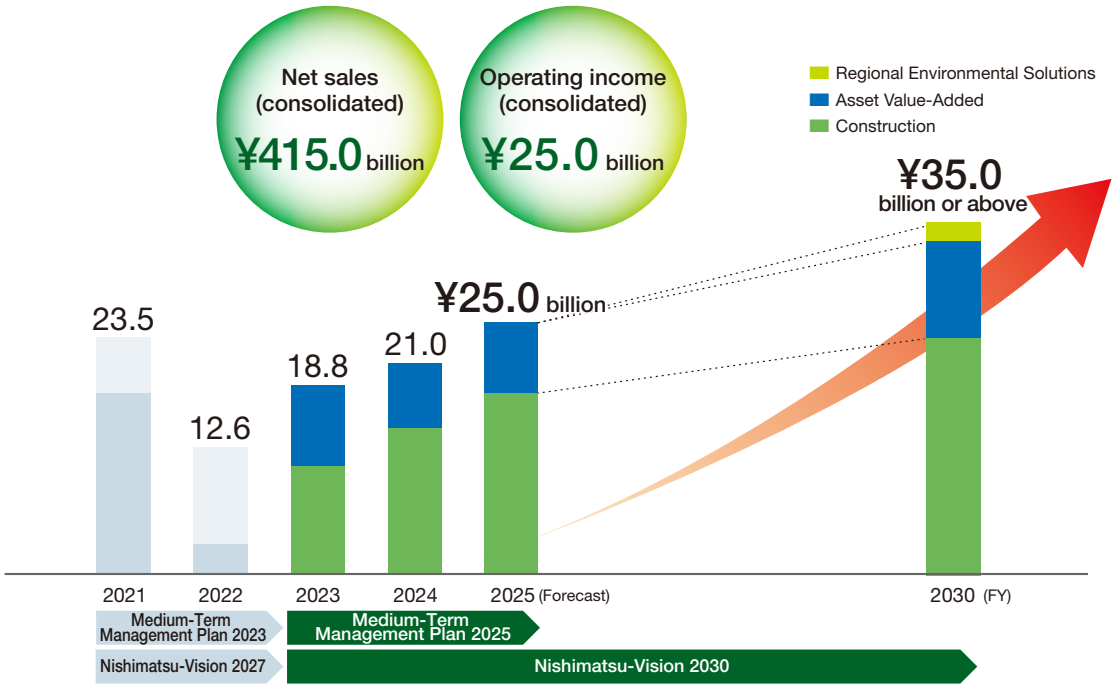
4. Shareholder Returns

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

Progress of Medium-Term Management Plan 2025

FY2024 was the second year of Medium-Term Management Plan 2025, and the steady implementation of the Earnings Improvement Plan resulted in increased earnings and greater-than-expected progress. In FY2025, the final year of Medium-Term Management Plan 2025, we will continue to implement the Earnings Improvement Plan and advance our transformation into a group with a more profitable business structure. We forecast that earnings in FY2025 will increase significantly due to a decrease in the proportion of construction work affected by rising materials prices.

FY2025 Performance Targets (consolidated)



FY2025 Financial Indicators (consolidated)

Financial Indicators	FY2024 End Results	FY2025	FY2030
ROE	10.3%	10%	10% or more
Capital to assets ratio	29.1%	Approx. 30%	35% or more
D/E ratio	1.2 times	Approx. 1.5 times	Approx. 1.0 time
Dividend policy	Dividend on equity (DOE) 5.1% Annual dividend per share ¥220	Stable dividends at a DOE of around 5%	

Earnings Improvement Plan

Domestic Building Business	• Receive construction orders by properly reflecting material and labor prices in the estimate (new construction orders from FY2023 onwards) • Advanced on-site management (implement cost reduction measures and quality improvement measures)
International Business (civil engineering)	• Enhance initiatives for ODA projects to minimize risk • Advanced on-site management (share information with the internal expert committee and conduct risk assessments at each construction stage)

Reform Program

Awaken individual strengths (the ambition, persistence, and autonomy of individuals) and maximize organizational strengths

Reforming our mindsets and actions	Aiming to provide opportunities for employees, from junior staff to managers, to speak face-to-face with the president in order to shift the Company to a change- and growth-oriented approach. Fostering an organizational culture where employees can discuss anything with each other →P.42 Fostering an awareness of a challenger mindset and an awareness of collaboration
Strengthening our organizational abilities	To consider detailed measures, we formed a working group that includes employees on-site and at regional headquarters Beyond measures, we consider indicators and KPIs to measure effectiveness, and how to disseminate information to employees →P.42 Fostering an awareness of a challenger mindset and an awareness of collaboration
Creating growth resources	Implement measures to increase productivity centered on DX Provide time for human resources, the source of growth, to do creative work →P.46

Message from the General Manager of the Corporate Strategy

We aim to co-create value by implementing strategies to enhance profitability, improve capital efficiency, and invest in sustainable growth from a company-wide perspective.

Shinsuke Hamasaki
Director, Managing Officer,
General Manager of Corporate Strategy Unit

Roles of the Newly Established Corporate Strategy Unit

In April 2025, the Company reorganized the head office and established four units: the Corporate Strategy Unit, Human Resource Strategy Unit, Technology Strategy Unit, and Management Unit, which together form the Corporate Unit. The goal of this restructuring was to promote management from a company-wide perspective.

Each business division is a part of the foundation of the Company, and they have demonstrated their strengths in their respective fields. This may enable us to implement our strategies over the next three years. However, to enhance corporate value over the medium to long term, ten years into the future and beyond, we must develop strategies and allocate management resources from a company-wide perspective. As a result of these considerations, the Company implemented organizational reforms and created new Corporate Unit.

The Corporate Strategy Unit does not directly execute business operations. Instead, it shares information with other strategy units responsible for practical operations and complements the activities of each division. Additionally, we will assume the role of charting a course for the entire Company to progress together, including developing long-term visions and initiatives to achieve the ideal state of Nishimatsu Construction.

Another role is to mitigate the risks we encounter. We are making long-term investments, especially in the Asset Value-Added Business and the Regional Environmental Solutions Business. We will assess initial investment risks and continuously conduct the monitoring to determine whether the investments are suitable and what impact they will have on the Company. We will implement mergers and acquisitions after evaluating their impact on the growth of the Company and the companies being merged with or acquired, as well as any potential synergies.

Review of the Implementation of the Second Year of Medium-Term Management Plan 2025

In FY2024, the second year of Medium-Term Management Plan 2025, net sales declined 8.7% year on year, to 366.8 billion yen. Operating income increased 12.1%, to 21 billion yen. At the time the Medium-Term Management Plan was being formulated, the Building Division was being significantly affected by rising material prices and it faced profitability issues. Accordingly, we began to implement the Earnings Improvement Plan. Over the past two years, the head office and regional headquarters have worked together to enhance project management and carefully explain design changes due to rising prices to customers to gain their understanding. These steady efforts contributed to an increase of profits.

However, we still have issues. Although the building market is expanding in a seller’s market, the Domestic Building Business has experienced sluggish growth. Net sales have remained around 200 billion yen for the past five years. In FY2024, net sales decreased 19.0% year on year, to 191 billion yen. We focused on implementing the Earnings Improvement Plan and placed too much emphasis on safe and secure construction systems. This resulted in the decline in net sales, despite our potential.

Our goal is to increase sales and profit leveraging our potential and our revenue structure which we have improved through the Earnings Improvement Plan, while also implementing a digital transformation to increase productivity.

Progress of Growth Investments Totaling 120 Billion Yen

During the period of the Medium-Term Management Plan, we are investing a total of 120 billion yen in growth over three years to expand value co-creation activities. We plan to invest

Investment Categories and Expected Effects from Investment (as of FY2030)	FY2023 and FY2024 Investment Results		Expected Investment Targets for FY2025 and Beyond
	Investment Targets and Amounts (cumulative total)	Investment Effects and Contributions	
GX and community development • Earning business income ROA: 4% • Power generation (FY2025): 87kMWh (equivalent of 35kt-CO_2) Investment amount of 40 billion yen / 3 years	• Sanyo-Onoda Biomass Power Plant • Michi no Eki Munakata Roadside Station Solar Power PPA Project • Western Kumamoto Biogas Power Plant Project • SCG Nichirei Solar Power PPA Project Investment: Approx. 5.5 billion yen • Offshore Wind Power Generation Project (SEP vessel) Investment: Approx. 7.0 billion yen	FY2023 power generation: 1k MWh FY2024 power generation: 13k MWh	• Small hydropower (3 projects) • Solar power PPA projects (4 projects)
Asset value-added • Earning business income • Portfolio ROA 4-5% • Formulating urban redevelopment projects • Building customer relationships Investment amount of 110.0 billion yen / 3 years Recovery amount of 40.0 billion yen / 3 years	Five Growth Areas • Working spaces (offices) • Residences (dormitories and nursing homes) • Tourism and entertainment (hotels and halls) • Lifestyle support and healthcare (commercial facilities) Investment: Approx. 75.0 billion yen Recovery: Approx. 30.0 billion yen	• Strengthening the earnings power of the entire Nishimatsu Group • Expanding business opportunities for the Nishimatsu Group	• Selection of properties expected to deliver stable performance • Investment in overseas revenue-generating real estate • Action on decarbonization at owned properties
Human resources development, DX, technology development, etc. • Maximizing individual strengths and organizational strengths • Improving productivity in the construction business • Acquiring pioneer construction technologies • Developing high added-value buildings Investment amount of 10.0 billion yen / 3 years	• Measures to secure, retain, and train human sources • DX-related investment • Technology development Investment: Approx. 4.0 billion yen	• Maintaining number of new graduate and mid-career hires • Time created through DX: 232,000 hours • Developing elemental technologies for tunneling work automation systems • Completing construction and starting service of actual projects using wooden construction method (P&UA)	• Continued investment in human resources • Ongoing investment in workstyles and business DX, etc. • Enhanced development of construction automation systems (development of simultaneous remote control of multiple machines, etc.) • Expanding scope of application for P&UA construction method

110 billion yen in the Asset Value-Added Business and recoup 40 billion yen over three years, resulting in a net investment of 70 billion yen. In FY2023 and FY2024, we invested a total of 75 billion yen and recouped 30 billion yen. The net investment was 45 billion yen. Due to the soaring cost of construction, the investment environment in the Asset Value-Added Business is challenging. Asset balances in this business are increasing, and the challenge is how to increase cash from that. Medium- to long-term strategies are an essential part of increasing profitability. The Corporate Strategy Unit will set capital efficiency targets and evaluate when and how to invest cash and recoup investments.

We planned to invest 10 billion yen in the development of human resources and technology and in our digital transformation over three years. In the past two years, we have invested a total of 4 billion yen. We will monitor investments and make appropriate decisions for these investments from a long-term perspective to achieve sustainable growth and increase our competitiveness.

Enhancing Capital Efficiency

We are working to enhance capital efficiency. ROE improved to 10.3% in FY2024, reaching the target set for FY2025. Our cost of equity is estimated to be between 7% and 8%. We aim to achieve a return on equity (ROE) that exceeds this range to further enhance our P/B ratio.

The reduction of strategic shareholdings has contributed to the improvement of ROE. Strategic shareholdings declined 13.9 billion yen year on year, to 32.2 billion yen, or 17.8% of net assets. We plan to continue to reduce our strategic shareholdings.

It is also important that we ensure our financial soundness. To meet our FY2030 targets of an equity ratio of 35% or higher and a D/E ratio of approximately 1.0, we aim to increase asset efficiency by accelerating our collection of construction invoices to reduce accounts receivable and by selling low-profit assets.

Total shareholder return (TSR) based on the stock price at the end of March 2015 was 294.7%, which was higher than the TSR of TOPIX, which was 217.4%. Dividends per share for FY2025 are projected to be 220 yen. We aim to consistently achieve high returns to shareholders and TSR. We initially set a dividend payout ratio of 70% as a shareholder returns target. However, in FY2024, considering the recent changes in interest rates and the increase of employee compensation, we revised this target to a stable dividend based on dividend on equity (DOE) of about 5%. In FY2024, the DOE, dividend payout ratio, and dividends were 5.1%, 49.5%, and 220 yen, respectively. Using DOE as an indicator allows us to maintain stable dividends while enhancing operating results, increasing profits, increasing internal reserves, and ensuring that we have funds for investments. We will develop our next medium-term management plan based on these strategies.

Message from the General Manager of the Corporate Strategy Unit

Initiatives to enhance corporate value

Price Book-value Ratio (PBR)

1.10

Stock price (As of March 31, 2025) 4,800 yen
Net assets per share 4,361 yen

The previous fiscal year **1.04**
Stock price (As of March 31, 2024) 4,465 yen
Net assets per share 4,277 yen

Fiscal year before the last **0.91**
Stock price (As of March 31, 2023) 3,425 yen
Net assets per share 3,770 yen

Return On Equity (ROE)

10.29%

(the fiscal year ended March 31, 2025)

(the fiscal year ended March 31, 2024 **7.80%**)
(the fiscal year ended March 31, 2023 **6.43%**)

Price Earnings Ratio (PER)

10.80 times

(As of March 31, 2025)

(As of March 31, 2024 **14.23 times**)
(As of March 31, 2023 **14.01 times**)

- **Improve profitability (Profit attributable to owners of parent/Net sales: 4.78%)**
  - Improve business revenue based on the Earnings Improvement Plan in the Medium-Term Management Plan
  - Enhancing productivity through digital transformation
- **Improve asset efficiency (Net sales/Total assets: 62.61%)**
  - Split the balance sheets of the Construction Business and Asset Value-Added Business, and implement financial strategies for each business
  - Expand measures to strengthen the “circular reinvestment model” in the Asset Value-Added Business
- **Financial leverage-oriented management (Total assets/shareholders’ equity: 3.44 times)**
  - Firmly maintain financial discipline while making growth investments utilizing interest-bearing debt

- **Promote sustainability management**
  - Establishing four committees subordinate to the Sustainability Strategy Meeting (the Risk and Opportunity Management Committee, Human Rights Committee, DE&I Committee, and Environmental Committee)
  - Improve ESG rating and selection as an ESG stock
- **Reduce strategic shareholdings**
  - Reduce strategic shareholdings other than those deemed necessary for business operation to improve asset and capital efficiency
- **Enhance information disclosure to investors**
  - Implementation status of growth policies and strategies in each business
  - Results of collaboration with partners from other industries

Initiatives to Establish Ourselves as the Most Attractive General Contractor

In April 2025, President Hosokawa announced his goal of becoming the most attractive general contractor. If a company is attractive and treats its employees well, it will attract talented new graduates and mid-career professionals, ultimately leading to a stronger management base.

We have not clearly defined what the term “attractive” means. The executives in charge of the Corporate Unit hold 1-on-1 meetings at regional headquarters and continue to reflect on what it means to be “attractive.” It is important to be attractive to all stakeholders. Most importantly, we believe that being attractive to employees is crucial. A company is fundamentally about its people. If our employees find the Company appealing, the outside world will, too. President Hosokawa refers to “a developmental cycle of engagement,” indicating that employees are at the beginning of this cycle, and they will influence customers and others connected to the Company.

The goal of becoming the most attractive general contractor is not increasing the size of the Company through M&A, etc. As developing new technologies and constructing iconic structures will increase the Company’s appeal to employees, I believe that expanding our scale and aiming to become a leading company in the industry is also a way to increase the Company’s attractiveness.

In Japan, the number of local governments is expected to decline due to the declining population. Thus, I believe that there are limits to the businesses that rely on public sector construction projects. In this environment, we believe that developing our International Business will be a focus in our next Medium-Term Management Plan.

Fostering an Environment That Allows Each Individual to Demonstrate Their Strengths

In pursuing this management strategy, as the Chair of the Sustainability Strategy Meeting, I aim to incorporate solutions to our material issues into the Company’s vision and management strategy, clarifying our overall direction.

Assistant general managers from each business division and the Corporate Unit engage in the company-wide discussions of the Sustainability Strategy Meeting and the four subordinate committees: the Risk and Opportunity Management Committee, the Human Rights Committee, the DE&I Committee, and the Environmental Committee. They discuss the direction of each sector and initiatives. The Sustainability Strategy Meeting plays a key role in the Company and the Group’s comprehensive promotion of sustainability initiatives and the addressing of the material issues.

We aim to reallocate human resources, other resources, and capital to enhance the potential of the Company as a whole.

As part of these efforts, starting in FY2025, we have launched initiatives to raise awareness among our employees—our most valuable asset—about the connection between their daily work and materiality. We added sustainability goals to the performance evaluation criteria set by individuals. There have been disparities between the individual employees' awareness of sustainability. We aim to ensure the significance of sustainability becomes an established part of our corporate culture.

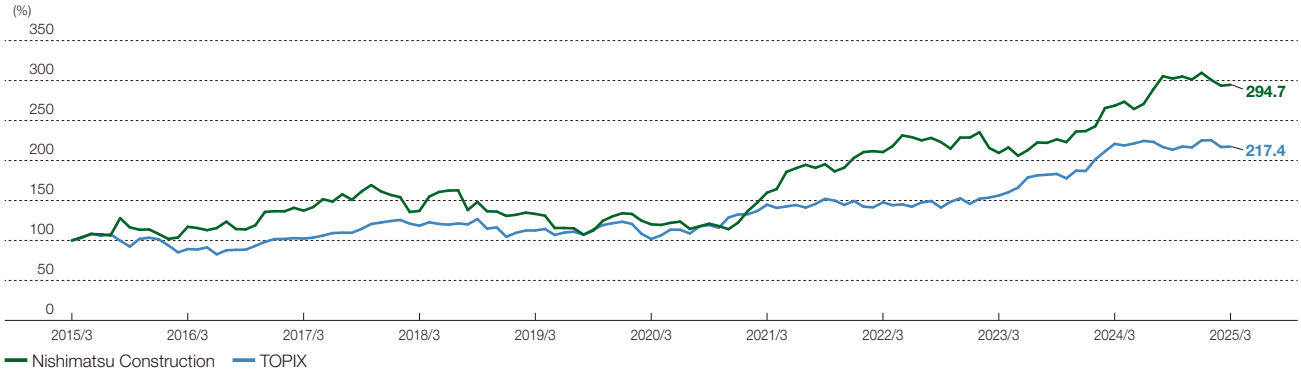
The Company will increase its emphasis on its employees, who are central to its management, and it will focus on initiatives that create an environment that enables each individual to better demonstrate their potential.

It has been over 40 years since I joined the Company. I believe that being sincere in our work is the DNA that we have inherited from our predecessors. We believe that if employees understand the Company's policies and find fulfillment in their work, they will be able to realize their potential. However, due to the recent restrictions on overtime work, the Company has allocated more on-site staff, leading to a decrease in output per person.

The key to fostering an environment that addresses this issue is the promotion of our digital transformation. This is managed by the newly established Technology Strategy Unit. If we steadily execute our DX strategy and utilize DX technologies effectively on-site to eliminate redundant and inefficient operations, we will become a leaner company. We can enhance the Company's overall potential by reallocating the human resources, other resources, and capital freed up through this process to areas where productivity will be greater. We believe that these initiatives will allow us to become the most attractive general contractor.

Collaboration with all of our stakeholders, including our employees, shareholders, and investors, is an essential part of the realization of a sustainable future. We will continue to engage in active communication both internally and externally.

TSR (Total Shareholder Return)



Stock Price Performance

	1 Year	3 Years		5 Years		10 Years	
		Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
Nishimatsu Construction	+12.4%	+48.8%	+14.2%	+179.4%	+22.8%	+194.7%	+11.4%
TOPIX	-1.5%	+47.2%	+13.8%	+113.4%	+16.4%	+117.4%	+8.1%

* TSR (Total Shareholder Return): the comprehensive investment return combining capital gains and dividends
* TSR is calculated as follows: for Nishimatsu Construction, using cumulative dividend amounts plus changes in share price; for TOPIX, using the total return index which includes dividends (based on Bloomberg data, etc., compiled by our Company)
* The values in the graph are indexed such that the market values under TSR are normalized to 100 at the closing price on March 31, 2015 (the holding period runs until March 31, 2025)

Human Resource Strategy

Message from the General Manager of the Human Resource Strategy Unit

Transforming the capabilities of the Company’s employees into a strength of the Company: enhancing human capital management to achieve sustainable growth

Takuo Yoshida
Managing Officer, General Manager of Human Resource Strategy Unit

Human Resource Strategy Challenges and a New System for Addressing Them

Amid a decreasing working population, the increasing mobility of human resources, and the acceleration of changing values regarding work, we need to create systems that enable diverse human resources to play active roles with excitement to realize sustainable growth. This is one of the Company’s material issues. We are currently facing the challenges of securing and retaining the human resources that are essential for our business activities, placing the right individuals in the right positions to maximize our organizational strengths, raising awareness of a challenger mindset and an awareness of collaboration and enhancing employee engagement. To address these challenges, a human resources management approach that seeks to optimize the overall alignment of the Company’s management strategies is necessary, instead of each department implementing measures independently.

In light of this situation, the Human Resource Strategy Unit was established as one of the Corporate Units in April 2025 to contribute to the implementation of the Company’s corporate and business strategies.

Initiatives to Date and Our Challenges

We have strived to solve issues to achieve the three goals laid out in the Reform Program for Nishimatsu-Vision 2030: reforming our mindsets and actions, strengthening our organizational abilities, and creating growth resources. Specifically, we have implemented the following measures: the enhancement of our recruitment system to emphasize diversity, the expansion of the Nishimatsu Employees’ University training program and promotion of employees’ self-directed educational activities, the enablement of psychological safety and the fostering of an awareness of a challenger mindset through the dialogue between the president and the Company’s employees, and the assignment of personnel to positions in different departments and the fostering of an awareness of collaboration. While steady progress is being made on these measures, it is essential that we continue to promote them.

In particular, the percentage of female managers is still low. Increasing this percentage is a crucial part of the promotion of DE&I, which strengthens our organizational abilities and helps us develop growth resources. To increase the number of female managers, we remain committed to encouraging women to pursue managerial roles and supporting their balancing of career development and childcare activities.

Fostering the Developmental Cycle of Engagement

Enhancing employee engagement is the key to sustainable growth. The important factors involved in this include motivation, growth opportunities, fair evaluations, career advancement, and psychological safety. We aim to create a virtuous cycle by developing an environment where employees with diverse values can develop a willingness to take on challenges and fully utilize their abilities while working toward a common goal. In this cycle, we seek to enhance employee engagement, which will help us become a company that is preferred by customers and other stakeholders. To this end, we will continue to enhance both the “hard” aspects of our Company, such as systems and mechanisms, and its “soft” aspects, including our corporate culture and employee awareness, while ensuring these activities are aligned with our management strategies.

Specific Initiatives to Enhance Human Capital

Initiatives to secure diverse human resources and support them in their work

Competition to acquire human resources is intensifying every year, and values regarding work are changing drastically. In this context, we have focused on consistently securing and retaining human resources, which is an urgent issue.

We have introduced a recruiter system to enhance our ability to attract new graduates. We have not yet measured the effect that the implementation of this system has had. However, we feel that students are more interested in working for the Company. The goal of the system is to increase points of contact between recruiters and students while effectively

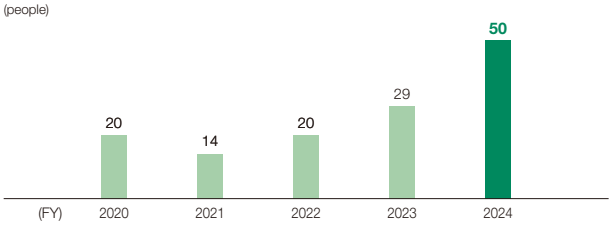
Material Issues and Major Initiatives

Materiality	Materiality solutions	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		2024 target	2024 results	2025 target
Create systems that enable diverse human resources to play active roles with excitement	Securing diverse human resources and enabling them to thrive		○	○	Percentage of newly hired female employees (career-track positions)	20% or above	16.1%	20% or above
					Number of career hires	20 or more	50	20 or more
					Percentage of female managers (Number of female managers / Number of all managers)	1.0%	0.65%	2.0% or above
					Remote work usage ratio (Number of implementors/Number of employees)	75% or above	32.4%	100%
					Percentage of male employees taking childcare leave (Including leave for the purpose of childcare) (Number of employees taking leaves /Number of subject employees)	100%	75.0%	100%
					Participation rate of detailed examination after regular health checkups (Number of employees who underwent detailed examination / Number of subject employees)	80% or above	60.2%	80% or above
	Providing employee development opportunities	○			Mechanism that allows employees to select curriculums (progress rate)	50% Commencing operation	25% Concept	100%
	Raise awareness of a challenger mindset	○			Number of participants in dialogues with the president (cumulative)	1,500	1,281	1,800
					1-on-1 meeting implementation rate (Number of times implemented /Number of times planned)	100%	70.9% (Partially introduced)	100% (Fully introduced)
	Raise awareness of collaboration		○		Mechanism to praise employees engaged in collaborative projects (progress rate)	50% Concept and design	50% Concept and design	100% Commencing operation
	Visualizing human resources data (create a talent management system)	○	○		Human resource data visualization progress rate (Number of visualization implementation items / Total visualization items)	73%	73%	100%
	Increasing employee engagement	○	○	○	Engagement score of employees	Exceeding FY2023 levels (3.68)	3.71	More than FY2024
					Voluntary resignation rate (Number of voluntary resignations / Number of employees at start FY)	Less than 2.0%	2.57%	Less than 1.5%

conveying the Company's appeal, facilitating student recruitment and reducing mismatches, as the number of new graduates is projected to decrease. In FY2024, the number of mid-career hires increased significantly due to expanded recruitment targets. To increase the number of people we hire, we have been broadening our recruitment channels. In FY2024, we initiated a program for preferentially recruiting candidates who have participated in selection processes. This initiative offers preferential treatment to individuals who were not hired as new graduates. We also launched the alumni recruitment program. In this program, we actively recruit individuals who have left the Company because they changed jobs, got married, had children or other reasons.

We promote the use of various systems to develop an environment in which diverse human resources can thrive. Particularly to support childcare among male employees, in FY2024, the percentage of male employees taking childcare leave reached 75%. This increase is partly attributable to increased awareness of the Post-birth Papa Leave System. A corporate culture that encourages employees to view taking childcare leave as a natural option is being developed.

Number of career hires



Construction site employees find it difficult to use systems that permit flexible work arrangements, including flextime without core hours and telecommuting, due to various restrictions on working hours and locations. We aim to increase employee awareness of the systems for developing a better work environment and increase work efficiency while expanding these systems.

There has been a positive trend in the promotion of women's participation in the workforce, as the number of women in career-track positions is increasing annually due to proactive recruitment efforts. Additionally, the number of female managers is also rising steadily. However, many women still express concerns about the future of their careers. They are uncertain about how life events such as marriage and children could affect their careers, and they worry about their health and physical strength. Female engineers across the nation are taking the lead in activities to address these problems and concerns. In FY2024, they organized a workstyle seminar where employees who had taken maternity leave or childcare leave shared their experiences regarding the balancing of work and childcare. We are also taking steps to address the issue of women's participation in the workplace. This includes facilitating the dialogue between the president and female employees, as well as the organization of study sessions to address unconscious biases in individuals and workplaces that are believed to hinder women's involvement

Reflecting on my future self workstyle seminar

Human Resource Strategy

in the workforce. These study sessions are organized by the DE&I Committee, which was established in FY2024.

Providing employees with opportunities to grow

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 courses of this system. To encourage self-directed learning, we have launched a trial version of on-demand lectures on certain subjects. This initiative enables employees to choose and attend lectures at their convenience, rather than following the mostly standardized and stratified training program that has been in place. We are currently analyzing employee satisfaction with the program and the educational results in preparation for the full-scale implementation of the system.

To date, we have primarily concentrated on enhancing the "hard" aspects of our program. Moving forward, we will also address the challenges that have become apparent regarding its "soft" aspects. These challenges include the improvement of the instructors' skills, the increase of participants' awareness of careers, and the establishment of a follow-up system to help participants apply what they have learned in real-world contexts.

Specifically, we plan to enhance the teaching skills of our in-house training instructors, provide career design training and establish consultation desks to help employees clarify their career aspirations, and support workplace leaders in the improvement of their training skills.

Developing next-generation management human resources

One critical issue in our human resources strategy that we must address for our sustainable growth is the systematic development of human resources to fill management roles. We select executive candidates from within the Company early on and assign them tasks and roles that require a company-wide perspective. We are developing a training program to help them acquire literacy in a wide range of management tasks, including expertise for adapting to change, engaging with diverse human resources and utilizing new technologies.

Fostering an awareness of a challenger mindset and an awareness of collaboration

We have implemented initiatives to cultivate an awareness of a challenger mindset. We have promoted dialogue between the president and our employees. We have also included employees' behavior of taking on challenges in our personnel evaluation criteria. The goal of these initiatives is to create a system that ensures psychological safety and encourages employees to embrace new challenges. Additionally, 1-on-1 meetings between supervisors and subordinates have been implemented throughout the Company in FY2025. These meetings were conducted at certain departments last fiscal year, and it is believed that they have fostered psychological safety. We will also focus on increasing awareness of collaboration. We plan to establish a system to recognize employees who demonstrate a strong willingness to take on challenges and exhibit exemplary behavior. We will also recognize those who contribute to collaborative projects across different departments.

Changing employees' awareness requires a long-term perspective and continuous efforts. We will engage in dialogue with employees to regularly evaluate the effects of the above initiatives and continue to implement improvements.

Visualizing human resources data (create a talent management system)

To effectively implement various personnel policies and maximize each employee's capabilities, we have been working to build a talent management system. The goal of this system is to transform from human resources management systems which have traditionally relied on intuition and experience to a data-driven management system.

We have centralized information that was scattered throughout the Company and collected data about the capabilities of employees that was not available internally. Additionally, we have gathered information about employees' personalities, aspirations, and views on work through external surveys. However, the data on employees' capabilities is currently based on self-reported data. The challenge that we are facing is the objective measurement of our employees' capabilities. While addressing this challenge, we plan to gather detailed data about employees' work experience, their career aspirations, and dialogues to achieve our goals of optimally placing human resources within the organization, fostering self-directed educational activities, and utilizing this data in our succession planning.

Initiatives to improve employee engagement

We believe that the enhancement of employee engagement is a vital factor that directly contributes to long-term employee retention and the sustainable growth of the Company. We conduct an annual survey to score employee engagement. The Human Resources Department thoroughly analyzes the survey results and provides feedback to management, departments, and regional headquarters.

The results of the FY2023 surveys indicate that the scores for "total," "job," "workplace," and "company" all exceeded the standard score (3.5/5 points). However, we found that job satisfaction scores were notably low in certain departments and job types. To address this, we interviewed employees in those departments and have initiated a process to identify the underlying issues and work towards resolving them.

The FY2024 surveys reported that scores in all categories surpassed those in the previous year. One possible reason for this is that the previously mentioned initiatives were well received by employees. We will continue to carry out the cycle of identifying issues, developing countermeasures and implementing, monitoring, and reviewing them swiftly and steadily.

We believe that dialogue is the key to sustaining this ongoing cycle. We aim to foster dialogue between supervisors and subordinates in each workplace to embrace the diverse values of employees. By being attentive to even the slightest changes in subordinates, we hope to build trusting relationships through a continuous improvement process and enhance employee engagement.

Trends in engagement scores

	Total Engagement Score	Job	Workplace	Company
FY2023	3.68	3.67	3.76	3.61
FY2024	3.71	3.68	3.76	3.68

* Excluding branch office hired employees and temporary employees

Health and Productivity Management Initiatives

Our perspective on the concept of health and productivity management: Employee's well-being is the source of corporate vitality, and the foundation of well-being is health

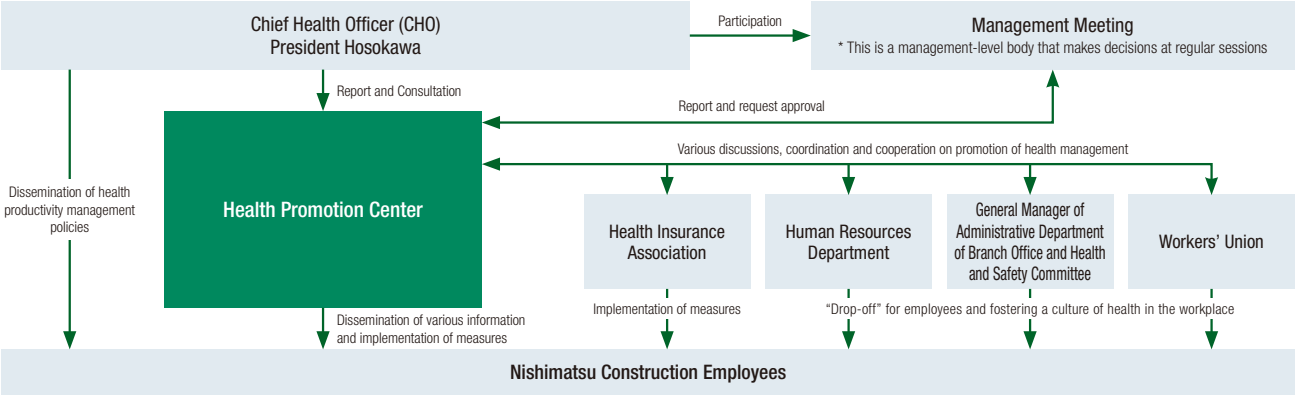
We believe that the well-being of employees is the source of energy for sustainable corporate growth, and that good health is the source of this well-being. To achieve this, we recognize that the loss of work opportunities due to illness is a management issue, and aim to improve productivity by preventing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

We are implementing a host of specific measures. This includes establishing subsidies for medical checkups (including optional examinations and similar subsidies are available for dependent spouses), putting forward recommendations for detailed examinations after regular health check-ups, providing subsidies for women's cancer screening, providing physical and mental consultations by medical staff, free smoking cessation programs, etc. We were evaluated and certified as a 2025 Outstanding Organizations of KENKO Investment for Health (White 500), a certification promoted by Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, in recognition of the aforementioned measures and our continued improvement.

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. We will focus on increasing the participation rate of detailed examination after regular health checkups.

* Health and Productivity Management® is a registered trademark of Non-Profit Organization Kenkokeiei

Promotion system chart



* Health and Productivity Management® is a registered trademark of Non-Profit Organization Kenkokeiei

Provide opportunities to reassess lifestyle

Sleep Improvement Program

An employee undergoing VegeCheck®

In FY2024, we focused on providing employees with support regarding their diets and sleep habits, which are crucial for maintaining a healthy lifestyle.

In recent years, the Company has conducted VegeCheck® tests to measure vegetable intake levels at its Head Office and regional headquarters across the country. Additionally, for the first time, a taste test was conducted using SALSAVE®, a salt-containing filter paper that facilitates the easy comparison of saltiness perception. These tests were conducted with the cooperation of the health insurance association in which the Company participates. Many employees tend to consume strong-flavored foods and neglect vegetables in their daily consumption of food. These tests provided opportunities to increase their awareness of their eating habits.

The annual lifestyle survey indicated that employees in their 20s to 40s, who are in the prime of their working lives, experience significant sleep issues. The stress assessment results showed a correlation between sleep quality and stress. We have thus introduced the Sleep Improvement Program that enables employees to receive tailored advice from sleep experts based on their individual circumstances to achieve better quality sleep. To prevent mental health problems, we will enhance early intervention by improving sleep and fostering an environment where employees can maintain their good health.

We will continue to implement initiatives that promote employees' awareness of health so that they and their families can live healthy and fulfilling lives.

VegeCheck® is a registered trademark of Kagome Co., Ltd.
SALSAVE® is a registered trademark of Toyo Roshi Kaisha, Ltd.

Technological & DX Strategy

Message from the General Manager of the Technology Strategy Unit

Integrating technologies and DX to improve productivity and drive digital innovation

Hiromi Tsuboi
Executive Officer, General Manager of Technology Strategy Unit

Integrating Technologies and DX to Create New Value

The construction industry is now at a major turning point. In the face of challenges of a decline in the number of experienced engineers and the need to increase productivity, we have established the Technology Strategy Unit and embarked on a new initiative based on the integration of technologies and DX.

We will visualize, standardize, and systematize the technological capabilities we have cultivated by using digital technologies so that our entire organization can use them. The goal of this initiative is to considerably improve our construction management and technology development capabilities. The initiative will also advance our efforts to reduce labor, increase productivity, and innovate, supporting our efforts to expand into new business fields.

Specifically, we have now begun to integrate AI, BIM/CIM, IoT, and other technologies, and are actively promoting their use. We have constructed a system for monitoring the site status in real time and making optimal decisions. We will establish new on-site capabilities based on this system and elevate our construction technologies. It is hoped that the system will streamline and advance construction technologies and improve on-site productivity, quality and safety. In addition, we introduce digital solutions to development of creation technologies for solving social issues in environmental, energy, and community development. We are thus working to create new value.

To advance it at an accelerating speed, the entire Company needs to make concerted efforts. Guided by the slogan, “transforming our on-site capabilities through technologies and DX to facilitate our evolution into a company where employees shine,” we will go beyond mere streamlining and continuously work to create new value that resolves social issues. Having been highly evaluated for our technical capabilities, Nishimatsu will innovate to help realize a sustainable society.

Materiality and Medium-Term Management Plan 2025 Priority Measures

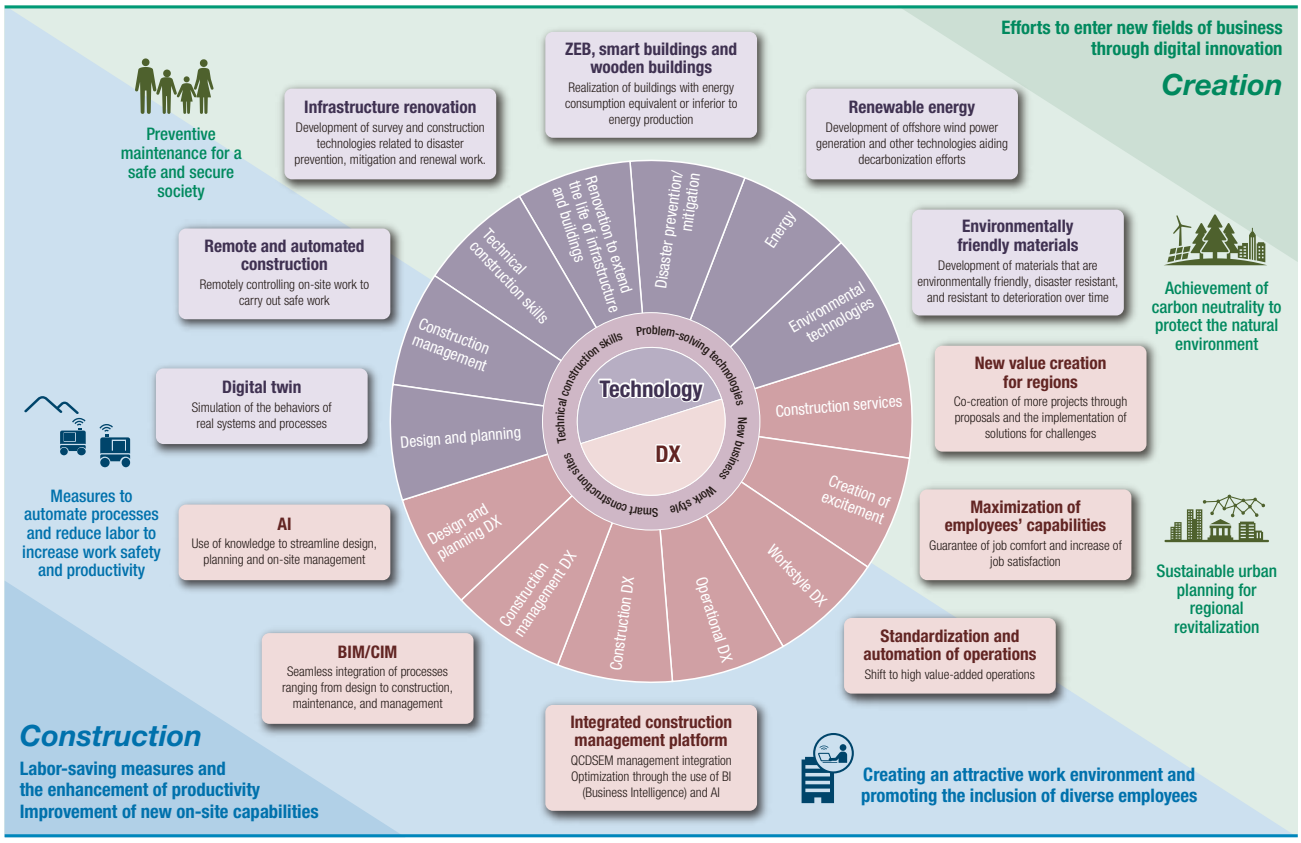
Materiality	Materiality solutions	Medium-Term Management Plan 2025 Priority Measures	Initiatives	KPI Initiatives
Realize a society for people with safety and vibrancy	Preserve the environment and biodiversity while realizing a circular economy through business activities	• Develop environmental technologies to create new value • Develop new technologies for preserving and coexisting with the natural environment	Conducting of joint research and development with industry, government (communities), and academia that contributes to SDGs-driven solutions to environmental issues	• Testing of at least five environmental technologies aimed at decarbonization and resource circulation • Acquisition of at least two basic technologies related to environmental preservation and restoration
Create an organization that can maximize on-site capabilities	Turn the on-site knowledge of individuals into organizational knowledge	Construction management and construction DX that can predict and respond to the future of work	Implementation of measures to convert tacit knowledge into explicit knowledge (e.g., temporary tunnel facility layout planning and knowledge videos)	Number of projects converting tacit to explicit knowledge (2 projects/year)
Advance technological strategies that lead to safety and excitement	Engage in technological development that looks to the future	• Establish architectural environmental technologies aimed at improving comfort • Build resilient national infrastructure and extend the lifespans of infrastructure and buildings/ Establish maintenance and management technologies	• Realizing of highly satisfactory buildings e.g. Zero Energy Building (ZEB) that combine comfort and energy efficiency • Realizing of medium- and large-scale wooden buildings • Establishment of bridge renewal (road slab replacement, etc.) technology • Establishment of tunnel renewal (lining refurbishment, etc.) technology	• Demonstration testing of ZEB-related advanced technologies completed, design method establishment 100% complete • Improvement/practical application of developed construction method (two-directional timber frame) more than 50% achieved (scheduled for completion in FY2027) • Road slab replacement technology (cutting and removal, lifting and installation, joint joining) 100% established • Road tunnel (arch/invert) restoration technology 100% established
	Increase construction efficiency through technological development and utilization	Improve productivity and promote labor savings through construction DX	• Development of automated and unmanned mountain tunnel construction systems (remote-control technology for major operations) • Development of automated and labor-saving construction system for shield tunneling	• Simultaneous remote-control technology for multiple machines 100% established • Construction of system that allows one person to centrally manage and remotely operate multiple machines more than 50% achieved (scheduled for completion in FY2027)
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	Workstyle DX that enhances engagement	Implementation of measures to guarantee job comfort and job satisfaction and thereby increase efficiency (using generative AI and data)	Number of projects that lead to work style and business reforms (5 projects/year)

Digital Transformation Certification
Certified in July 2022

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/

Co-Creation of Value *Construction* and *Creation*



Construction ···· Labor-saving measures and the enhancement of productivity, Improvement of new on-site capabilities

Construction technology refers to the automation and unmanned operation of conventional construction and construction management methods to enhance work safety and productivity. The goals of these technologies are to increase productivity and facilitate new on-site capabilities.

■ Initiative for the unmanned and automated construction of mountain tunnels

Specific target

Increase construction volume per head 1.11 times (increase efficiency by 10% of the FY2024 level) by FY2028

Improvement of new on-site capabilities

New on-site capabilities are the innovative on-site management capabilities using AI, BIM/CIM, IoT, and other leading-edge technologies in an integrated manner based on construction and management technologies that we have cultivated over our 150 years of business and a track record in independently discovering and solving latent on-site issues. They pave the way toward the real-time monitoring of the status of sites to help optimal decision making, labor saving, and productivity improvement. They also facilitate our entering new fields of business to establish a competitive advantage.

We will implement these initiatives to move toward the creation of new value as a front-runner in technological innovation in the construction industry.

Creation ···· Efforts to enter new fields of business through digital innovation

Creation technologies are technologies that have been developed to create new value to solve social issues through the integration of professional construction knowledge and digital technologies. We will use these technologies to achieve the goals shown on the right.

■ Preventive maintenance for a safe and secure society (earthquake disaster prevention measures using IoT sensors and structural health monitoring)

■ Achievement of carbon neutrality to protect the natural environment (development of carbon negative concrete)

■ Sustainable urban planning for regional revitalization (next-generation solar cells)

Example initiatives

Integration of technologies and DX

Initiatives Toward Automation and Unmanned Construction of Mountain Tunnels

With a view toward the realization of Nishimatsu-Vision 2030, the Technical Research Institute is taking the initiative in the development of unmanned construction technologies and digital twin technologies to considerably increase the safety and productivity of mountain tunnel construction work.

We will continue our efforts to develop and provide new technologies for building the future in addition to supporting social infrastructure.

Automated and unmanned mountain tunnel construction system “Tunnel RemOS”

Establishment of remote-control technologies for major construction machines

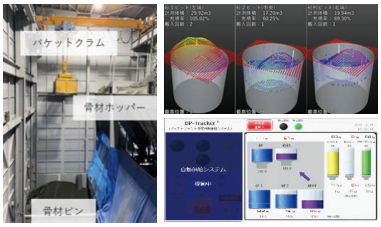
We have established wireless remote-control technologies for wheel loaders, drill jumbos, concrete spray machines, roadheaders, hydraulic excavators, and other large heavy equipment used in mountain tunnel work. The remote-control systems monitor data from cameras and guidance systems attached to these machines from a remote-control room. We have used them on a trial basis at our tunnel construction sites across the country. Currently, we are working to develop technologies for the autonomous or automated operation of major construction machines and to construct a system for the coordinated operation of multiple pieces of heavy equipment at our newly launched N-FIELD experiment facility in Nasushiobara City in Tochigi Prefecture.

Technologies for the autonomous and automated operation of wheel loaders

Transition to the automated and unmanned operation of equipment and other work

Automation of temporary facilities to reduce labor

We are also developing technologies for automated and unmanned operation of temporary facilities used in mountain tunnel construction with a view toward the reduction of labor. This includes the automation of grab buckets in batch plants, the automated adjustment of chemical fluids in turbid water treatment facilities, and the automated control of ventilation facilities. In addition, we will construct an unmanned system related to powder loading and blasting processes. It is difficult to perform these tasks in an unmanned manner in the tunnel construction cycle.

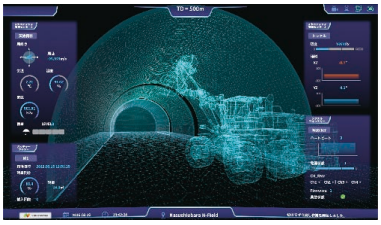


The BP-Tracker system for the automated management of batch plants

Fully automated management of construction (digital twin)

Tunnel excavation in a virtual space

We are working to construct a mountain tunnel digital twin platform. It will integrate data about the position and attitude of heavy equipment excavating tunnel faces, equipment operation status, environmental data, facility operation status, and the vital data of workers in real time, opening the way toward the comprehensive management of entire worksites. In the future, we will simulate optimal construction processes in virtual spaces based on the shapes of post-blast rock debris and other spatial information. We will then incorporate our findings into Tunnel RemOS to control heavy equipment and completely automate mountain tunnel construction.



A digital twin platform for mountain tunnels

VOICE

Statement from a development team member

Developing technologies to achieve smart construction sites

We aim to develop technologies that will minimize the burdens borne by on-site engineers and workers engaged in mountain tunnel construction. With an eye on the challenging goal of fully automating mountain tunnel construction, we make the most of technologies in various fields that the construction industry has traditionally been unfamiliar with, such as AI, IoT, robotics, imaging, and communication technologies. Our team works as one to develop technologies. I believe that our technological development activities make construction look cool to the younger generation who will support the construction industry in the future, and they will encourage them to work in this sector, which will lead to the realization of smart construction sites. Moving toward our major goal of increasing safety and productivity, we will continue our cool technological development activities.

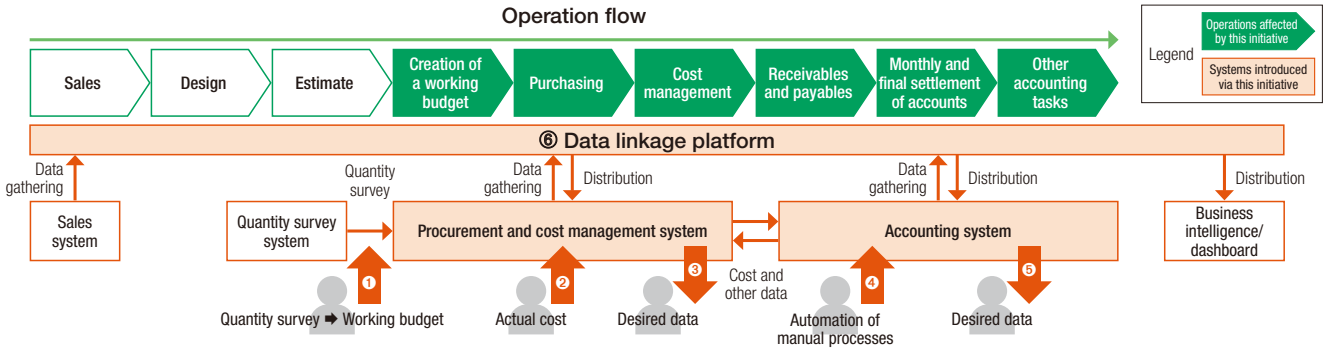
Satoru Yamamoto
Senior Researcher, Civil Engineering Group, Technical Research Institute

Example initiatives

Operational DX (Transformation of Mission-critical Operation Systems)

The goal of operational DX is to advance streamlining. The goal is to transition from operations centered on routine processes to more value-added operations by standardizing and automating operations to reduce inefficient manual processes and error.

Outline of the streamlining of operations and the systems introduced



① Standardization of the range of operations from quantity survey to the creation of a working budget
Unification and standardization of the names of types of construction in internal quotations and working budgets as well as entry rules and make it possible to compare projects

② Increase of the accuracy of budget control
Comparison of piece-based payment and the progress of construction and incorporation of the results of our understanding of the profit-loss status of projects into future payment projections to devise cost reduction measures

③ Standardization of forms and visualizing data
Development of a system that makes it possible to use the results of cost management activities at construction sites in reports without modification

④ Streamlining of accounting operations (abolishment, integration, and simplification)
Examination of practical accounting operations to identify issues. Introduction of automatic offsetting of invoice and remittance data and digitalization of invoices using AI-OCR to reduce and streamline operations

⑤ System that facilitates the retrieval of necessary information
Construction of a system that facilitates the viewing of necessary data at the required granularity and a mechanism that does not require secondary processing using Excel or other applications

⑥ Data linkage platform
Introduction of a data linkage platform streamlining the flow of data in addition to the renovation of mission-critical systems

Intellectual Property Management

Intellectual property is a result of corporate creativity and technologies and a source of competitiveness. We will protect the value of intellectual property to build growth and trust in the future.

Intellectual Property Activity System

The Company regularly holds Invention Committee meetings. It is made up of managers in each technical field and intellectual property manager. These meetings serve to verify our intellectual property (IP) management policy and report on and discuss IP-related activities.

Beginning in FY2025, there is a companywide management system controlled solely by the Technology Strategy Unit.

Promotion of IP Activities

We will utilize open innovation to strengthen our relationships with other companies and research institutions. Through joint research and technical alliances, we will transform new ideas and technologies into patents to secure a competitive advantage.

IP Utilization and Risk Reduction

Basing our IP on our patent holdings, we aim to generate revenue through licensing both within and outside the industry. Each fiscal year, we review our patent holdings to optimize maintenance costs and reinvest in new technological development, thereby driving the creation of further intellectual property.

We recognize there are many IP-related risks, such as risks related to the infringement of others' rights, the violation of contracts, the leak of technological information, the imitation of technologies, etc. We continuously investigate and monitor IP-related risks and take appropriate contract and confidentiality measures to minimize the risk of information leaks or the infringement of IP rights.

IP personnel training

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 take action.

To increase long-term incentives for employees 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.

Domestic Civil Engineering Business

Improving the comprehensive capabilities that we have developed and using management resources in an optimal way to expand the scale of the business

Masakazu Namba
Senior Managing Officer,
General Manager of Civil Engineering Division and Safety & Environment Division

Business Environment

In Japan’s civil engineering market, investments related to the prevention and mitigation of disasters, the strengthening of national resilience, the strengthening of national defense capabilities, and other purposes will be brisk for the foreseeable future. In particular, there is an urgent need for investment in reconstruction to recover from major natural disasters and in the renovation of aging infrastructure. Separately, the renewable energy business and the environmentally friendly electricity market will continue to be buoyant. Regarding bidding for public sector construction projects, the Japanese government encourages the ECI method* and the active utilization of new technologies and methods. We need to develop labor-saving, automation and unmanned operation technologies and take strategic moves concerning carbon neutrality.

Conditions in the construction industry are difficult due to the labor shortage, regulations limiting overtime hours and the rising prices of materials and equipment. It is time for the Civil Engineering Division to display its on-site capabilities supported by the technologies and experience that we have cultivated to fulfill its mission of protecting people so that they can live their lives safely with peace of mind. Fully considering the needs of society, we will increase our competitiveness.

* Early Contractor Involvement (ECI): It is a type of project delivery method in which contractors participate from the design phase of construction projects to provide technical collaboration.

Strengths

- Diverse technical human resources with a strong ability to develop social infrastructure
- Advanced construction technologies and many accomplishments in the fields of construction in mountains, shield tunnels and dams
- Strong relationships within the Nishimatsu Subcontractor’s Network (N-NET)

Risks

- Shortage of engineers and skilled construction workers due to the aging of the workforce and the decreased number of young people entering the industry
- Reduced competitiveness caused by slow adaptation to technological innovation
- Increase in construction costs due to rising material prices, labor expenses, etc.

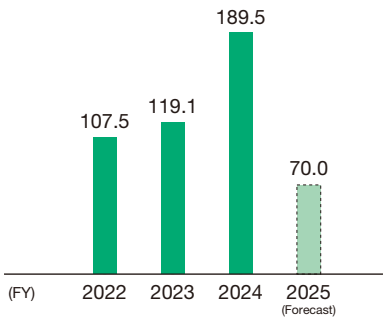
Opportunities

- Increase in demand for infrastructure renovation
- Increase in demand for infrastructure development amid at disaster prevention and mitigation and disaster responses
- Technology development for improving productivity and safety

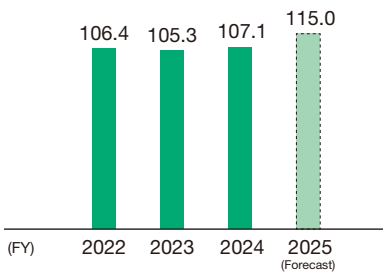
Materiality and Medium-Term Management Plan 2025 Priority Measures

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	Strengthen bidding departments and streamline and advance proposals	Percent of bids for comprehensive evaluation projects that are successful
		Take on challenges in new fields	• Develop and improve technologies for tunnel lining refurbishment • Promote the development of technologies for road slab replacement • Take part in offshore wind power generation projects	• Rate of progress in the development of tunnel lining refurbishment technologies • Rate of progress in development of road slab replacement technologies • Number of initiatives for receiving orders for offshore wind power generation projects
	Create environmentally friendly, resilient communities			
Advance technological strategies that lead to safety and excitement	Increase construction efficiency through technological development and utilization	Develop new production systems	Promote smart construction sites utilizing DX	Rate of progress in the development of automated and unmanned construction technologies
	Develop technologies with an eye to the future			

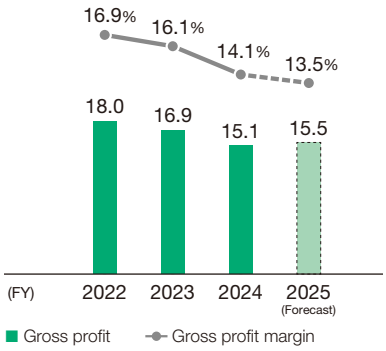
Orders received (non-consolidated) (Billions of yen)



Net sales (non-consolidated) (Billions of yen)



Gross profit/Gross profit margin (non-consolidated) (Billions of yen)



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

Regarding our performance in FY2024, net sales were roughly as projected owing to steady progress in construction on hand while there was a reactionary year-on-year decrease in gross profit due to orders gained in the previous fiscal year for design changes associated with the completion of a large project. At the same time, orders received grew 59.0% year on year as a result of the acquisition of a large governmental project. In FY2025, we forecast that we will receive smaller orders than in the previous fiscal year which will level the volume of construction on hand.

Regarding the progress of Nishimatsu-Vision 2030, we succeeded in receiving orders for large projects* in a wide range of fields, including dams, road tunnels and airport site preparation. We are making steady progress towards expanding the scale of public sector construction projects as stated in Nishimatsu-Vision 2030.

The priority measures in the Medium-Term Management Plan 2025 are progressing well. Regarding the strengthening of our personnel and organizational capabilities, the amounts of the bids we have placed and the amounts of our successful bids for comprehensive evaluation projects were both higher than in the previous fiscal year. I feel that this is the result of our initiatives to strengthen our bidding departments and to streamline and advance technology proposals.

* Construction work of Chokai Dam main body (First phase) (Tohoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism); Construction work of Yokohama Shonan Road Tunnel (Phase 4) (Kanto Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism); Construction work for land preparation of Runway C (NARITA INTERNATIONAL AIRPORT CORPORATION)

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

Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025 cannot be accomplished if we do not properly utilize resources. In my opinion, we need sales strategies and technological strategies with the goal of receiving projects that will help expand the scale of our business, human resource strategies for the development and proper assignment of personnel to tasks, and operational streamlining from the perspective of on-site workers.

First, we will strengthen our core businesses by integrating our sales, technical, and operational divisions to focus on mountain and shield tunnel construction where we have expertise, public works projects, especially dams where we have accumulated technical skills and a track record, and construction in the power and railway sectors. Second, we will accelerate the expansion of our business domains by advancing technological development and strengthening our design departments in the fields of national resilience enhancement and infrastructure renewal, where market growth is anticipated, while also enhancing collaboration with design consultants. Third, we will cultivate the human resources that will conduct these initiatives systematically and strengthen our partnerships with our partner companies and others. We will also implement labor-saving and DX technologies on worksites and facilitate their entrenchment to increase productivity.

In the Civil Engineering Business, we will combine the technologies we have cultivated and our organizational capabilities to achieve continued growth and naturally provide more regions with social infrastructure that enables them to have peace of mind.

VOICE

Statements from Employees

Developing new technologies and methods to help realize a sustainable society

The Technical Research Institute's Renovation Technology Group is working to develop technologies related to the mountain tunnel lining refurbishment, expressway road slab replacement, and other projects. These are at the heart of a priority measure in the Civil Engineering Business, taking on challenges in new fields. In these efforts, I am managing different projects as the head of the group. In the previous fiscal year, we developed a new method for using precast slab in the lining refurbishment. Following full-scale testing using a simulated tunnel, the technology has become established. It shortens the time that lanes have to be closed on expressways and makes it possible to more quickly restore the normal flow of traffic. We will continue to do our work while listening to our corporate customers, business divisions and on-site workers with a view toward creating technologies that will lead to opportunities to receive orders and technologies which will be useful in practical construction work. We will contribute to the extension of the service life of social infrastructure and the realization of a sustainable society where people can live with peace of mind.

Takeshi Suzuki
Manager, Renewal Engineering Group, Technical Research Institute, Technology Strategy Unit

Domestic Building Business

Restructuring the business portfolio to establish a high-profit structure Leveraging organizational knowledge to enter a new stage of growth

Kazutoyo Hamada
Senior Managing Officer, General Manager of Building Division

Business Environment

The domestic construction market continues to perform strongly, driven primarily by the construction of production facilities, semiconductor-related plants, and data centers. Demand for logistics facilities, one of our strengths, remains solid, and we are expanding into cold chain facilities, a sector that is expected to grow. We are also responding to the acceleration of large-scale redevelopment projects and the growing scale of construction in the Tokyo metropolitan area while crafting sales strategies tailored to the unique challenges in each region. Furthermore, we are proactively responding to a broadening range of social issues and customer needs, including environmental and decarbonization initiatives and the promotion of well-being.

At the same time, we are facing challenges, such as supply chain constraints and the rising cost of construction, driven by the increasing cost of materials and labor. To address the shortage of skilled construction workers our partner companies are facing, we are not only improving working conditions and providing training to secure talent, but also promoting DX and advancing technological innovation to enhance productivity. Within our own organization, we are committed to securing and developing talent who embody our slogan, “Trust. It’s what we build,” and strengthening our organizational capabilities. We strive to enhance employee engagement and further increase the appeal of the Building Business.

Strengths

- The ability to bring together our strengths in the areas of sales, planning, design, and construction to successfully complete projects
- Strong quality management capabilities that ensure quality control and assurance through a seamless workflow from design to construction and after-sales service
- Provision of buildings and services that exceed customer expectations

Risks

- Increased cost of construction driven by the increasing cost of materials and labor
- Supply chain constraints resulting from strong construction demand
- Shortage of engineers and skilled construction workers due to the aging of the workforce and the decreased number of young people entering the industry
- Decreased competitiveness due to a delayed response to technological innovation
- Increased cost of defect remediation due to higher quality requirements and the increasing expectations of society

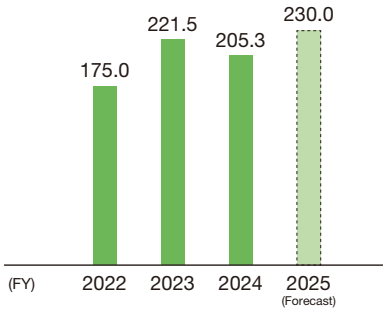
Opportunities

- Increased construction investment in semiconductor-related plants and data centers
- Increased demand for advanced logistics facilities and cold chain-related facilities
- Acceleration of large-scale redevelopment projects in the Tokyo metropolitan area
- Diversification of social issues and customer needs, including those related to environmental and decarbonization initiatives and the promotion of well-being

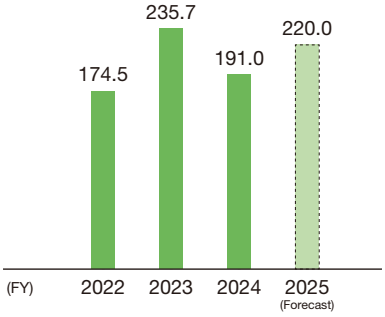
Materiality and Medium-Term Management Plan 2025 Priority Measures

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

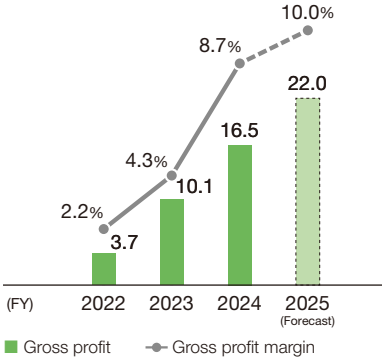
Orders received (non-consolidated) (Billions of yen)



Net sales (non-consolidated) (Billions of yen)



Gross profit/Gross profit margin (non-consolidated) (Billions of yen)



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 both responding to changes in commodity prices and transforming into a high-earnings structure.

In FY2024, net sales were 191.0 billion yen, down 19.0% year on year. However, thanks to the steady implementation of the Earnings Improvement Plan, gross profit increased 63.5% from the previous fiscal year to 16.5 billion yen, resulting in a significant improvement of the profit margin.

As a priority measure, we completed a five-story wooden dormitory building in collaboration with ITOCHU Corporation. This property is the first to apply the P&UA construction method jointly developed through a collaborative project involving industry, government, and academia. Through this project, we have established design and construction techniques uniquely suited to wooden structures. We are now monitoring the structural soundness and durability of the building while also analyzing the psychological impact that wooden buildings have on people.

In an advanced logistics hub development project in Koriyama, Fukushima Prefecture, we are involved in a collaboration with a project management company which is also the business operator from the upstream stages of the project. We are leveraging our expertise in urban development, including coordination with rights holders in the acquisition of business sites, to create new value, and currently two logistics facilities are under construction.

In the data center field, a priority area where we expect construction investment to grow, we are undertaking our first large-scale project. We are developing our knowledge and experience, including design expertise, while facilitating the development of engineers.

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

The transformation into a high-profit corporate structure set forth in Nishimatsu-Vision 2030 is progressing steadily. Looking ahead to continued growth as we move toward 2030, we recognize the need to restructure our business portfolio in our Building Business in terms of building type, region, and scale. Among these, the Chubu area stands out as a key market where the capital investment appetite is strong and there is significant growth potential, particularly in the Building Business. With the establishment of our Chubu Regional Headquarters in April 2025, we are mobilizing companywide resources to formulate sales strategies and strengthen our organizational structure.

We position mid- to high-rise wooden buildings as a growth area that addresses customer needs. To enhance cost competitiveness, one of our most critical challenges, we are developing hybrid structures with improved constructability and productivity, with the aim of launching our second wooden construction project within FY2025.

In our leveraging of BIM to improve productivity, we made steady progress in using it to build consensus during the design phase of projects and achieved our FY2024 target of 100% implementation in the design and construction of steel-framed logistics facilities.

Looking ahead, we will establish mechanisms for the practical on-site application of BIM to address issues, such as issues in the integration of BIM models into the design, production design and construction stages, design change management, and the sharing of data with partner companies.

VOICE

Statements from Employees

Toward the realization of Attractive BIM for stakeholders

We are working to establish mechanisms that facilitate the consistent use of BIM, from design and construction through to operation and maintenance, while also promoting its deployment at project sites.

By using BIM models to examine building fittings, construction methods, and procedures before they are implemented, we aim to optimize processes and improve both productivity and quality. We are systematizing information from the production process together with the expertise of skilled engineers to facilitate the transfer of technical know-how. By combining knowledge, BIM data, and wide range of digital technologies, including AI, we seek to maximize their value. By collaborating closely with partner companies and relevant departments, we aim to realize Attractive BIM that facilitates both speed and user-friendliness to meet the needs of our customers and on-site teams.

Akiharu Iwasaki
Manager, Construction BIM Department, Digital Construction Center, Building Division

International Business

Leveraging our strengths and adapting to changing markets to expand our overseas business, primarily in Asia

Kozo Kusano
Executive Officer, General Manager of International Division

Business Environment

Our International Business operates mainly in Southeast and Southwest Asia. Amidst constantly evolving markets shaped by the times and each nation’s development and maturity, we have adapted our presence accordingly. With over 60 years of extensive experience and proven results in both Civil Engineering and Building businesses, we have built a robust foundation.

In transportation infrastructure construction business, the foundation of the Civil Engineering Business, countries are announcing future plans for new railway line projects, including tunnel projects, one of our core strengths.

In the Building Business, Japanese companies have been slow to recover their investments due to the weaker yen, while local and foreign-affiliated companies continue to invest steadily in logistics facilities and data centers. At the same time, we must remain alert to potential risks, such as de-globalization, which is exemplified by the increase in U.S. tariffs, as well as country risks and geopolitical uncertainties. We will continue to respond swiftly to these developments and secure earnings through business strategies that leverage our strengths.

Strengths

- Diverse technical human resources with a strong ability to develop social infrastructure
- Construction technologies developed in the Domestic Civil Engineering and Building businesses
- Alliance partners (local JV partners)
- Customer base

Risks

- Occurrence of terrorist attacks in countries of operation, fluctuations in the political and economic climate, and the revision of laws or regulations
- Lower quality and productivity in the event that technical skills cannot be passed on

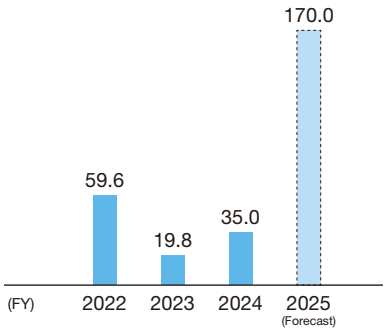
Opportunities

- Diversification of needs for construction-related services
- Advancement and Evolution of training systems to improve technical construction skills
- Investment by foreign companies

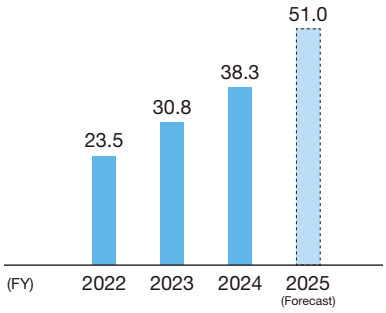
Materiality and Medium-Term Management Plan 2025 Priority Measures

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	Building and strengthening implementation frameworks with local partners	Holding monthly joint venture executive meetings
			Enhancing construction management systems • Strengthening safety and quality patrols by the Management Department • Regular meetings of civil engineering engineer committees in Japan	• Monthly patrols conducted • Number of patrols and meetings conducted at each site

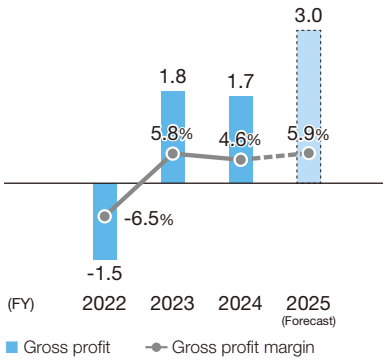
Orders received (consolidated) (Billions of yen)



Net sales (consolidated) (Billions of yen)



Gross profit/Gross profit margin (consolidated) (Billions of yen)



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

In FY2024, the increase in net sales was driven by large-scale logistics projects secured by our subsidiaries in Thailand and Vietnam. Gross profit remained nearly unchanged from the previous fiscal year.

In the Civil Engineering Business, we are proactively pursuing priority ODA and transportation infrastructure projects in Asia. In both the Philippines and Bangladesh, we have established joint ventures with partners with high-level regional expertise with the goal of securing contracts for subway construction projects in both countries by 2025. Regarding the projects currently under way—two in Singapore and one in the Philippines—we are collaborating closely with our domestic expert committees to strengthen the technical capabilities of local partner companies and improve the quality of their construction.

In the Building Business, we are strengthening our implementation framework for projects with foreign-affiliated companies by increasing localization to develop a new on-site construction management system. We are shifting from individual strengths to organizational capabilities to improve efficiency by promoting site management using remote management systems, providing ongoing technical training for local employees and partner companies at the human resources development center in Thailand, and expanding training programs in neighboring countries to include employees from Vietnam. We are also engaged in an ongoing industry-academia collaboration with the Thai-Nichi Institute of Technology, including human resource exchanges and joint development projects aimed at improving operational efficiency.

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

In the Civil Engineering Business, we are aiming to secure new ODA subway projects to achieve our sales and profit targets. A key challenge for ODA projects is the establishment of an organizational framework that ensures smooth execution from the outset. To this end, we are proactively assigning both local talent and Japanese employees to project sites at an early stage. At the same time, to strengthen the continuity of our International Business, we will also continue to engage in environment- and energy-related construction projects in Australia, a new market.

In the Building Business, securing orders is a key priority. In Thailand, we are broadening our market reach and local client base with a focus on logistics facilities, such as refrigerated and frozen warehouses. In Vietnam, where industrial park development is accelerating, we are working to obtain information on companies moving into the area at an early stage to increase the number of projects we undertake.

VOICE

Statements from Employees

Applying our cultivated technologies to help address social issues in the Philippines

In the Philippines, we are constructing Contract Package 102 of the Metro Manila Subway Project, the country's first subway line. This package consists of two underground stations and 5.3 kilometers of shield tunneling. The project is designed to alleviate severe traffic congestion, reduce air pollution, mitigate climate change, and promote the transfer of technology to the country. We have formed a joint venture with DMCI, a leading general contractor with which we have built a strong partnership over many years. DMCI has an extensive track record in the construction of landmark projects in the Philippines. This partnership allows us to mitigate risks related to permits and taxation while drawing on the technical expertise, resources, and contract negotiation capabilities we have cultivated in Hong Kong and Singapore to advance construction work. As a manager, I am committed to prioritizing safety and quality while ensuring that the completed facilities exceed the expectations of our clients. Working closely with the Department of Transportation and other government agencies, I strive to minimize risks and maximize returns to ensure the success of this landmark project.

Osamu Iwata
Manager, Subway Quezon Site Office, International Division

Asset Value-Added Business

Driving medium- to long-term profit growth by building a solid revenue base and transforming our circular reinvestment model

Koichi Oniki
Executive Officer, General Manager of Asset Value-Added Business Division

Business Environment

The recent inflation has affected market conditions in Japan and overseas, and real estate prices are expected to continue trending higher. In response, we are advancing investments with caution and placing greater emphasis on inflation-resistant sectors, such as tourism and entertainment, including hotels.

In FY2024, our domestic operations focused on three priorities: proactive investment in growth sectors, improving asset efficiency through circular reinvestment, and enhancing profitability through portfolio optimization. In particular, we are targeting sectors with promising growth potential and delivering worthwhile structures and services in areas where we and our partners can leverage our expertise. In our overseas business, we continue to carefully evaluate opportunities and invest selectively in only high-quality properties.

Strengths

- Creation of businesses by collaborating with universities and many partner companies
- Use of private REITs and private funds centered on the asset management activities of Group subsidiaries
- Provision of integrated solutions covering planning, design, construction, and operational management across the Group
- Strong planning and proposal capabilities developed through attentive OJT and human resource development with a culture of taking on challenges that includes our younger employees

Risks

- Declining profitability of the real estate sales and rental businesses due to the contracting real estate market
- Higher costs due to new environmental policies and stricter legal regulations; declining demand for properties not aligned with decarbonization
- Difficulty in securing, as well as outflow of, specialized human resources amid a declining workforce and diversifying work styles

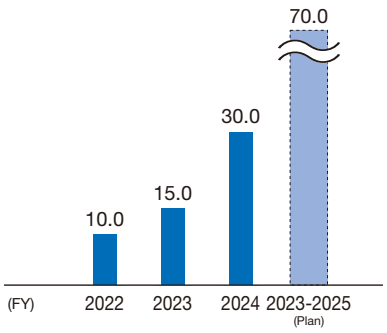
Opportunities

- Investment in assets aligned with market needs and the reinforcement of inflation-resistant businesses
- Differentiation through the utilization of environmentally friendly buildings, renewable energy, and DX technologies
- Creation of new value through increased diversity and inclusion; enhanced recruitment of diverse human resources

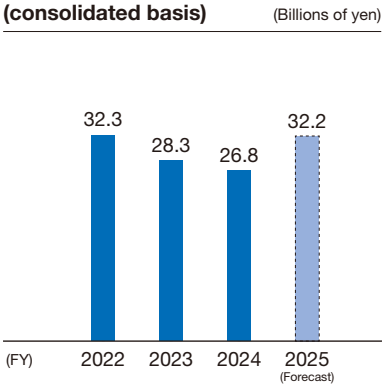
Materiality and Medium-Term Management Plan 2025 Priority Measures

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 • Creation of businesses and promotion of existing projects leveraging Nishimatsu’s expertise	• Business promotion through collaboration between the Asset Value-Added Business and the Construction Business • Secure revenue by utilizing new real estate made available through land readjustment and urban redevelopment projects
		• Provision of high-quality 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

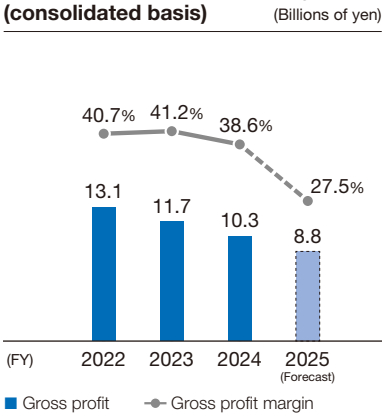
Net investment



Net sales (consolidated basis)



Gross profit/Gross profit margin (consolidated basis)



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

In growth-sector investments both in Japan and overseas, we are steadily building a foundation for future earnings and have managed to achieve some degree of success. Under the Medium-Term Management Plan 2025, we set a three-year target of investing 110.0 billion yen and recouping 40.0 billion yen from our investments. As of FY2023–2024, we have invested a cumulative total of 75.0 billion yen and recouped 30.0 billion yen. Gross profit has declined temporarily, reflecting our ongoing transition to a circular reinvestment model, but we expect to see results from these initiatives in the coming years.

Working spaces (offices) were identified as a growth sector in the Medium-Term Management Plan 2025, and in this area, we completed NCO Kanazawa, an environmentally friendly office building, in September 2024.

In the residence field, we are advancing new employee dormitory initiatives in collaboration with various leading companies, and we are also acquiring newly built senior care facilities operated by major firms. In the tourism and entertainment field, we opened HOTEL AO KANAZAWA in September 2024 as our second conversion hotel, following Korinkyo, which opened in 2021. Both projects drew on our relationships and construction capabilities, and we see them as businesses that generate significant value for society.

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

Looking ahead to Nishimatsu Vision 2030 and beyond, we aim to drive profit growth by building a solid revenue base and further advancing our circular reinvestment model, including through the use of private REITs.

To achieve this, we will acquire assets that have competitive advantages through circular reinvestment while efficiently replacing assets to build an optimal business portfolio aligned with the prevailing market conditions. In addition, in collaboration with the Civil Engineering, Building, International, and Regional Environmental Solutions Divisions, we will carry out integrated projects spanning planning and development, design, construction, and operation.

At the heart of these initiatives is the growth of each individual employee. By achieving a high-level balance between profitability, efficiency, and safety, we will continue to build stronger organizations and businesses.

VOICE

Statements from Employees

Harnessing the Group's strengths to promote exciting community development activities in Japan and overseas

Until April 2025, I was involved in land readjustment project operations. Now, I am a member of the Overseas Real-Estate Business Development Department.

In a land readjustment project in Aichi Prefecture, I was responsible for managing the disposal of reserved land and the operations of the community development council. The project involved developing infrastructure for residential, commercial, and logistics facilities, with the broader goal of creating a regional hub where people would be able to gather and interact with each other. The council, comprising developers and landowners, is dedicated to the sustainable development of the area, and Nishimatsu has served as its secretariat as the delegated operator. In my role, I worked to help create an exciting community for landowners and local residents by supporting the operations of the council and coordinating with stakeholders and government authorities to shape the town's development concept.

Now, I maintain the same mindset in overseas real estate development and investment projects. I am currently involved in the development of multifamily residential buildings and hotels, as well as in investments in income-generating properties in Thailand, the U.S., and Australia. In every project, I remain conscious not only of financial performance but also of whether it generates excitement, has social significance, and leverages the strengths of our Group to deliver meaningful value.

Hikaru Morita
Development Section No.1
Overseas Real-Estate Business Development Department, Asset Value-Added Business Division

Regional Environmental Solutions Business

Using the potential of local communities to build sustainable communities that people can live in with peace of mind

Hitoshi Kususako
Executive Officer, General Manager of Regional Environmental Solutions Business Division

Business Environment

As stated in Nishimatsu-Vision 2030, the Regional Environmental Solutions Business Division is working in the field of social infrastructure development centered on construction. It is also engaging with the development of renewable energy and community development businesses in Japan and overseas. Its goal is to transform its value creation activities to promote rebuilding of social functions. In this we will serve local communities to solve social issues together with them.

Regarding the environment surrounding the renewable energy business, Japan has set the target of achieving net-zero greenhouse gas emissions by 2050. The momentum of decarbonization-related businesses is increasing. However, there are limitations regarding the introduction of renewable energy, due to geographical constraints and the poor profitability of specific businesses. To achieve the Japanese government’s target, institutions must be reinforced.

The Japanese government has launched its Regional Revitalization 2.0 initiative. In line with these initiatives, our community development business must seek to achieve independently growing local economies and the improvement of the living environment. However, regional prosperity has remained stagnant due to the decrease of the birthrate and the aging of the population. It is necessary to formulate measures assuming that the population will decrease.
In this situation, we will work to promote rebuilding of social functions, focusing on decarbonization and infrastructure services with a view toward the establishment of sustainable communities that people can live in with peace of mind in collaboration with co-creation partners.

Strengths

- The technological construction expertise we have accumulated over the more than 150 years since our foundation and our large number of customers, partner companies and other parties
- The global expansion of our business (into nearly 30 countries and regions to date)

Risks

- Increased expenses due to inflation
- Changes in policies, laws and regulations regarding green energy
- Changes in the interests and needs of society

Opportunities

- Increased public interest in a decarbonized and circular society
- Resolution of issues such as natural disasters, the decreasing population, the decrease of the birthrate and the aging of the population
- Stakeholders’ increased awareness of environmental value
- Government-led promotion of green energy
- Global expansion of the green energy market

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 (small hydropower, solar power generation (PPA), geothermal)	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
	Create new value that brings together diverse capabilities based on strengths accumulated through social infrastructure development	Promote in-house project collaboration	Collaboration in RES and Construction (Civil Engineering, Building, International) businesses	Number of construction projects formed by 2030
Put in place partnerships that can maximize value creation	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

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

In Nishimatsu-Vision 2030, the Company set the goal of expanding its value creation activities to include promoting rebuilding of social functions. Priority measures under the Medium-Term Management Plan 2025 include the promotion of the establishment of a decarbonized society, development projects that contribute to regional revitalization efforts and cross-industry collaboration.

In FY2024, we achieved some things through our implementation of these measures. For example, our first wood biomass power plant came fully online, and a rooftop solar power generation PPA project outside Japan began commercial operation as well. In addition, together with a start-up, we developed wearable devices with a communication feature to prevent heat stroke. In this development effort, we used technologies that we had cultivated. We are taking on challenges in new fields, like this example.

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

The emerging risk of rising financing costs makes it difficult to commercialize the renewable energy business. Going forward, we will take advantage of our technological strengths and experience in the Construction Business to develop businesses in Japan and overseas, focusing on small hydropower and solar power generation businesses which have predictable costs.

In community development business, the limited availability of our solutions poses a challenge in addressing local government issues. We will increase our collaboration with regional headquarters and branches to gain a better understanding of regional issues. We will also strive to develop co-creation partners that possess technologies and services that are helpful in the provision of solutions to these issues. In this way, we are aiming to create businesses that facilitate the prosperity of regional communities and the Company.

In addition, we will work with other business divisions and with other companies in different business sectors to create new GX- or DX-based businesses that will produce additional value mainly in fields that are peripheral to construction.

Launch of a Biogas Power Generation Business to Establish a Decarbonized and Resource Circulating Society

The Western Kumamoto Biogas Power Plant in Nishi-ku in Kumamoto City began receiving food waste in July 2025. This plant is managed and operated by N-Energy Co., Ltd., which was jointly established by the Company and NAGANO CO., LTD, which is based in Kumamoto City. It is set to begin generating electricity in around December of this year.

The biogas power generation system uses biogas generated by the fermentation of food waste to produce electricity. The methane fermentation process generates fermentation residue that can effectively be used as fertilizer and compost. This means that the facility does not just produce electricity; it is also a food recycling facility.

Another feature of this plant is that plastic containers and other impurities that are not suitable in the fermentation process are processed at an adjacent facility into refuse paper and plastic fuel (RPF). The water used to wash these impurities contains fermentable substances, so it is returned to the fermentation process to completely utilize the fermentable substances in the waste.

In the suburb of Kumamoto City, there was a limited number of recycling facilities treating food waste, and one issue the city was facing was increasing the recycling rate, as it had an eye toward decarbonization. Through this project, we aim to address the waste treatment issue in the region and establish a circular society whose impact on the environment is reduced.

Western Kumamoto Biogas Power Plant

VOICE

Statements from Employees

Creating projects that aid carbon neutrality and the creation of other types of value in regions

The Regional Creation Department is a department that works to create locally based community development projects. We will conduct locally based activities and listen closely to local governments and regional stakeholders. We aim to create projects based on the idea of achieving carbon neutrality that will aid the circulation of resources in the economy, disaster prevention, improving the quality of life and other efforts to create value regionally.

Currently, we are considering specific problem-solving projects that use our technologies or involve collaborations with partner companies in several regions.

Our initiatives in the community development business have just begun. The Regional Creation Department staff will work as one to continuously create projects in communities.

Koh Okamoto
Manager, PPP Section, Regional Creation Department, Regional Environmental Solutions Business Division

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

Establishment of the system and subsequent modifications

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 consists of outside directors, internal directors, and outside experts. The committee convenes four times a year. It 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.

The Risk and Opportunity Management Committee, consisting mainly of the deputy general managers of each business division, held meetings 17 times in its first fiscal year. 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 deliberated on the consideration and practice of overall sustainability policies.

In FY2024, the Company reviewed its sustainability promotion structure to address the challenge of deepening and expediting discussions, which arose from its sustainability promotion activities during the first fiscal year. The Company established the Sustainability Strategy Meeting to ensure steady progress in discussions about various critical aspects of a broad scope of its sustainability promotion activities. 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.

FY2024 activity

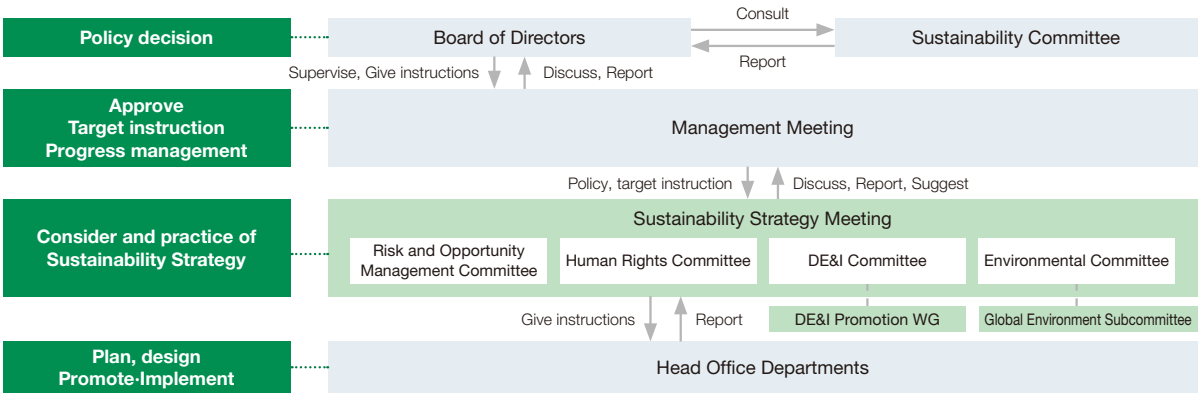
The Sustainability Strategy Meeting met 14 times in FY2024. Each committee associated with the Sustainability Strategy Meeting includes relevant department heads and personnel as members and support staff in the secretariat. These committees convened according to the schedule throughout the year, resulting in a clearer understanding of the initiatives that need to be implemented in each priority area. This approach facilitated steady progress in discussions and the implementation of the initiatives.

The newly established Human Rights Committee has revised its structure to facilitate engaging discussions throughout the Company and the swift implementation of initiatives. The committee conducted a survey on human rights due diligence (hereinafter, "human rights D.D.") activities within the supply chain and our Declaration of Partnership Building, a task which had not been undertaken. The Company selected 457 business partners with close relationships based on the value of the Company's orders with them and other criteria, and 375 of the 457 partners responded to the survey. Based on the feedback received, we have started following up with business partners identified as high-risk to mitigate potential risks. Additionally, we have developed an Anti-corruption Policy aimed at promoting awareness of anti-corruption activities within the Group.

The DE&I Committee first held a seminar to increase committee members' awareness of DE&I issues and educate them to facilitate meaningful discussions that promote DE&I. After that, the committee initiated discussions and formulated a DE&I Policy which will serve as the foundation for the Group's approach to the promotion of DE&I.

The Sustainability Strategy Meeting discussed policies and initiatives aimed at promoting sustainability that extend beyond the scope of each committee's efforts. Consequently, to promote sustainability throughout the Company, the Sustainability Strategy Meeting submitted a proposal to expand the KPI tree and integrate it into personnel evaluations to the Management Meeting (formerly the President and General Managers Meeting). This led to the revision of the personnel evaluation system which will be implemented in FY2025.

Sustainability promotion system chart



Sustainability Strategy Meeting and Each Committee

Name	Purpose	Major agenda items in FY2024
Sustainability Committee	Investigates and deliberates on matters regarding the policies for responding to materiality and environmental changes (risks and opportunities) linked to materiality from a long-term perspective and from a multi-stakeholder standpoint and reports back to the Board of Directors.	• Creating a KGI for the Sustainability Slogan (Basic Policy) and expanding the KPI tree • Identifying risks from a long-term perspective • Formulating an Anti-corruption Policy and a DE&I Policy
Sustainability Strategy Meeting	Study and implementation of a sustainability strategy to resolve materiality issues and to realize a sustainable society	• Expanding the KPI tree • Integrating sustainability goals into personnel evaluation criteria and enhancing internal communication regarding this initiative
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."	• Managing risks in business activities • Identifying risks from a long-term perspective and examining risk scenarios
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.	• Conducting human rights D.D. activities in the supply chain • Conducting a survey regarding the Declaration of Partnership Building • Formulating an Anti-corruption Policy
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.	• Holding seminars to promote DE&I • Formulating a DE&I Policy
Environmental Committee	Promotes environmental management and facilitates Company-wide environmental activities. →Environment P.64	• Proposal regarding the disclosure of Climate Information 2025 • Climate-related risks and opportunities

Creating Safe Construction Sites

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

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2024 results
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	Promote work environment improvements	Frequency rate (4 or more days of absence from work)	0.4 or below (FY2025) 0.2 or below (FY2030)	0.88

Basic Safety and Health Policy

Basic Safety and Health Policy ➡ https://www.nishimatsu.co.jp/eng/company/safety.html

We have established a Basic Safety and Health Policy which reads, "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." Under that, 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.

* COHSMS: Construction Occupational Health and Safety Management System (COHSMS) formulated by the Japan Construction Occupational Safety and Health Association. The scope of application covers all business locations in Japan, excluding the Technical Research Institute.

Initiatives to Reduce Workplace Accidents

To achieve the health and safety management goals for FY2024, we focused on three actions.

- Implement safety measures that take into account intrinsic safety and engineering measures
- Eliminate the "big three" accidents designated by Nishimatsu Construction
- Promote voluntary activities by fully establishing Action 7.

In addition, safety and health training was provided to 327 employees and 791 foremen.

However, with the exception of no fatal accidents, we failed to achieve these targets.

In FY2025, we will come up with ideas for intrinsic safety and engineering measures with a view toward the prevention of the "big three" accidents designated by Nishimatsu Construction (slips/falls; getting caught up in machinery, equipment, vehicles or materials; and flying/falling objects). In addition, we will work proactively to prevent heatstroke, which is becoming a serious issue amid the recent record-breaking heat.

• FY2024 safety and health management targets

- Achieve zero fatal accidents
- 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 designated by Nishimatsu Construction (slips/falls; getting caught up in machinery, equipment, vehicles or materials; and flying/falling objects).

Occurrence of a Fatal Accident

In March 2024, a fatal accident occurred due to a collapse during the reinforcement of a masonry retaining wall. To prevent any similar accidents from happening, we reaffirmed the need for thorough preliminary investigations during the planning stage, coordination between head office and branches during construction planning, and strict adherence to displacement checks and inspections during construction. We will continue to check the status of the implementation of safety measures through inspections during patrols and regularly provide training.

Occupational Health and Safety Management System

The Company is not certified to OHSAS 18001 or ISO 45001, but our occupational health and safety management system operates in accordance with Japan's Construction Occupational Health and Safety Management System (COHSMS).

At new project sites, we perform safety and health risk assessments prior to beginning work and create construction safety and health management plans based on the results of these assessments. We carry out risk assessments on a case-by-case basis when applying methods or using equipment or materials that are different than initially planned. Each fiscal year, we review our plans to prevent accidents.

Occupational safety and health management system certifications
➡ https://www.nishimatsu.co.jp/eng/esg/social/safety.html

Quality Management

Policy on Quality
➡ https://www.nishimatsu.co.jp/eng/company/safety.html

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2024 results
Create an organization that can maximize on-site capabilities	Build an organization that can continually improve its trusted on-site capabilities	Improve customer satisfaction	Evaluation by clients	• Ministry of Land, Infrastructure, Transport and Tourism's Average score for the year in construction result evaluations (Average: 80 or higher/target year) • Questionnaire evaluations upon completion of private-sector projects gain 99% or higher S/A evaluation	• 79.9 points • 98.5%

Quality Management System

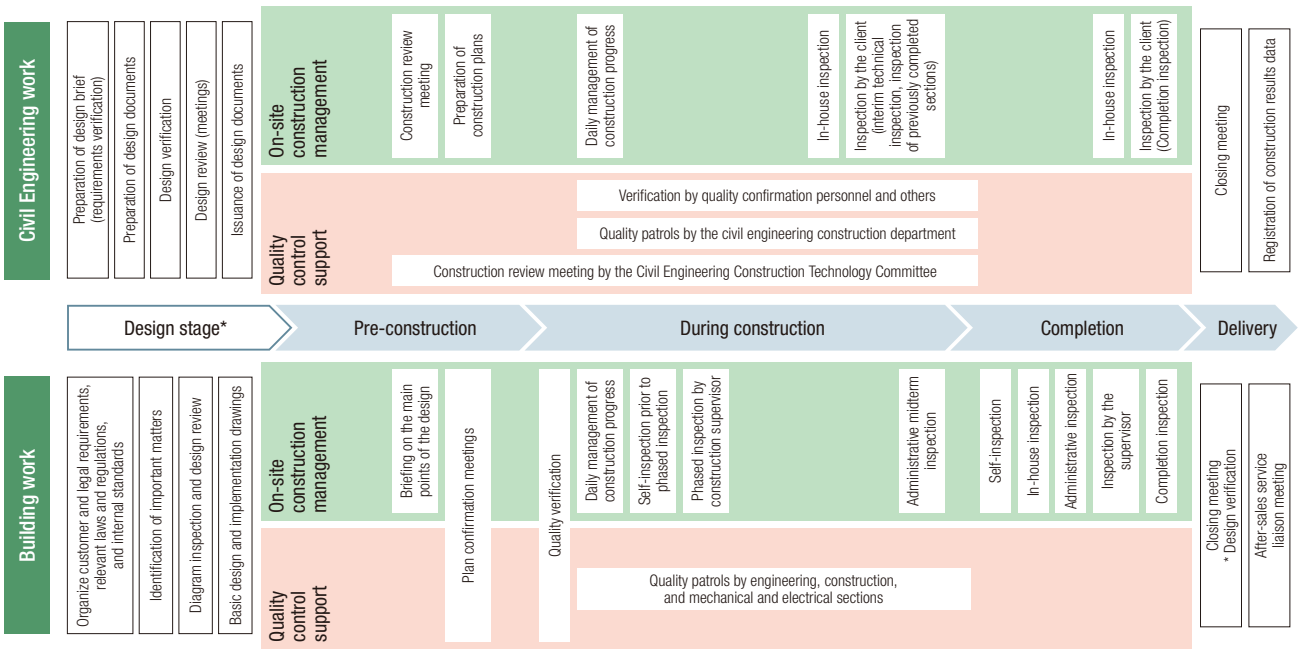
In the Civil Engineering and Building divisions, we have established a Quality management system based on ISO 9001, and are working to ensure quality and continuously improve the system at each stage of sales, design, construction, and after-sales service to achieve our quality policy of Providing Trusted 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. The Head Office's Civil Engineering Department compiles and analyzes reports from each regional headquarters, after which it shares information with each regional headquarters. 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. The Civil Engineering Construction Technology Committee is a specialized technical group involved in tunnel, shield, dam, and general civil engineering projects. It holds construction review meetings and other events as needed to provide technical guidance to improve quality and prevent product accidents.

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 first on communicating points of concern raised in the design stage to on-site workers to steadfastly resolve them after construction begins. Second, it focuses on providing technical guidance and education through worksite review meetings, and on-site quality confirmation meetings and quality verification covering the actual materials and structures. Third, it is focused on providing quality and technical support through the Quality Management Department for the construction of buildings whose quality can be assured. 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

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2024 results
Put in place partnerships that can maximize value creation	Build sustainable supply chains	Continue to implement human rights due diligence	Number of companies engaging in human rights due diligence	400 companies or more	457 companies

Human Rights Policy

Human Rights Policy (Japanese only) ➡ https://www.nishimatsu.co.jp/esg/social/humanrights.html

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.

Initiatives for Priority Issues

The Group formulated the Human Rights Policy and 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 FY2024

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

In addition to our existing efforts, which include the promotion of substitute holidays and the use of paid leave, the realization of a five-day work week at construction sites using a shift system, the support of worksite operations by the Site Administration Innovation Center, initiatives to have worksites closed for eight days of every four weeks, and the introduction of flextime systems, we use systems to rationalize attendance reports and monitor the overtime hours of all employees in our efforts to strictly manage work records.

2. Prohibition of harassment and discrimination

Along with working to prevent harassment and other issues through the operations of the Nishimatsu Hotline reporting desk, as a 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 strictly 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

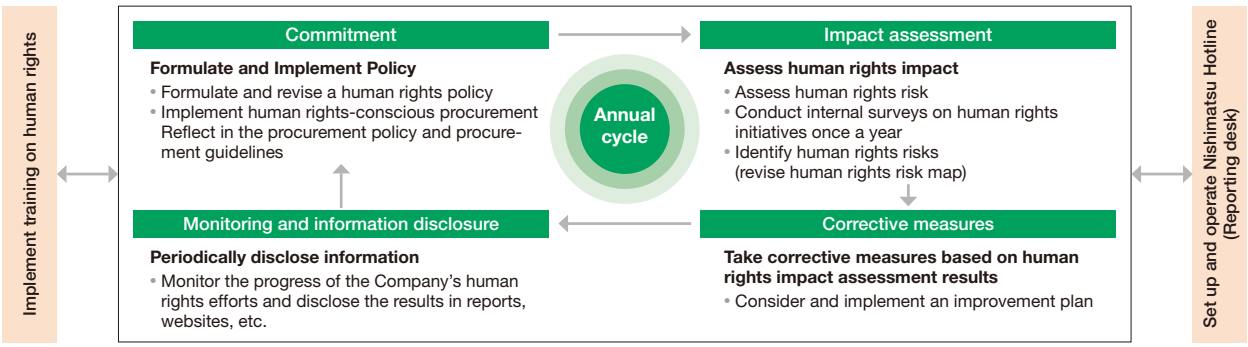
In FY2024, we established the Human Rights Committee subordinate to the Sustainability Strategy Meeting. In its initial fiscal year, it conducted human rights due diligence in the supply chain. In light of the results of its efforts, it is following up with high-risk business partners and conducting activities to increase their awareness of respect for human rights during meetings in FY2025.

Since establishing the committee, we have conducted companywide discussions and activities concerning respect for human rights. We have implemented initiatives in accordance with the Human Rights Policy, which applies to internal and external stakeholders.

Specifically, in the aforementioned human rights due diligence in the supply chain, we analyzed the responses of business partners and formulated an action policy that defined compliance with international human rights standards specified in our Human Rights Policy and labor laws in Japan as a top priority issue. In FY2025, we will follow up on these activities with the goal of reducing the human rights risks our business partners are exposed to, as well corrective measures in accordance with the action policy.

→ For an overview of the Sustainability Strategy Meeting, please refer to page 58.

Human rights due diligence process



Supply Chain Management

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2024 results
Put in place partnerships that can maximize value creation	Build sustainable supply chains	Provide training and support to skilled construction workers	• Worksite retention rate of Nishimatsu Meisters and Senior Forepersons • Touch rate for Construction Career Up System (CCUS)	• 60% • Civil Engineering 90%, Building 80% (FY2025)	•53% •74%
		Collaborate with partner companies	• N-NET order rate • Conducting a survey regarding the Declaration of Partnership Building	• 60% or more (FY2025) • 400 companies or more	•59% •457 companies

Sustainability-Conscious Procurement Activities

We conduct procurement activities in line with our Procurement Policy and Procurement Guidelines formulated in March 2023.

We are working to realize a sustainable society by considering sustainability throughout our supply chain in our procurement activities and seeking our supplier partner companies' understanding of our policies.

Procurement Policy and procurement guidelines (Japanese only)
➡ https://www.nishimatsu.co.jp/company/policies.html

Initiatives for Securing and Training a Labor Force and Establishing a Sustainable Supply Chain

Negotiating prices that reflect costs to increase the wages of skilled workers

We formulated rules regarding the negotiation of prices that reflect costs in line with the Guidelines Concerning Price Negotiation for Appropriate Shifting of Labor Costs published in November 2023. In FY2024, we negotiated with our partner companies in nearly 500 subcontracting agreements regarding the setting of prices that reflect costs. We do not intend to conduct this initiative in one single fiscal year. We will be conducting it steadily every fiscal year.

Conducting a survey regarding the Declaration of Partnership Building

In FY2024, we conducted a survey of around 400 major partner companies to learn information to strengthen our collaboration with the supply chain and advance mutual growth and prosperity. Based on the results of the survey, we will make improvements and reinforce our relationships of trust with our partner companies to continue our mutual growth. We will continue to conduct surveys to introduce various perspectives in the improvement and development of our business.

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 (FY2024 results: 331 items), subsidies for assistive suit purchase costs (FY2024 results: 57 suits), promotion of pleasant workplaces, multilingual worksite announcements

Training and support of skilled construction workers

We are actively promoting the Construction Career Up System (CCUS), led by the Ministry of Land, Infrastructure, Transport and Tourism, to address the industry-wide issue of labor shortages and to improve the treatment of skilled construction workers. Since FY2019, we have undertaken various initiatives to encourage its adoption, including the establishment of the Nishimatsu Construction Registration Support Office, a dedicated department within the Company that handles registration procedures. To date, approximately 2,500 users have been registered. The CCUS touch rate in FY2024 was 74%. It is steadily increasing. We will continue to increase our efforts to collaborate with partner companies with a view toward achieving our FY2025 targets.

Moreover, as part of the improvement of benefits, 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. Over 14 years, a total of 1,038 employees have been recognized as high-caliber technicians. Competent foremen and technicians play active roles on our worksites.

As a step toward increasing the utilization of CCUS, we have introduced the Kentaikyo (Construction Industry Retirement Allowance Mutual Aid Organization) electronic application system linked to CCUS's accumulated work records at 134 sites. We won a president's award from the Kentaikyo headquarters in recognition of this activity.

Touch rate for Construction Career Up System (CCUS)

	2021	2022	2023	2024	2025 (target)
Touch rate for CCUS	24%	47%	61%	74%	Civil Engineering 90% Building 80%

Environmental Initiatives

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

Nishimatsu Construction has identified the realization of a society for people with safety and vibrancy as a material issue that it is facing in line with its awareness of the importance of achieving important goals in the area of the environment, such as the formation of a decarbonized society, taking into consideration biodiversity and coexistence with nature and the formation of a recycling oriented society. Accordingly, we have set numerical targets and determined the initiatives we will implement. We have also updated our Eco-First Commitment. As a leading company in the area of the environment, we will carry out activities for both addressing social issues and increasing our corporate value to help realize a sustainable society.

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2024 results
Realize a society for people with safety and vibrancy	Create environmentally friendly, resilient communities	Improve environmental performance	• Engage in mid- to high-rise wooden buildings initiatives • Promote ZEB design technology • Convert owned properties to renewable energy • Making suitable for installation in environmentally friendly concrete buildings	• 2 projects/year (until FY2030) • 60% (FY2025), 90% (FY2030) (Percentage of ZEB/ZEH upon completion) • 100% (FY2030) • 1 project or more/year (until FY2030)	• 1 project • Number of initiatives ZEB/ZEH construction 11 projects • 100% • 1 project
	Preserve the environment and biodiversity while realizing a circular economy through business activities	Promote the formation of a decarbonized society	<ZERO30 Roadmap 2023> • Reduction rate of Scope 1+2 for all business activities compared to FY2020 • Reduction rate for Scope 3 Category 11 emissions (CO_2 emissions coinciding with energy use during building operation after completion and delivery) • Renewable energy business generation (volume of generated energy sold)	• Compared with FY2020 54.8% reduction (FY2030) • Compared with FY2020 27% reduction (FY2030) • 108,000 MWh (FY2030)	• Compared with FY2020 38.4% reduction • Compared with FY2020 31.2% reduction • 12,000 MWh
		Taking into consideration biodiversity and coexistence with nature	Number of biodiversity preservation activities undertaken	Initiatives at all worksites (As of FY2030)	100%
		Promote the formation of a recycling-oriented society	Final percentage of construction waste sent for landfill disposal	Less than 2.5% (As of FY2030)	3.3%

Decarbonization (Carbon Neutrality)

Progress of the ZERO30 Roadmap 2023 Emissions Reduction Plan for FY2030

In FY2024, Scope 1 and 2 emissions grew slightly from FY2023. While our introduction of renewable energy helped reduce CO_2 emissions, diesel consumption increased in the Civil Engineering Business. Scope 1 and 2 emissions decreased 38.4% from FY2020. This means that the progress of the plan was largely as expected.

To achieve our ZERO30 targets, we will aim to achieve a rate of renewable energy introduction of 77% at an early date.

Scope 3 Category 11 emissions are being reduced through the continued progress in the use of ZEB design (which reduces the building energy index (BEI)) in design and construction projects and by the increasing use of renewable energy in completed buildings.

Regarding power generation, our first wood biomass power generation facility began fully operating in FY2024, in addition to our existing geothermal power generation and solar power PPA facilities. They generated a total of 12,000 MWh electricity; however, the plan for the fiscal year was not achieved.

ZERO30 Roadmap 2023
➡ https://www.nishimatsu.co.jp/eng/esg/environment/zero30.html

A new decarbonization measure — the introduction of GTL fuels

In FY2024, we tried using diesel alternative environmentally friendly gas-to-liquids (GTL) to traditional diesel in construction equipment following a trial. GTL fuel is a natural gas-derived fuel whose CO_2 emissions are 8.5% less than traditional diesel. Currently, its effect has been limited to equivalent to 13 t-CO_2 reduction of CO_2 emissions on a fiscal year basis. However, we see it as a fuel measure that will help us achieve our ZERO30 targets. We will continue to set quantitative targets for the coming fiscal years to accelerate its introduction.

GTL fuel used in construction equipment (Kanto Civil Engineering Regional Headquarters, Kakio Site Office)

TOPIC **First in Japan: conducted field trials for B50 fuel**

We conducted the first field trials for the use of B50 fuel in heavy construction equipment in Japan in August 2024. B50 fuel is a mixture of 50% high purity biodiesel fuel (ReESEL)* and traditional diesel. With a view toward achieving the ZERO30 target, we will further promote CO_2 reduction through the introduction of bio-blended fuels alongside GTL.

* ReESEL is a high purity biodiesel fuel whose ester content has been increased to at least 98.5% through the reduced-pressure distillation and static purification of biodiesel fuel produced from waste food oil. The ReESEL Association has set the ReESEL standard and grants certifications.

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

Biodiversity (Nature Positivity)

Biodiversity preservation activities at construction sites

Using our original Nishimatsu Nature Action Guidebook and other biodiversity-friendly tools, we promote biodiversity conservation initiatives at all construction sites. At the Shinkansen Kutchan Site Office under the North Japan Regional Headquarters, we are carrying out transplantation (restoration) and monitoring activities under the guidance of experts to preserve the native *Erythronium japonicum (katakuri),* a member of the lily family that grows naturally within the construction area, with careful consideration for its growth environment.

Katakuri grows in a replanted area. (North Japan Regional Headquarters, Shinkansen Kutchan Site Office)

Response to the TNFD Recommendations

Identification of dependencies and impacts of business activities on natural capital

Our biodiversity action guidelines state that we will identify dependencies and the degree of impact that our business activities have on biodiversity and that we will integrate measures to address risks and opportunities into our business strategies. In accordance with this, we examined the dependencies and impacts of the Civil Engineering and Building businesses on natural capital in FY2024. Using ENCORE, a global tool for ecosystem impact assessments, our examination identified land changes and other matters that were a direct result of our operations that had significant negative impacts on terrestrial, marine, and other ecosystems. We also identified the negative impacts that our procurement of lumber, steel, and other raw materials had on ecosystems and that our businesses are heavily dependent on surface water and other supply services and on climate regulation, flood buffers, and other regulating services. After registering as a TNFD Adopter in April 2025, we will identify risks and opportunities and formulate response measures based on a comparison of the dependencies and impacts we have identified and our specific business activities. Through these efforts, we will contribute to the achievement of nature positivity through our business activities.

TNFD Taskforce on Nature-related Financial Disclosures

Dependencies and impacts on natural capital (confirmed using ENCORE)

Very High ■ High ■ Middle ■

Main core businesses	Value chain		Dependency							
			Supply services		Regulating services					
			Surface water	Groundwater recharge	Climate regulation	Water circulation	Geology	Flood buffer	Erosion control	Other regulating services
Domestic Civil Engineering and Building	Upstream (raw material procurement)	Steel	H	H	H	H		M		
		Timber	VH	VH	VH	H	H	VH	VH	H
	Direct operations							M		

Main core businesses	Value chain		Impacts								
			Land use changes			Pollution					Use of resources
			Terrestrial ecosystem use	Freshwater ecosystem use	Marine ecosystem use	Air pollution	Water pollution	Soil pollution	Waste	Disturbance	Water use
Domestic Civil Engineering and Building	Upstream (raw material procurement)	Steel	VH	H		H	H	H	H	H	VH
		Timber	VH				H				
	Direct operations		VH	H	VH	H	M	H	M	H	H

Resource Circulation (Circular Economy)

Initiatives at construction sites for a circular economy

We consider and implement a number of initiatives designed to realize a circular economy, including the chemical recycling of waste plastics. The Chuo Mizu Mirai Site Office managed by the West Japan Regional Headquarters implements a chemical recycling scheme which uses the electric arc furnace CCS method of waste plastic processing. It advances the chemical recycling of waste plastics into resources by processing waste plastics into a carburizer, which is used as a raw material for steel. We will conduct a sustainable resource circulation initiative that goes beyond the mere treatment of industrial waste to finally achieve a recycling rate of 100%.

Initiative for establishing a water management system

From the perspectives of decarbonization, biodiversity preservation, and resource circulation, we manage water intake and discharge volumes as significant environmental indicators and proactively disclose related data and information about our initiatives through CDP and other organizations. In the future, we will work to establish a groupwide water management system with the goal of optimizing water intake and discharge, and we endeavor to sustainably use water resources.

CDP Discloser 2024

Information Concerning Climate-related Risks and Opportunities

Recognizing that addressing climate change is an important management issue in the Companywide business strategy, Nishimatsu Construction discloses information concerning climate-related risks and opportunities in compliance with the TCFD framework and IFRS S2.* Please refer to our website pages for more information about the Decarbonization Plan and the Nishimatsu Action Plan for Climate Risks/Opportunities, which are our transition plans for achieving carbon neutrality by 2050.

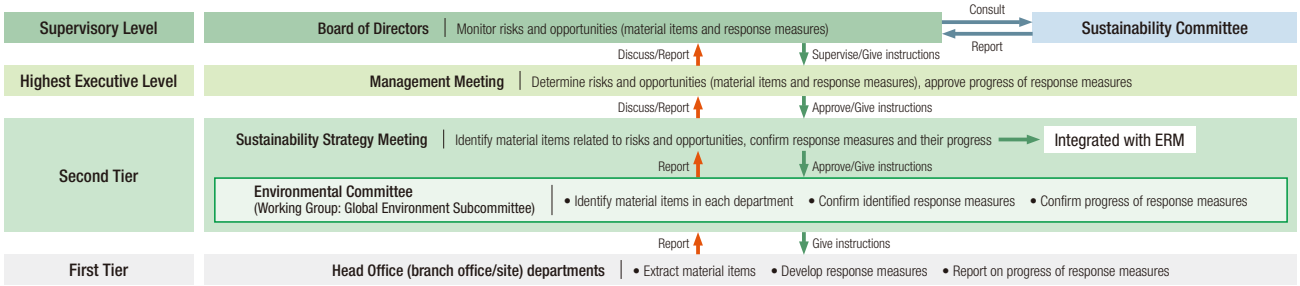
* IFRS stands for International Financial Reporting Standards. The standards specify disclosure requirements in S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and S2 *Climate-related Disclosures*, clarifying the relationship between the impact that companies have on the environment and society and their finances.

Governance and Risk Management

Reinforcement of the management framework

Our governance and risk management framework regarding climate-related issues has four layers. The Board of Directors fulfills a supervisory function at the top of this framework. The Board of Directors established the Sustainability Committee (in FY2023) as an advisory body comprehensively handling sustainability matters, enhancing the oversight function related to climate-related issues. In addition, the Management Meeting, which is the highest executive-level body, receives reports from the Sustainability Strategy Meeting, identifies material matters concerning climate change risks and opportunities and specific response measures, and, further, approves the progress of response measures.

Process of identifying risks and opportunities and progress management

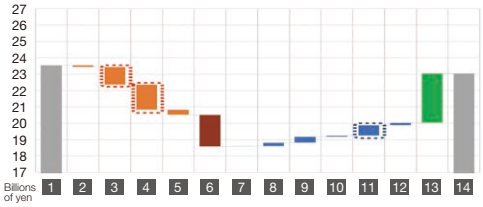


Strategy (Scenario Analysis)

Verification of the financial impact of risks and opportunities

We have identified climate-related risks and opportunities by conducting scenario analyses assuming a world in which the temperature rises to 1.5°C or 4°C above the pre-industrial level by FY2030 and FY2050, respectively. We then estimated the financial impact on operating income in the base year and completed a comparative verification using waterfall graphs. In FY2024, we updated some internal values and external parameters as the basis for financial impact, and the result of verification of the 1.5°C scenario was that operating income will increase slightly, mainly reflecting the expansion of renewable energy-related construction opportunities. In this verification, we again confirmed that profit recovery by risk response and the acquisition of climate-related opportunities are extremely important elements.

FY2030: 1.5°C Scenario



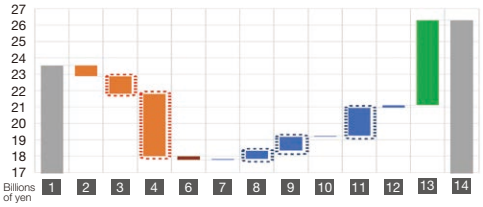
Major financial impact

Risks: Loss of sales if responses to wooden high-rise buildings are delayed and the increase in the cost of business due to the full-scale introduction of a carbon tax are significant. (3, 4)

Opportunities: Significant increase in sales opportunities resulting from the acceptance of orders for renewable energy-related construction (11)

1 Operating income (FY2021)
2 Decrease in workers attributed to the temperature rise
3 Response to wooden high-rise buildings
4 Full-scale introduction of carbon tax
5 Delayed development of environmentally friendly concrete
6 Response cost
7 Increased needs for energy-efficient rental buildings
8 Increased demands for renewable energy
9 Increased needs for ZEB construction
10 Increased disaster recovery construction
11 Expansion of renewable energy-related construction
12 Increased disaster prevention/mitigation construction
13 Profit recovery by risk response (2 to 5)
14 Operating income (FY2030, FY2050)

FY2050: 1.5°C Scenario



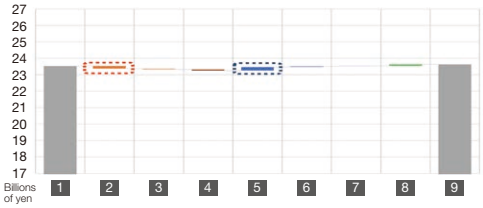
Major financial impact

Risks: The cost of business will increase significantly if a carbon tax is fully introduced. This is followed by the impact of the loss of sales which will occur if there is a delay in our responses to wooden high-rise buildings. (3, 4)

Opportunities: Increase in sales opportunities resulting from responses to the need for ZEB construction and the expansion of the energy creation business. (8, 9)

Opportunities: Significant increase in sales opportunities resulting from the acceptance of orders for renewable energy-related construction. (11)

FY2030: 4°C Scenario



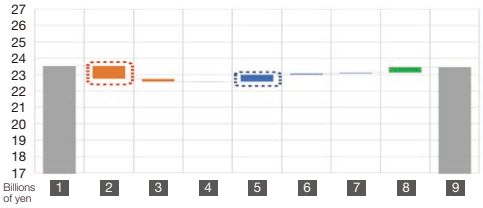
Major financial impact

Risks: The impact of the loss of sales will be significant if there is a delay in responses to a decrease in workers in the Domestic Civil Engineering and Building businesses due to the temperature rise (labor-saving/automation/unmanned construction methods). (2)

Opportunities: It is expected disaster prevention/mitigation construction will increase, resulting in sales opportunities. (5)

1 Operating income (FY2021)
2 Decrease in workers attributed to the temperature rise (Domestic)
3 Decrease in workers attributed to the temperature rise (International)
4 Response cost
5 Increased disaster prevention/mitigation construction
6 Increased disaster recovery construction
7 Increased needs for ZEB construction
8 Profit recovery by risk response (2, 3)
9 Operating income (FY2030, FY2050)

FY2050: 4°C Scenario



Major financial impact

Risks: The impact of the loss of sales will be significant if there are delays in responses to the decrease in workers in the Domestic Civil Engineering and Building businesses resulting from the temperature rise (labor-saving/automation/unmanned construction methods, etc.) (2)

Opportunities: It is expected disaster prevention/mitigation construction will increase, resulting in sales opportunities. (5)

See Nishimatsu Climate Information for details
➡ https:// www.nishimatsu.co.jp/eng/esg/environment/pdf/nishimatsu_climate_information_2025.pdf

Indicators and Targets

Progress in the Nishimatsu Action Plan for Climate Risks/ Opportunities

We manage progress using the PDCA cycle based on our understanding that responding to climate-related risks and opportunities is essential for sustainable growth. Regarding our response to a carbon tax, which is the risk with the greatest impact, we are taking actions to reduce Scope 1 and 2 emissions in line with our ZERO30 Roadmap decarbonization plan, and we achieved some degree of success. As for our technological responses to wooden high-rise buildings, we are pursuing technical improvements, such as working on design and construction using the (P&UA) mid- to high-rise wood construction method in FY2024. Also, for renewable energy-related construction, which is among our opportunities, we are proceeding steadily with the improvement of our construction technologies and the preparations for operating the SEP vessels that we own jointly.

(1) Progress of climate-related risks

Business classification	Material item	Response policy	Relationship with Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025	Overall progress check (Indicators and Targets): KPI (Indicators)	Targets	FY2024 results	Status of efforts up to FY2024: Action	➡	Status from FY2025 onwards: Future action
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 precasting technology	Promote the development of technologies for road slab replacement	Number of orders received for expressway road slab replacement construction	A total of 5 cases by FY2030	1 case	• Develop large-scale precasting technology • Promotion of the use of precast products	➡	• Continue actions taken in FY2024
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	Improvement of productivity in the Construction Business: Automation of tunnel construction, construction RX (robotics transformation) and promotion of smart construction using DX	Number of workers in mountain tunnel and shield construction	Reduce 30% from FY2018 level by FY2027	0%	• Establishment of technologies for automated and unmanned major works in mountain tunnel construction • Establishment of labor-saving and automated construction technologies for shield tunneling	➡	• Continue actions taken in FY2024
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	Improvement of productivity in the Construction Business: Construction RX (robotics transformation) and promotion of smart construction using DX	Reduction in total annual working hours of all workers	Reduce total annual working hours by 66,000 by FY2030	16,600 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 FY2024 • Efforts to identify and promote labor-saving digital technologies and robots nationwide
Building Business	[Decarbonization needs] Technological response related to environmentally-friendly concrete	Promotion of development of environmentally-friendly concrete	Acquisition of pioneering construction technologies: Development of low-carbon materials	(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 FY2024 • (1) Implement technology-developed (slagrete, geopolymer, volcanic glass powder) 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	Acquisition of pioneering construction technologies: Wood construction technologies	Annual sales of mid- and high-rise wood buildings	17.2 billion yen as of FY2030	1.35 billion yen	• Practical application of mid- and high-rise wood buildings (two-directional) • Rationalization (cost reduction) of mid- and high-rise wood buildings technologies • Acquisition of expertise regarding reliability through verification tests and measurement of projects	➡	• Continue actions taken in FY2024
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	• Consideration of the introduction of labor-saving technologies for tunnel construction	➡	• Continue actions taken in FY2024 • 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 FY2024
Company-wide	[Strengthened policies] Response to the full-scale introduction of carbon tax	Reduction of Scope 1+2 CO_2 emissions in line with ZERO30 Roadmap	ZERO30 Roadmap	Scope 1+2 emissions	Achieve 31.7k t-CO_2 by FY2030	Approx. 43.3k t-CO_2 (rough estimate)	• Promotion of energy conservation and the use of low-carbon fuels 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 FY2024

(2) Progress of climate-related opportunities

Business classification	Material item	Response policy	Relationship with Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025	Overall progress check (Indicators and Targets): KPI (Indicators)	Targets	FY2024 results	Status of efforts up to FY2024: Action	➡	Status from FY2025 onwards: Future action
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% (3/3 cases)	• Build a system for immediately responding to emergencies • Establish a system that contributes to strengthening procurement capabilities for emergency materials, equipment, and labor • Introduce unmanned and remote construction technologies for disaster restoration work in construction projects	➡	• Continue actions taken in FY2024
Civil Engineering Business	[Decarbonization needs] Increased renewable energy-related construction	Enhancement of orders received for offshore wind power generation construction projects	Take part in offshore wind power generation projects	Number of orders received for offshore wind power generation projects	A total of 1 case as of FY2030	0 cases	• Acquire offshore wind power generation construction technology • Remodel SEP vessels (construction barges) • Continue to implement renewable energy-related construction initiatives	➡	• Continue actions taken in FY2024
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	12.7 billion yen	• Strengthen the bidding system • Develop technologies that aid in strengthening national resilience • Continuously receive orders for shield construction and renewal-related construction	➡	• Continue actions taken in FY2024
Building Business	[Decarbonization needs] Increased needs for ZEB construction	Promotion of ZEB in new construction and renovation projects	Development of high added-value buildings: ZEB and ZEH	Increased sales due to ZEB	2.24 billion yen/ year as of FY2030	54 million yen	• Establish a track record in ZEB renovation • Seek energy efficiency by understanding the air-conditioning operating efficiency of the Company's own facilities • Design, construction, and operation of a verification facility for establishing design capabilities to achieve a 75% reduction • Respond to the expanding field of environmental architecture not limited to ZEB (energy conservation and CO_2 emissions reduction)	➡	• Continue actions taken in FY2024 • Improve designers' environmentally friendly design capabilities • Increase the number of ZEB Ready projects
International Business <Civil Engineering>	[Temperature rise] Increased disaster countermeasure 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 FY2024
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 • Conduct energy creation and renewable energy business surveys	➡	• Continue actions taken in FY2024 • Consider ZEB Ready design
Asset Value-Added Business	[Decarbonization needs] Increased needs for energy-efficient rental buildings	Implementation of ZEB and energy-efficient measures in rental buildings owned	• Owned properties: Promotion of energy savings (equipment upgrades), promotion of the shift to renewable energy • New properties: Promotion of specifications that meet ZEB Ready standards	Percentage of ZEB and energy-efficient rental buildings owned	More than 60% of owned rental buildings by FY2030	33% (18/55 cases)	• Determine the specifications of rental buildings owned and promote conformity to the specifications • Promote ZEB and energy conservation in newly built properties • Promote energy conservation or asset replacement in existing properties owned • Switch to a renewable energy-based electricity plan	➡	• Continue actions taken in FY2024
Regional Environmental Solutions Business	[Decarbonization needs] [Strengthened policies] Response to global environmental issues	Promotion of renewable energy and related businesses	• PPA projects and power generation business (small-scale hydropower, geothermal, wood biomass, etc.) • Implementation of projects through comprehensive partnership agreements with multiple local governments	Volume of electricity generated by the renewable energy business	108k MWh per year by FY2030 * Target for FY2024: 14k MWh	12k MWh	• Continue three solar power PPA projects • Launch one new wood biomass power generation project • Prepare for scheduled launch of business projects in FY2025 (two solar power PPA projects and one methane fermentation biogas power generation project)	➡	• Focus efforts on the small-scale hydropower, geothermal, and solar power generation businesses, which have synergy with construction

Outside Director Roundtable Discussion

Osamu Shibui　Toshihiro Kubo　Yayoi Ito　Hajime Oshita

Organizational reform in times of rapid change The roles of the Board of Directors

Facilitator: Osamu Shibui, Director, Senior Managing Officer, General Manager of Management Unit

It has been one year since Mr. Hosokawa became president. President Hosokawa has the power to press forward like a bulldozer. I expect he will continue to advance at an accelerated pace toward achieving his goals. I would like to ask you outside directors about your views on the changes in the governance of the Company over the past year.

Ito: I have been an outside director since 2023. I believe that President Hosokawa thinks about not only his own field of expertise but also the things that we should do for Nishimatsu as a whole. Since taking office, he has actively implemented his ideas and demonstrated his leadership abilities. The Company seemed quiet, but I sense a positive shift in its corporate culture. It appears to be progressing with enthusiasm.

Oshita: I became an outside director last year, and it is challenging to compare the current situation with the past. I understand that President Hosokawa prioritizes emphasizing speed and the integration of distinctly divided divisions. I believe that the details will be fleshed out soon.

Kubo: I believe that we most need to optimize the Company as a whole. At Nishimatsu Construction, traditionally, the regional headquarters played central roles in the making of decisions. Discussions at the Board of Directors meetings were often focused on detailed issues within individual businesses, and there was limited discussion of strategic issues, which should be discussed first. However, in this era of rapid change, we need a system that connects the divisions across

Director Osamu Shibui

Mr. Shibui has been involved in strategy planning and business improvement in the corporate planning department for many years and is well versed in strategic thinking and business improvement. He was appointed as a director of the Company in June 2025.

Outside Director Toshihiro Kubo

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

Outside Director Yayoi Ito

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

Outside Director Hajime Oshita

In addition to a wealth of experience gained during his tenure at JFE Engineering Corporation, he possesses broad knowledge cultivated as President and CEO of JFE Engineering Corporation and Director of JFE Holdings, Inc. He was appointed as an outside director of the Company in June 2024.

the Company, quickly gathers information, and facilitates decision making. I believe that, recognizing the need to further strengthen the functions of the Board of Directors, President Hosokawa has created a new organizational structure and Board of Directors.

As was pointed out, discussions primarily focused on individual businesses, and the Company established new Corporate Unit to strengthen the functions of its organizational structure. What are your views on the discussions of the Board of Directors, including the efforts to reorganize.

Ito: Prior to the Board of Directors discussing reorganization, there were a few informal exchanges of opinions between President Hosokawa and outside directors. The president said that he believed there were issues with the current system. He shared his plan to strengthen the connections between the divisions. President Hosokawa has implemented significant changes in consideration of feedback from people outside the Company. However, this is not the intended goal. Executives and employees need to come together and move in the same direction.

Oshita: I must admit that I have a very negative impression of the Board of Directors. There are too many agenda items. Additionally, eighty to ninety percent of these items focus on individual matters regarding the execution of business. This makes it difficult to distinguish between the Management Meeting, which mainly consists of executive officers, and the Board of Directors. The Board of Directors must foster an environment that encourages open discussions about key topics concerning the Company's future, including responses to industry reorganizations and the Company's direction in the future.

Kubo: I agree. It is important for us, as outside directors, to assess whether matters have been considered adequately, whether risks have been evaluated properly, and whether the Company is committed to pursuing initiatives from the perspective of its shareholders and employees. Decisions regarding the execution of business should be made by the executive officers. Fundamentally, the Board of Directors should discuss medium- to long-term strategies, including cross-functional issues and the optimization of the entire company. In the second year of President Hosokawa's tenure, our challenge is to have more in-depth discussions of cross-functional and other issues.

The reorganization has been reviewed dozens of times, but the reality is that as of April 2025, we were not even at the starting line. How should the Board of Directors ensure the effectiveness of the organizational reform?

Oshita: There is a lack of understanding about the term "cross-functional" within the Company. When I first became an outside director in the construction industry, I felt that there was a serious shortage of human resources. Cross-functional initiatives allow us to address this challenge across the Company, rather than each business division or regional headquarters dealing with it separately. I would like the executive side to recognize that through cross-functional initiatives we can steadily address issues, such as the securing of human resources.

Kubo: The difference between overall optimization and partial optimization lies in priorities. At Nishimatsu Construction, the principle of equality has been emphasized. There tends to have been a focus on improving everything, resulting in an overload of operations. This will not create a streamlined

organization. The key to overall optimization is prioritizing certain areas over others, even if it means sacrificing some parts, and executing those priorities swiftly.

Ito: Since I became an outside director, I have observed that each business division at Nishimatsu Construction is strong, but the corporate divisions at the head office appear to be weak. First, based on discussions within each business division, the corporate divisions at the head office need to look at the overall picture, consider what the Company should do, put together opinions, and then submit proposals to the Management Meeting and the Board of Directors. I anticipate that the enhanced functions of the head office will clarify previously vague issues, such as issues related to human resources, and highlight priority areas.

After receiving criticism, I have come to realize the importance of working on optimization across the Company and putting it to practice. I also acknowledge that the Board of Directors has spent considerable time attempting to compensate for the lack of deliberation on the executive side. We appreciate your feedback on how to work effectively in the future.

Oshita: The narrow range of topics on the agenda is an issue. However, directors visit sites such as tunnels and high-rise buildings, interview different departments, and engage in dialogue with branch managers. I believe their efforts to understand the on-site environment are more extensive than at other companies. It is unfortunate that the discussions ultimately boil down to small issues. Conversely, we have potential for growth. If we implement changes, I believe there is a strong possibility we can come close to becoming the most attractive general contractor.

Kubo: The most important factor is the seriousness demonstrated by the executives and management during their meetings. The minutes indicate that some meetings lacked lively exchanges of views or deep discussions, despite opposing opinions being expressed. Directors occasionally asked whether the executive side had sufficiently discussed matters, which prompted conversations during Board meetings.

Ito: I have read a list of opinions and issues discussed at

Board meetings. It would have been better if they had been organized using the 5W1H approach. As Director Oshita mentioned, I noticed that the Management Meeting focuses on "small issues." When will the initiative be implemented? Who will implement it? How will it be carried out? Answering these questions will help the Company grow.

Many employees actively seek ways to contribute to regions and communities, and there is a movement to measure this mindset using a KPI. What are your thoughts on sustainability management?

Kubo: I chair the Sustainability Committee and appreciate the connection of identified material issues to all business operations, as well as the reorganization of this system. If employees have a sustainability perspective and are motivated to achieve sustainability, their work will naturally expand, and they will feel fulfilled.

Ito: I am a Sustainability Committee member. I believe that the secretariat is very reliable and has provided a detailed description of specific initiatives.

Oshita: There are various sustainability themes. You cannot simply replicate what other companies are doing at similar levels. I believe that by clarifying the themes that Nishimatsu Construction will focus on, we can enhance our activities.

I would like to hear your thoughts on human capital as the foundation of sustainability management. The Company has several layers of middle management. Our challenge is to make their work more appealing.

Oshita: The key to improving human capital in the construction business is attracting talent to the Company. The fundamental challenge in management focused on human capital is not just developing systems, but taking necessary actions to enhance our unique strengths that competitors lack. The first step is to present to employees and stakeholders the Company's uniqueness and appeal and a vision of what it will be like in ten years.

Kubo: I was previously in charge of the management of human resources. I believe that the best strategy is to manage

individuals. The key is to identify the abilities that each employee has, what they want to do, and what they are lacking. Additionally, we should enhance the capabilities of our human resources, use IT and AI to improve operational efficiency, and increase motivation by rewarding highly skilled individuals with competitive salaries.

Ito: I agree. The most important thing is to recognize each employee's abilities and place them in positions where they can fully showcase their abilities. However, we have not arrived at this point yet. While there are opportunities for career advancement in specialized fields, a weakness of the Company is its human resources involved in its management and head office functions. To become the most attractive general contractor, it is essential that we secure human resources who can effectively manage the Company and develop its vision.

I anticipate that we will continue to collect many different opinions, especially from the outside directors. I now believe that the key to becoming a unique company that stands out is to set a clear direction and implement initiatives to achieve the vision. Finally, please explain how you, as outside directors, will be committed to the Company from a medium- to long-term perspective.

Ito: As society and the environment are changing faster than expected, and our relationships with competitors remain uncertain, I believe that the head office should take the lead in the creation of various scenarios, including worst-case scenarios, and establish an effective collaboration system. I believe that the Company lacks the concrete process design capabilities for reaching its ideal state. As an outside director, I aim to leverage the experience I gained at other companies to provide support.

Oshita: The Company's responsibility is considering its future. Outside directors can express their opinions and engage in discussions about the Company's policies from an outside perspective. I anticipate the industry will restructure over the next decade. We will leverage our diverse experience to assist the Company in navigating this change.

Kubo: The general contractor industry is highly competitive, and significant growth in the domestic market appears unlikely. In this environment, I hope that the Company aims to become a unique general contractor that stands out as the most attractive one. Actually, I anticipate that there will come a time when the Company cannot survive unless it differentiates itself. My goal is to engage in discussions to facilitate this change.

Message from the New Outside Director

Outside Director **Misako Kikuchi**

Ms. Misako Kikuchi has significant experience at MITSUI & CO., LTD. and has gained extensive knowledge and insight as the representative director and president of one of its subsidiaries. She was appointed as an outside director of the Company in June 2025.

I will sincerely listen to the opinions of society and contribute to the establishment of a sustainable future through the co-creation of value.

My name is Misako Kikuchi and I have recently been appointed as an outside director.

During my 38 years at a general trading company, I attentively listened to the needs of society, particularly in the areas of public relations and sustainability. My focus has been on enhancing the social responsibility of companies through strategic initiatives.

In recent years, the roles of the construction industry have changed from solely developing social infrastructure to taking on new social missions, such as responding to climate change, preparing for disasters, coexisting with local communities, and fostering a sustainable society. I believe that Nishimatsu Construction's activities to co-create value aiming to rebuild social functions genuinely meet the needs of the times.

With the experience and knowledge I have gained, I aim to fulfill my mission, however small my role may be, to contribute to Nishimatsu Construction's corporate philosophy: Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services. I aim to help the Company achieve sustainable growth. I greatly appreciate your continued support.

Corporate Governance

Basic Philosophy

The basic policy of the Company is to improve its corporate governance and maintain good and stable relationships with its stakeholders over the long term, in order to achieve sustainable growth of the Company and increase its corporate value over the medium-to-long term. Based on this policy, we will create structures that lead to the acceleration of decision-making and the strengthening of supervision by the Board of Directors and our business execution systems.

Compliance with the Corporate Governance Code

Nishimatsu Construction implements each and every principle of the Corporate Governance Code. For details on the initiative policy regarding each principle of the Corporate Governance Code, see the Company's website.

Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd.
Corporate Governance Report
➡ https://www.nishimatsu.co.jp/eng/company/governance.html

Initiatives for Strengthening Corporate Governance

Strengthening the corporate governance system is one of the highest priority management issues that we are tackling at Nishimatsu Construction. In FY2016, we transitioned into a company with an Audit and Supervisory Committee and worked to ensure the efficacy of the oversight functions of the Board by bringing in Audit and Supervisory Committee members as part of the Board. In FY2023, we established the Sustainability Committee and the Risk and Opportunity Management Committee to increase corporate value from a sustainability perspective. In FY2024, the Sustainability Strategy Meeting began convening. In FY2025, we established the Corporate Unit and reviewed the roles of each committee and the connections between them to enhance our system for the execution of business. We will continue to strive to further strengthen our corporate governance system.

2006-2014

June 2006	Introduction of an executive officer system
August 2008	Established the Internal Control Committee
March 2009	Established the Nishimatsu Hotline whistleblowing system
June 2009	First appointment of two outside directors
July 2009	Established the Nominating Committee and Compensation Committee Established the Compliance Committee

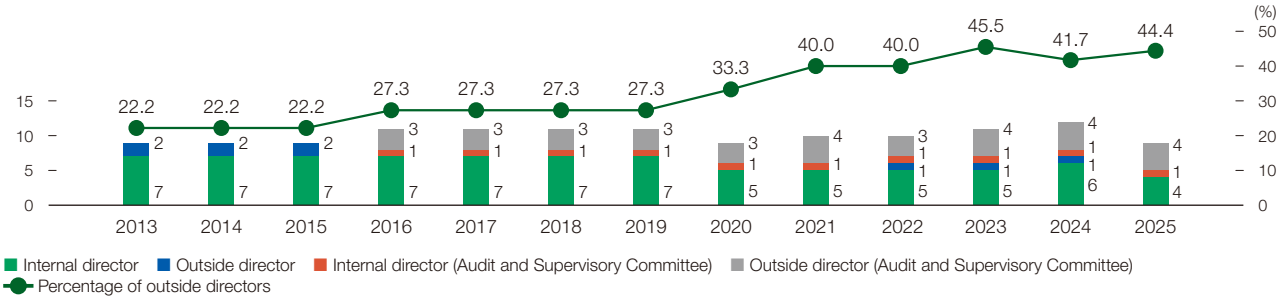
2015-2020

November 2015	Formulated the initiative policy regarding the Corporate Governance Code
March 2016	Implemented an effectiveness evaluation of the Board of Directors
June 2016	Transitioned to a company with an Audit and Supervisory Committee
August 2018	Formulated strategic shareholdings reduction policy
July 2019	Established the President and General Managers Meeting

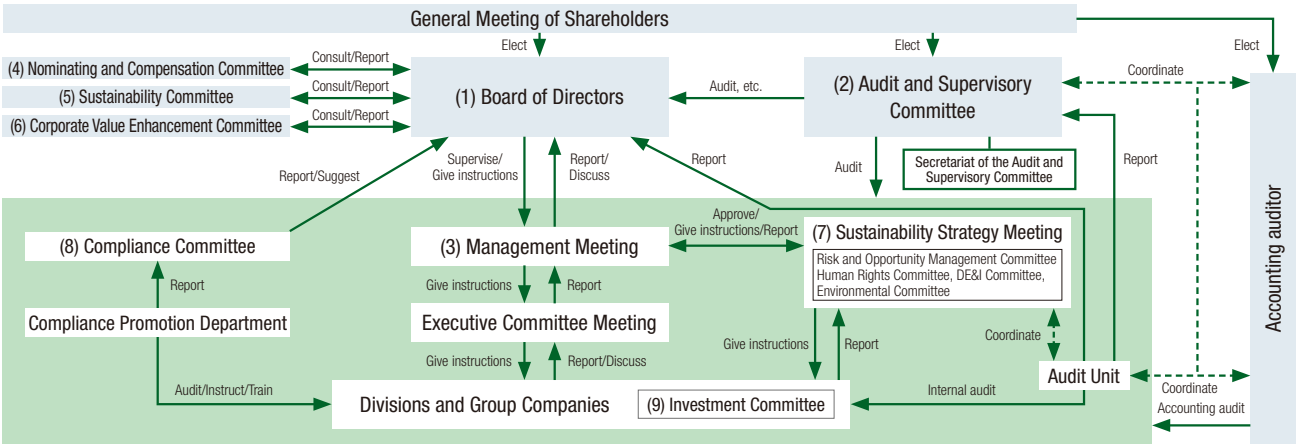
2021-2025

March 2021	Established the Corporate Value Enhancement Committee
June 2021	Introduction of performance-linked compensation and stock compensation
July 2021	Established the Investment Committee
September 2021	Began operation of the Company President Succession Plan
April 2022	Transitioned to the Prime Market of the Tokyo Stock Exchange following its new market segment revisions
April 2023	Established the Sustainability Committee and Risk and Opportunity Management Committee
March 2024	Established the Sustainability Strategy Meeting
April 2025	Established the Corporate Unit and reviewed the meeting bodies responsible for the execution of business

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



Corporate Governance System

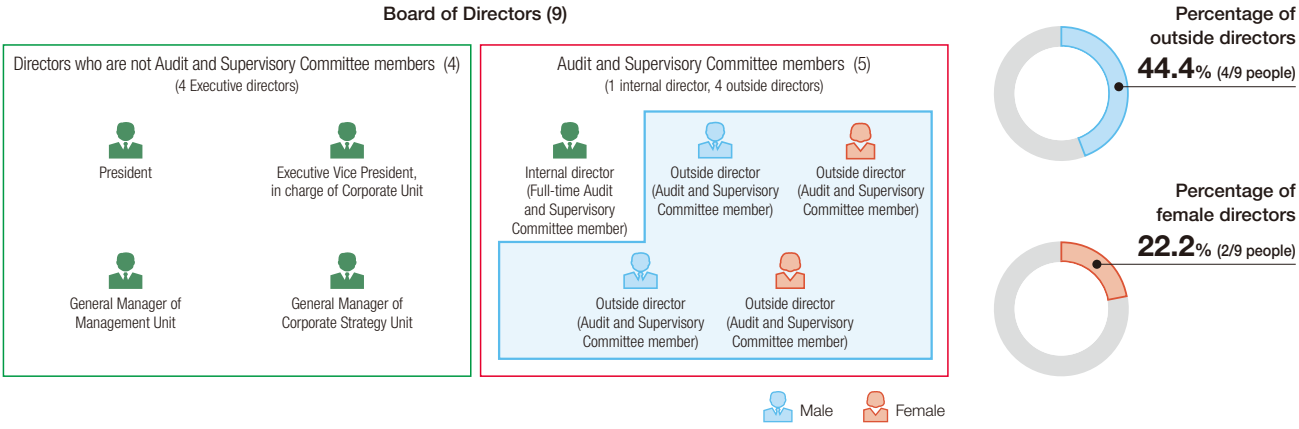


(1) Board of Directors	Makes decisions on basic management policies and other important management matters, and supervises the execution of duties by directors. In addition to matters stipulated by laws and regulations and the Articles of Incorporation, the Board of Directors deliberates and decides on matters stipulated in the rules of the Board of Directors.
(2) Audit and Supervisory Committee	Conducts audits of execution of duties by directors and other duties stipulated by laws and regulations.
(3) Management Meeting	Among the proposals to be submitted to the Board of Directors, it conducts preliminary deliberations mainly on important matters for sustainable growth, decides on specific measures related to the execution of such proposals after they are resolved by the Board of Directors. It also decides or deliberates on some individual matters related to business execution.
(4) Nominating and Compensation Committee	Deliberates on the nomination of candidates for directors, with the aim of contributing to the establishment of an appropriate management system. It also deliberates on individual compensation for directors and executive officers with the aim of ensuring objectivity and transparency regarding compensation decisions.
(5) Sustainability Committee	Investigates and deliberates on matters regarding the policies for responding to materiality and environmental changes (risks and opportunities) linked to materiality from a long-term perspective and from a multi-stakeholder standpoint.
(6) Corporate Value Enhancement Committee	Deliberates on corporate governance, capital policy, and other important management matters in consultation with the Board of Directors.
(7) Sustainability Strategy Meeting	Investigates and implements sustainability strategies intended to solve materiality and realize a sustainable society. Within the Sustainability Strategy Meeting, the Company has established committees for essential areas that also require urgent strengthening in regard to promoting sustainability (Risk and Opportunity Management Committee, Human Rights Committee, DE&I Committee, Environmental Committee).
(8) Compliance Committee	Responds to various issues regarding compliance.
(9) Investment Committee	Investigates the propriety of plans related to investment projects based on the Company's capital strategy, and reports the investigation results and points at issue to the Board of Directors and to the President and Management Meeting.

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

The Company's Board of Directors comprises of four executive directors and five directors who are Audit and Supervisory Committee members. The Audit and Supervisory Committee comprises one full-time internal director and four outside directors (wo have management experience at a listed company, and one has experience at an information and communications company). As such, all of these outside directors possess specialized knowledge in fields considered to be important for business management.

Currently, the percentage of outside directors on the Board of Directors is 44.4% and the percentage of female directors is 22.2%. Going forward, we will continue verifying the skill sets of those on the Board of Directors and will work to improve the efficacy of the Board.



Corporate Governance

Selection Criteria for Director Candidates

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

Reasons for Appointing Outside Directors

Position	Full Name	Reason for appointment
Outside director (Audit and Supervisory Committee member)	Toshihiro Kubo	Mr. Kubo possesses a wealth of experience during his tenure at Kubota Corporation, and he also possesses a wide range of knowledge cultivated as Representative Director of Kubota Corporation. We have appointed him as an outside director who is a member of the Audit and Supervisory Committee because we believe he is an appropriate person who can supervise our management from an objective point of view.
Outside director (Audit and Supervisory Committee member)	Yayoi Ito	In addition to her wealth of experience gained during her tenure at NTT Data Corporation and other companies, Ms. Ito possesses extensive knowledge of ICT. For these reasons, we deem her to be the appropriate talent for auditing and supervising Nishimatsu Construction's management from an objective point of view and appointed her as an outside director who is a member of the Audit and Supervisory Committee.
Outside director (Audit and Supervisory Committee member)	Hajime Oshita	Mr. Oshita has a wealth of experience from his time at JFE Engineering Corporation, and possesses broad knowledge cultivated in his role as representative director, president and CEO of JFE Engineering and director of JFE Holdings, Inc. Accordingly, we determined that he is an appropriate person who can audit and supervise the Company's general operations from an objective viewpoint, and have appointed him as an outside director who is a member of the Audit and Supervisory Committee.
Outside director (Audit and Supervisory Committee member)	Misako Kikuchi	Ms. Kikuchi has a wealth of experience gained during her tenure at MITSUI & CO., LTD. and possesses extensive knowledge cultivated as a president and representative director of its subsidiary, as the above past experience shows. Accordingly, the Company determined that she is an appropriate person who can audit and supervise the Company's general operations from an objective viewpoint, and has appointed her as an outside director who is a member of the Audit and Supervisory Committee.

Board of Directors' Skill Set

Male Female Outside

Position	Full name	Expertise and Experience Criteria for Directors								Committee		Internal Directors: Main roles Outside Directors: Career and qualifications
		Corporate management	Construction technology & quality	Sustainability (Environment)	Sustainability (Society)	Treasury, Accounting, Finance	Legal, Governance, Risk management, Compliance	Digital & IT	Global	Nominating and Compensation	Sustainability Committee	
Representative Director and President	Masakazu Hosokawa	●	●	●							◆	Chief Executive Officer and President
Representative Director	Makoto Isshiki	●	●	●						◆		Executive Vice President, in charge of Corporate Unit
Director	Osamu Shibui	●			●	●	●			◆	◆	Senior Managing Officer, General Manager of Management Unit and in charge of Investor Relations
Director	Shinsuke Hamasaki	●	●	●								Managing Officer, General Manager of Corporate Strategy Unit
Director (Full-time Audit and Supervisory Committee member)	Hideyuki Kawano				●		●					
Outside director (Audit and Supervisory Committee member) (Independent)	Toshihiro Kubo	●		●	●		●			◆	◆	Representative Director, Kubota Corporation
Outside director (Audit and Supervisory Committee member) (Independent)	Yayoi Ito	●			●			●		◆	◆	Head of the Business Planning Promotion Office, NTT Data Corporation, Executive Officer, SG SYSTEMS CO., LTD.
Outside director (Audit and Supervisory Committee member) (Independent)	Hajime Oshita	●		●		●	●		●	◆		Representative Director, President and CEO, JFE Engineering Corporation Director, JFE Holdings, Inc.
Outside director (Audit and Supervisory Committee member) (Independent)	Misako Kikuchi	●		●	●		●			◆	◆	General Manager of Environmental-Social Contribution Division, MITSUI & CO., LTD. President and Representative Director, Mitsui Bussan Forest Co., Ltd.

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

Director Compensation

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

Compensation for the executive directors comprises base compensation and performance-linked compensation. Compensation for the non-executive directors shall be limited to base compensation.

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

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

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

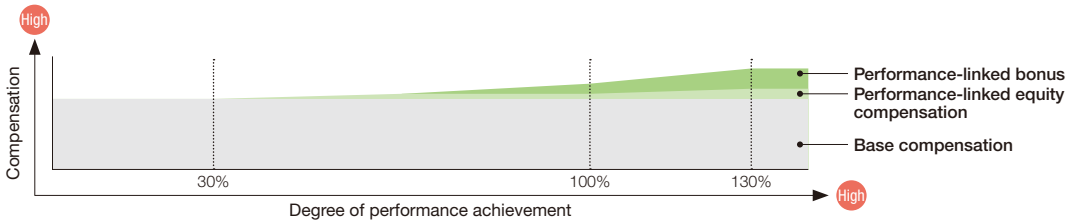
The ratios of base compensation and performance-linked compensation are appropriately determined taking into account Nishimatsu Construction's management strategies, business environment, and the level of difficulty of achieving job responsibilities and targets, while also referencing relevant changes at other companies in our industry. To enhance the incentives to increase corporate value over the medium-to-long term, base compensation was reduced and performance-linked compensation was increased in FY2025, resulting in a ratio of base compensation to performance-linked compensation of approximately 7 to 3. Within performance-linked compensation, there is generally a two-to-one ratio of cash-based compensation to stock-based compensation.

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

Compensation details

Category		Performance-linked indices	Overview of payment method
Base compensation		—	Base amount paid in cash
Short-term incentives	Performance-linked bonus	• Group-wide performance (operating income, profit attributable to owners of parent) • Business division performance (profits) • The president's evaluation of performance (ROE, PBR, enhancing corporate value, environmental management (reducing CO_2 emissions), and action indicators to prevent accidents)	Amount calculated by multiplying the base amount by a performance-linked coefficient, paid in cash
Long-term incentives	Performance-linked equity compensation (Board Benefit Trust)		Points conferred (calculated by multiplying the base amount by a performance-linked coefficient); cumulative points converted into an equivalent amount of stock when the director retires

Compensation conceptual image



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

Directors who are Audit and Supervisory Committee members receive only base compensation that takes into consideration the compensation of directors who are not Audit and Supervisory Committee members, as well as the standard salary levels in the business community. Said base compensation is determined through discussions among all directors who are Audit and Supervisory Committee members.

Directors' compensation (FY2024)

Category	Paid personnel	Base compensation	Performance-linked compensation (cash-based compensation)	Performance-linked compensation (non-cash-based compensation)	Total amount of compensation, etc.
Directors (excluding Audit and Supervisory Committee members) (of which outside directors)	7 (1)	¥215 million (¥10 million)	¥47 million (-)	¥32 million (-)	¥295 million (¥10 million)
Directors (Audit and Supervisory Committee members) (of which outside directors)	7 (5)	¥58 million (¥40 million)	- (-)	- (-)	¥58 million (¥40 million)
Total (of which outside directors)	14 (6)	¥273 million (¥51 million)	¥47 million (-)	¥32 million (-)	¥353 million (¥51 million)

*1 The total amount of performance-linked compensation (cash-based compensation) indicates the amount of provision for directors' bonuses in FY2024. In addition, the total amount of performance-linked compensation (noncash-based compensation) indicates the amount of provision for directors' stock benefits in FY2024 based on the "Board Benefit Trust (BBT)," a performance-linked stock compensation plan that uses a trust.

*2 The compensation above includes the compensation paid to two directors (Audit and Supervisory Committee members) who retired at the conclusion of the 87th annual general meeting of shareholders held on June 26, 2024.

Analysis and Evaluation of the Effectiveness of the Board of Directors

The Company, to confirm whether the Board of Directors is appropriately carrying out its role in the Company's sustainable growth and the increase of its corporate value, has stipulated in the "Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd." that it shall make efforts toward enhancing the functions of and improving the Board of Directors by performing analysis and evaluation of the effectiveness of the Board of Directors once every year.

Based on the policies for initiatives, the Company conducted evaluations of the effectiveness of the Board of Directors over the period as described in (1), (2) below. Based on the results of the evaluation shown in (3), (4) below, the Board of Directors confirmed to continue its initiatives toward improving the effectiveness of the Board of Directors as described in (5) below in order to further advance corporate governance.

1. Evaluation Process

The Audit and Supervisory Committee led in creating a questionnaire given to all members of the Board of Directors. The counting process of the collected questionnaires was outsourced to a third-party institution to ensure anonymity in the survey. An analysis and evaluation were conducted based on the compiled questionnaire results and were then reported to and discussed by the Board of Directors.

Period covered by questionnaire:	April 2024-March 2025
Consideration of questionnaire items:	December 2024-January 2025
Questionnaire response (anonymous):	January-February 2025
Questionnaire results compilation and analysis:	March 2025
Report to and discussion by Board of Directors:	March and May 2025

2. Questionnaire Evaluation Items

The questionnaire evaluated the following items: "Roles and functions of the Board of Directors," "Composition and size of the Board of Directors," "Operation of the Board of Directors," "Coordination with audit institutions," "Relationship with outside directors," and "Relationship with shareholders and investors." These items were determined after taking into account matters reported to the Board of Directors by the Audit and Supervisory Committee in the evaluations of the effectiveness of the Board of Directors conducted in the previous fiscal year.

3. Overview of Evaluation Results

The evaluation results confirm the effectiveness of the Company's Board of Directors is being maintained, regardless of the change of the Chair, with frank discussions taking place due to smooth proceedings conducted by the Chair and active commenting by individual directors.

In particular, the fact that opportunities are given to outside directors to adequately understand the Company to provide appropriate advice and supervision as well as the fact that discussions about nomination and compensation are held appropriately are confirmed as being the strengths of the Company's Board of Directors.

4. Response to Issues Identified in Previous Questionnaire

The following notes respond to items identified as the main issues in the previous fiscal year.

1) Considerations regarding how the Board of Directors should be: The Board of Directors concluded that the members generally share their visions of how the Board of Directors should be. At the same time, the need to further discuss how much weight should be placed on the supervisory and decision-making (execution of business) functions of the Board of Directors has been identified.
2) Training for officers: The number of training sessions, etc. increased. At the same time, the need to enhance training has been identified.

5. Future Initiatives Taking into Account Issues

To further advance the effectiveness of the Board of Directors, the Company will continue to address the issues identified in the previous questionnaire and has acknowledged the following to be matters of particular importance.

(1) Enriching discussions about how the Board of Directors should be
(2) Discussing medium- to long-term issues regularly (creating a discussion schedule)
(3) Building a system to ensure that identified issues are properly addressed
(4) Flexibly managing risk to grow sustainably

The Board of Directors will continue discussions in the future.

Discussions of the Board of Directors in FY2024

Major issues discussed	Descriptions
Corporate strategy	Medium- to long-term corporate strategies, growth investments, shareholder return policies, and treasury stock management policy were discussed.
Sustainability	KGIs and KPIs related to the Sustainability Slogan, climate change-related risks and opportunities, and human resource strategies were reported and discussed.
Governance	The effectiveness evaluation of the Board of Directors, succession plan, nomination of candidates for directors, officer compensation, and the reduction of strategic shareholdings were discussed.
Risk management	Internal control, company-wide management of business risks, and investment-related risk management were reported and discussed.
Compliance	Compliance reports and the direction of compliance activities were reported and discussed.
Finance	Financial strategies and asset and liability management for each business were reported on and discussed.

Policy on Director Training

The Company will assist all directors, including new directors, in gaining necessary knowledge by providing them with group training taught by external instructors, e-learning programs, and information about external seminars.

Directors will actively engage in these opportunities to enhance their understanding of their roles and responsibilities and strive to acquire and appropriately update their knowledge as necessary. Executive directors will provide new outside directors with a comprehensive overview of the Company's business activities, organizational structure, and financial status, and other information.

Strategic Shareholdings

Policy regarding reducing strategic shareholdings

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

With regard to determining whether to hold specific strategic shareholdings, the Management Meeting carefully surveys and reviews each fiscal year whether we have transactions with the issuing company, what the status is of obtaining construction and other information, and whether there are other special circumstances, then makes a report to the Board of Directors. The Board of Directors receives and reviews these reports and makes final decisions on whether the holding is appropriate, then discloses the results of their decision.

Status of reduced strategic shareholdings

Since formulating the reduction policy in FY2018, the Company has significantly scaled down strategic shareholdings. In FY2023, the prices of the stocks held by the Company were trending upward, resulting in an increase in the amount recorded on the balance sheet. In FY2024, certain stocks held were sold.

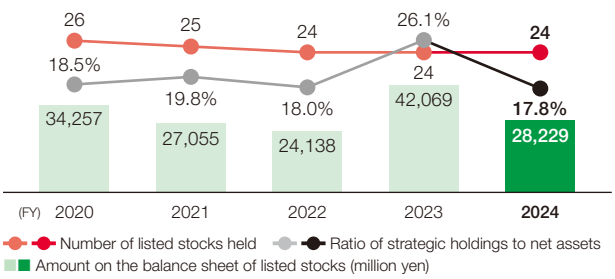
The Company will therefore continue efforts to further reduce strategic shareholdings through ongoing dialogue with investee companies.

Policy regarding the exercise of voting rights for strategic shareholdings

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

(1) In principle, we will exercise voting rights on all proposals.

(2) From the perspective of increasing the medium- to long-term corporate value of the Company whose shares are held as strategic shareholdings, we will make decisions for or against proposals while also taking into consideration the operating circumstances of that company. We will exercise particularly careful discretion and judgment in the case of proposals for corporate restructuring (such as mergers), presenting retirement bonuses to officer(s) at a company with poor operating results, a capital increase through third-party allocations, adopting takeover defense measures, and the like.



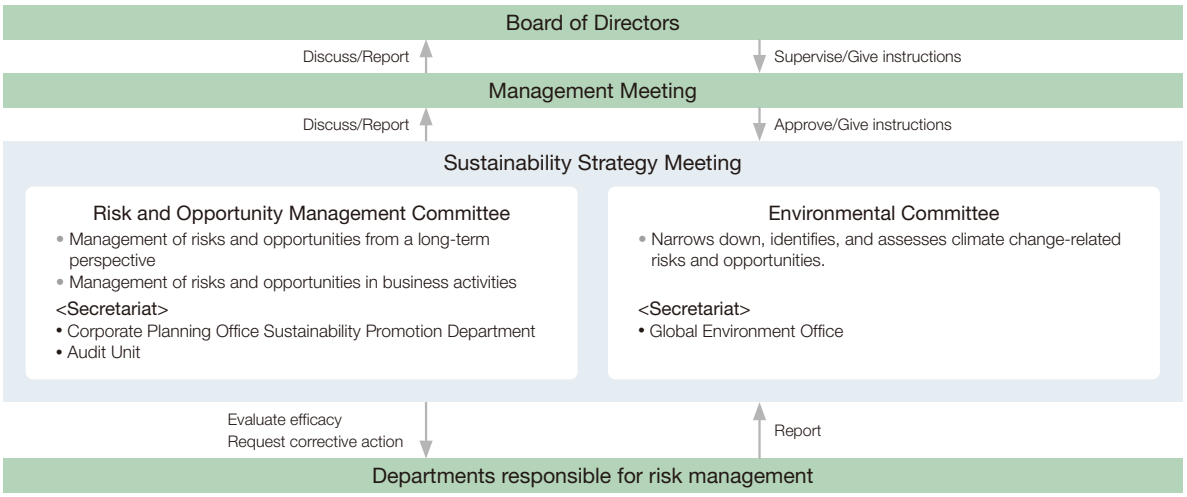
Risk and Opportunity Management

Group-Wide Risk and Opportunity Management System and Activities

In order to adequately manage risks and opportunities of the Nishimatsu Construction Group, minimize loss, and achieve sustainable growth, the Sustainability Strategy Meeting (Risk and Opportunity Management Committee and Environmental Committee), in accordance with internal rules, collects risk and opportunity information, monitors these across the organization, and comprehensively manages risks for the Group.

The Company designates departments responsible for managing the collected risks and opportunities. Meanwhile, the Meeting monitors risk and opportunity management in a preventative and heuristic manner, and evaluates the effectiveness of management efforts. If any issue is found, the Meeting provides the department responsible for management with recommendations for improvement. At the same time, the Meeting reports to the Management Meeting regarding the management system for and management status of risks and opportunities, and reports to the Board of Directors following deliberations and approval by the Management Meeting. The Board of Directors then deliberates on reports made by the Management Meeting and gives final approval as a corporate decision.

Risk Management System



* For an overview of the Sustainability Strategy Meeting, please refer to P.58. * For the Environmental Committee, please refer to P.66.

Risk and Opportunity Management Committee

The Risk and Opportunity Management Committee, which is purposed with ensuring adequate company-wide risk management related to risks and opportunities, implements "management of risks and opportunities in business activities" and "management of risks and opportunities from a long-term perspective." The committee members are mostly deputy general managers from the Corporate Unit and business divisions.

The Committee thoroughly discusses the management of high-level risks in business activities, focusing on risks that are rated as high in quarterly evaluations. The Committee also discusses the assessment of the risk level and the status of the risk level control of each risk that has materialized or whose risk level has changed. The Committee strives to mitigate risks from a group-wide perspective.

Regarding risks from a long-term perspective, we built upon discussions initiated in 2023—including the formulation of the Sustainability Slogan (Basic Policy) and KGI, as well as the identification of materiality—and conducted further deliberations to identify seven risks.

Management of risks in business activities	Opportunities in business activities and management of risks and opportunities from a long-term perspective
• From the perspective of efficacy toward establishing and implementing risk management practices, the Committee makes a judgement on the propriety of the risk assessment results provided by the responsible department and Audit Unit. As necessary, the Committee instructs the responsible department to revise the definition of risk levels and the validity of hypotheses. • In regard to risks for which both the likelihood of occurrence and degree of impact are judged to be high, the Committee verifies the outcomes of the concrete countermeasures devised by the responsible department, and monitors the status of risk management on a quarterly basis.	• Based on the Sustainability Slogan (Basic Policy) and materiality, etc., the Committee verifies the validity of hypotheses. • As necessary, it instructs the responsible department to make revisions, and considers and monitors specific actions to promote sustainability.

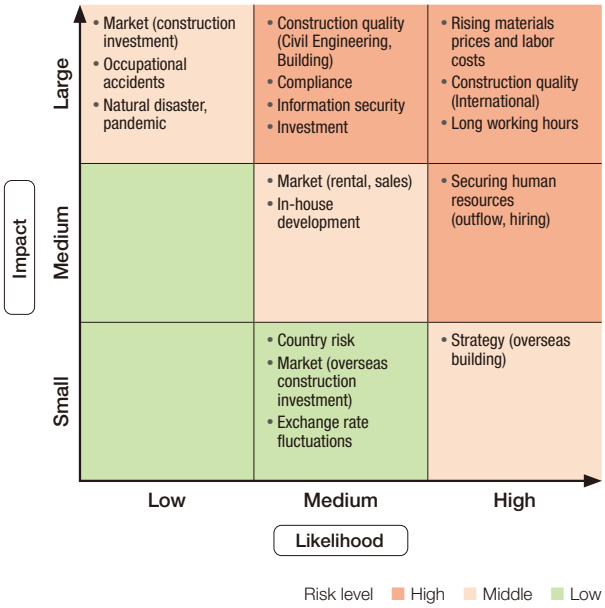
Identification and evaluation of risks in business activities

The Committee assessed the potential impact and likelihood of individual risks that could hinder the achievement of Medium-Term Management Plan 2025 and classified them into three categories using a risk map. The Committee will monitor the management status of individual risks and evaluate the effectiveness of its efforts on a quarterly basis. The Company has established internal quantitative financial and asset maintenance indicators and qualitative business continuity indicators to assess impacts.

Identification and evaluation of risks from a long-term perspective

The Committee has identified seven risks that need to be addressed to continue enhancing corporate value. They are climate change risk and six risks identified based on the Sustainability Slogan (Basic Policy) and material issues, as well as the evaluation of their potential impact on growth and the expected timing of their materialization. The Committee has conducted scenario analysis to develop response policies for these risks and monitor them.

Risk map showing risks associated with business activities (extract)



1 Risks related to human resources (shortage of engineers)

2 Risks related to human resources (shortage of on-site office manager candidates)

3 Risk of a shortage of labor force for the construction industry

4 Industry restructuring risk

5 Risks related to technology development

6 Long-term market risk

7 Climate change risks

Information Security Risk Management

The Group possesses important business information, personal information obtained in the course of business, and confidential information related to our business partners. Various measures are being implemented to prevent loss of social credibility and economic losses due to information leaks.

Prevention measures

(1) Technical measures

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

(2) Personnel measures

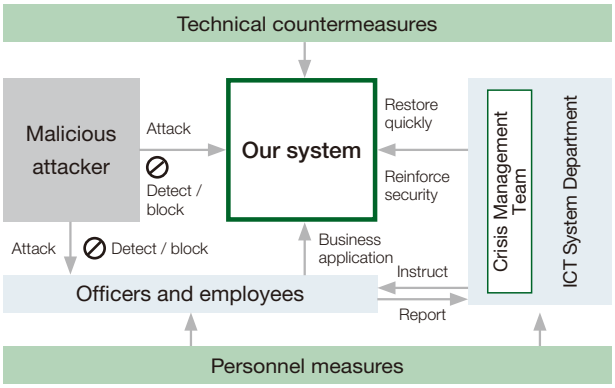
- Conducting security training and targeted e-mail drills
- Having outside experts assess security and investigate risk

Countermeasures in the event of an incident

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

Ransomware, targeted e-mails, and other more recent forms of cyberattacks are not just a risk for our Company, and must therefore be addressed across the entire supply chain. In FY2024, we provided training on handling targeted emails to officers and employees and also the Nishimatsu Partner Network (N-NET). Additionally, we shared useful cybersecurity information with individual Group companies through the website for N-NET members. The entire Group, including N-NET, will continue to improve information security.

Information Security System



Compliance

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2024 results
Adhere strictly to compliance	Upgrade, expand, and continue compliance education	Upgrade, expand, and continue compliance education	Compliance training attendance rate	100%	100%

Nishimatsu Construction's Approach

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

Basic compliance policy
➡ https://www.nishimatsu.co.jp/eng/company/safety.html#anc-04

Compliance Promotion System

The Company established the Compliance Committee with the aim of providing support and guidance for ensuring that compliance is practiced by the Group, and appoints a person from outside the Company to chair the Committee.

The Compliance Committee meets once a month to address and discuss various compliance-related issues, and plans and conducts compliance training to maintain and improve the compliance system. In addition, the Compliance Committee chair also attends Board of Directors meetings to report on the details of responses to various issues and make recommendations.

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

As the persons in charge of compliance, the heads of each division at the Head Office, the general managers at each regional headquarters, and the presidents of affiliated companies inform and raise awareness among officers and employees in the organizations they run.

Please click here to see the Compliance Committee's records and reports on its activities.
➡ https://www.nishimatsu.co.jp/eng/esg/governance/compliance.html

Whistleblower System

The Company established the Nishimatsu Hotline (the Hotline) as a whistleblower contact point to deter misconduct and corruption, promptly address scandals, and improve our corporate culture, and has devised a system whereby all stakeholders can make reports using their actual names or anonymously.

Reports received via the hotline are promptly forwarded to the Manager of the Office of President and the Chair of the Compliance Committee. The Compliance Promotion Department, while duly considering the protection of whistleblowers and the confidentiality of information, works with the relevant departments to verify the facts. If the facts are verified as reported, the Company takes the required corrective actions, formulates a recurrence prevention plan, and implements disciplinary action against the employees involved in the misconduct. The results of these actions are then provided as feedback to the whistleblower. Acts that result in disciplinary action will be reported to the Executive Committee Meeting.

Number of reports

In FY2024, the Hotline received 57 reports. Of these, 36 incidents were confirmed to be factual, and the required actions were taken for each incident.

Counseling service

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

Number of calls to the Nishimatsu Hotline and Workplace Hotline (Number of reports)

Category	FY2020	FY2021	FY2022	FY2023	**FY2024**
Nishimatsu Hotline	33	28	45	38	**57**
Nishimatsu Workplace Hotline	12	12	8	6	**17**

Compliance Training

We carry out ongoing career-level-specific training and e-learning for all employees to improve compliance awareness, eliminate acts of corruption, misconduct, and harassment, and boost understanding and dissemination of the whistleblowing system. As is standard, in FY2024 we provided information regarding our compliance system and the most recent issues involving compliance, including corruption prevention.

Each October, which the Japan Federation of Construction Contractors has stipulated as Corporate Code of Conduct Practice Promotion Month, we conduct compliance training for Nishimatsu Group officers and executives, and endeavor to raise compliance awareness among the management class. These efforts serve the purpose of enhancing and maintaining compliance awareness among officers and employees.

Board of Directors and Audit and Supervisory Committee

(As of June 27, 2025)

Directors

Masakazu Hosokawa

Representative Director
and President

Apr. 1987 Joined the Company
Apr. 2024 Executive Vice President
Jun. 2024 Representative Director and President, Chief Executive Officer and President (to present)

Number of Company shares held 4,916 shares
Attendance at Board Meetings 11 out of 11 (100%)

Makoto Isshiki

Representative Director
In charge of
Corporate Unit

Apr. 1984 Joined the Company
Jun. 2016 Director, Senior Managing Officer
Apr. 2025 Representative Director and Executive Vice President, in charge of Corporate Unit (to present)

Number of Company shares held 14,314 shares
Attendance at Board Meetings 16 out of 16 (100%)

Osamu Shibui

Director
General Manager of
Management Unit

Apr. 1985 Joined the Company
Apr. 2025 Senior Managing Officer, General Manager of Management Unit
Jun. 2025 Director, Senior Managing Officer, General Manager of Management Unit, in charge of Investor Relations (to present)

Number of Company shares held 4,924 shares

Shinsuke Hamasaki

Director
General Manager of
Corporate Strategy Unit

Apr. 1983 Joined the Company
Apr. 2025 Managing Officer, General Manager of Corporate Strategy Unit
Jun. 2025 Director, Managing Officer, General Manager of Corporate Strategy Unit (to present)

Number of Company shares held 3,483 shares

Audit and Supervisory Committee Members

Hideyuki Kawano

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

Apr. 1987 Joined the Company
Jun. 2024 Director (Full-time Audit and Supervisory Committee Member) (to present)

Number of Company shares held 600 shares
Attendance at Board Meetings 11 out of 11 (100%)
Attendance at Audit and Supervisory Committee Meetings 10 out of 10 (100%)

Toshihiro Kubo

Outside Director
(Audit and Supervisory
Committee Member)

Jul. 2014 Representative Director and Executive Vice President, Kubota Corporation
Jun. 2021 Chairman of the Osaka Federation of Health Insurance Societies (to present)
Vice Chairman, National Federation of Health Insurance Societies (to present)
Jun. 2022 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)
May 2025 Outside Director, Nakamoto Packs Co., Ltd. (to present)

Number of Company shares held 0 shares
Attendance at Board Meetings 16 out of 16 (100%)
Attendance at Audit and Supervisory Committee Meetings 15 out of 15 (100%)

Yayoi Ito

Outside Director
(Audit and Supervisory
Committee Member)

Apr. 2008 General Manager, Business Planning Promotion Division, Headquarter of Public System Business, NTT DATA Corporation
Jun. 2021 Outside Director, KANADEN CORPORATION (to present)
Jun. 2021 Outside Director, SUMIKEN MITSUI ROAD CO., LTD. (resigned in Jun. 2024)
Jun. 2023 Outside Director, JAPAN POST HOLDINGS Co., Ltd. (to present)
Outside Director (Audit and Supervisory Committee Member) of the Company (to present)

Number of Company shares held 0 shares
Attendance at Board Meetings 16 out of 16 (100%)
Attendance at Audit and Supervisory Committee Meetings 15 out of 15 (100%)

Hajime Oshita

Outside Director
(Audit and Supervisory
Committee Member)

Mar. 2017 Representative Director, President and CEO of JFE Engineering Corporation
Jun. 2017 Director, JFE Holdings, Inc. (resigned in Jun. 2024)
Apr. 2024 Special Advisor of JFE Engineering Corporation (to present)
Jun. 2024 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)

Number of Company shares held 0 shares
Attendance at Board Meetings 10 out of 11 (91%)
Attendance at Audit and Supervisory Committee Meetings 10 out of 10 (100%)

Misako Kikuchi

Outside Director
(Audit and Supervisory
Committee Member)

May 2001 General Manager of Public Relations Department, Corporate Communications Division, MITSUI & CO., LTD.
Apr. 2015 General Manager of Environmental-Social Contribution Division, MITSUI & CO., LTD.
Oct. 2018 President and Representative Director, Mitsui Bussan Forest Co., Ltd. (resigned in Jun. 2022)
Apr. 2022 Auditor, St. Luke's International University (resigned in Jun. 2025)
Jun. 2022 Outside Director, KOMERI Co., Ltd. (to present)
Outside Director, OKAMURA CORPORATION (to present)
Jun. 2025 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)

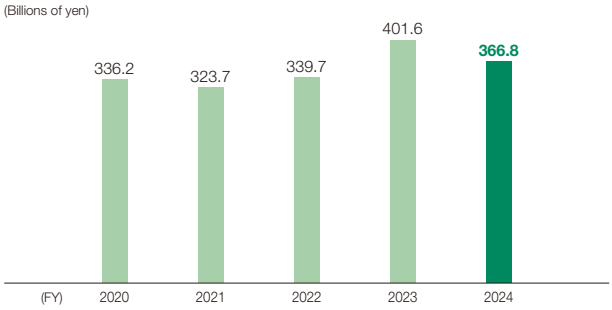
Number of Company shares held 0 shares

* The number of shares of the Company held includes the number of shares to be delivered under the stock compensation plan.
* The attendance at the Board Meetings and the Audit and Supervisory Committee Meetings indicates the attendance for FY2024.

Financial and Non-Financial Highlights

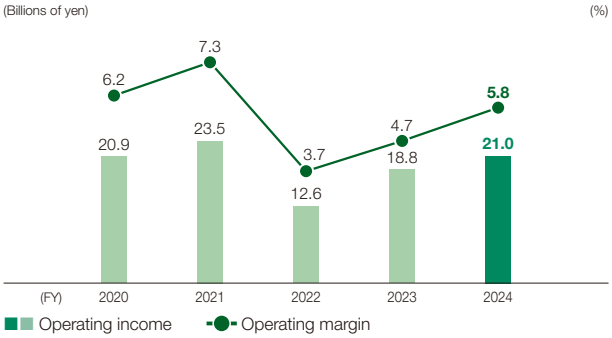
Financial

Net sales (consolidated)



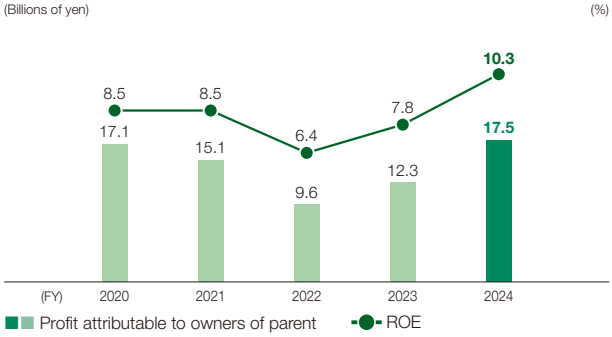
Net sales decreased 8.7% year on year, to 366.8 billion yen. The main factor for the decrease was the absence of some large-scale projects in the Domestic Building Business attributed to their completion in the previous fiscal year.

Operating income/Operating margin (consolidated)



Operating income increased 12.1% year on year, to 21.0 billion yen. The main factor for the increase was a significant improvement in the operating margin, which was a result of a decline in the ratio of construction projects in the Domestic Building Business that were affected by price increases in the previous fiscal year and earlier.

Profit attributable to owners of parent/ROE (consolidated)

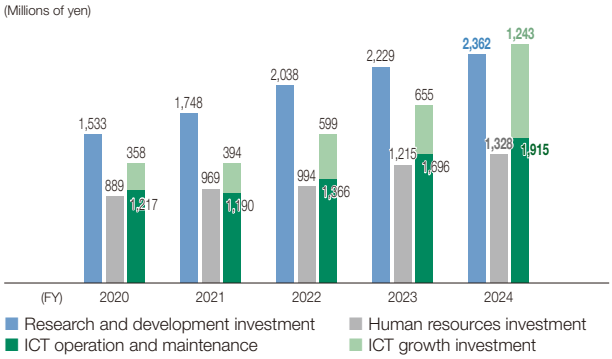


Net income increased 41.6% year on year, to 17.5 billion yen, and ROE increased 2.5 percentage points compared with the previous fiscal year, to 10.3%. Net income increased significantly year on year due to the posting of gain on sale of investment securities that was a result of the sale of some strategic shareholdings.

Net assets/Capital to assets ratio (consolidated basis)

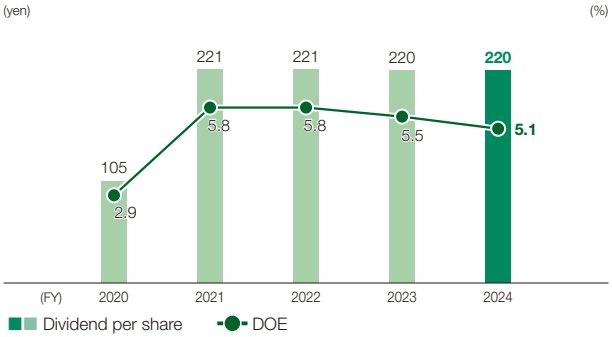
Although the capital to assets ratio declined due to the purchase of 54.3 billion yen of the Company's own shares in FY2021, the ratio continues to trend steadily towards roughly 30%, the planned value in Medium-Term Management Plan 2025.

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



In terms of human resources investments, the Company has identified securing and developing human resources as tasks, focused its efforts on recruiting industry-ready human resources and improving the treatment of employees, and worked to improve employees' knowledge in each area of expertise and their DX and ICT literacy. In terms of ICT growth investments, the Company concentrated on measures that aid the improvement of productivity, such as the development of construction automation technologies and the introduction of DX tools in construction management and administrative work.

Dividend per share/DOE



The annual dividend for FY2024 was 220 yen per share. In Medium-Term Management Plan 2025, in order to distribute stable, continuous shareholder returns, we switched the dividend policy to one that ensures a stable dividend based on a dividend on equity (DOE) ratio of around 5%.

Non-Financial

Environmental Data

		FY2022	FY2023	FY2024	Targets
Global warming prevention					
Nishimatsu Group's CO_2 emissions (Scope 1 and 2)	(1,000 t -CO_2)	43.0	41.0	43.3	FY2030 31.7
Nishimatsu Group's CO_2 emissions (Scope 3)	(1,000 t -CO_2)	3,326.7	2,645.8	3,347.6	—
Nishimatsu Group's CO_2 emissions (Scope 3) Category 11	(1,000 t -CO_2)	2,406.0	1,673.2	2,194.6	FY2030 2,328
CO_2 emissions per unit from construction (Domestic only)	(t-CO_2/billion yen)	1.11	1.01	1.23	
Creating a recycling-oriented society					
Industrial waste emissions	(1,000 t)	456.5	704.9	543.6	—
Final percentage of construction waste sent for landfill disposal (Domestic only)	(%)	2.4	2.1	3.3	FY2030 Less than 2.5%
Water intake	(1,000 m^3)	969.1	729.2	888.0	—

Social Data*1

		FY2022	FY2023	FY2024	Targets
Basic information					
Number of employees (consolidated)*2	(Persons)	3,201	3,301	3,351	—
Number of employees (non-consolidated)*2	(Persons)	2,804	2,892	2,908	—
Human resource development					
Training costs*3	(Millions of yen)	207	259	225	—
Diversity and inclusion					
Number of female managers	(Persons) (%)	4 (0.4%)	4 (0.4%)	6 (0.65%)	FY2025 2% or above
Percentage of newly hired female employees (career-track positions)	(%)	18.5	17.6	16.1	FY2025 20% or above
Percentage of male employees taking childcare leave*4	(%)	55.6	75.8	75.0	From FY2024 100%
Employment percentage of persons with disabilities	(%)	2.45	2.52	2.39	Legal employment rate or above
Health					
Participation rate of detailed examination after regular health checkups	(%)	69.1	61.1	60.2	FY2025 80%
Ease of work and productivity					
Voluntary resignation rate	(%)	2.68	2.99	2.57	FY2025 Less than 1.5%
Percentage of employees working overtime*5 exceeding 45 hours per month	(%)	17.2	12.8	7.3	—
Percentage of worksites achieving 7 days off per 4 weeks (civil engineering sites)	(%)	77.1	85.0	84.3	—
(building sites)	(%)	64.5	61.9	78.8	
Remote work usage ratio	(%)	45.6	34.1	32.4	FY2025 100%
Supply chain					
Employment ratio of certified Nishimatsu Meisters and Senior Forepersons under the program for high-caliber technicians	(%)	60.6	60.1	53.0	FY2025 100%
Construction Career Up Card scan rate	(%)	46.7	61.1	74.0	FY2025 90%

*1 All of the social data excluding data with a "(consolidated)" indicator is non-consolidated data. *2 The number of employees includes the number of temporary employees.
*3 Excluding personnel and facility expenses related to training *4 Including leave for the purpose of childcare *5 Total work hours - fixed working hours (8 hours per day)

Eleven-year Major Financial and Non-financial Data

Fiscal Year (years ended March 31)		2015	2016	2017	2018
Financial data (Consolidated)					
Construction Business orders received	(Millions of yen)	345,853	304,764	360,186	380,378
Profit and loss statement (fiscal year)					
Net sales	(Millions of yen)	342,989	308,826	315,228	284,412
Gross profit	(Millions of yen)	22,769	31,104	42,259	40,425
Operating income	(Millions of yen)	8,710	16,184	25,259	22,752
Ordinary income	(Millions of yen)	9,938	16,290	25,446	23,548
Profit attributable to owners of parent	(Millions of yen)	9,220	14,598	19,210	16,914
Balance sheet (end of fiscal year)					
Total assets	(Millions of yen)	386,469	351,334	385,674	381,355
Interest-bearing liabilities	(Millions of yen)	53,918	53,175	42,844	43,306
Net interest-bearing debt	(Millions of yen)	16,346	25,271	3,817	10,807
Shareholders' equity	(Millions of yen)	122,367	134,190	147,697	158,256
Cash flow (fiscal year)					
Cash flows from operating activities	(Millions of yen)	(10,448)	4,120	40,763	13,570
Cash flows from investing activities	(Millions of yen)	(1,236)	(9,688)	(13,945)	(15,422)
Cash flows from financing activities	(Millions of yen)	(5,701)	(2,960)	(15,039)	(4,918)
Cash and cash equivalents at end of year	(Millions of yen)	37,422	27,903	39,026	32,499
Amounts per share					
Profit attributable to owners of parent	(yen)	166.45	263.55	348.15	308.52
Dividends	(yen)	50	80	105	95
Dividend payout ratio	(%)	30.0	30.4	30.2	30.8
Net assets	(yen)	2,669.20	2,775.30	3,057.35	3,348.41
Ratio					
ROE	(%)	6.5	9.7	11.9	9.6
Capital to assets ratio	(%)	38.3	43.8	43.5	48.0
D/E ratio	(times)	0.4	0.3	0.3	0.2
Net D/E ratio	(times)	0.1	0.2	0.0	0.1
Non-financial data					
Number of employees (consolidated)*1		2,678	2,704	2,740	2,825
Number of employees (non-consolidated)*1		2,424	2,467	2,504	2,536
CO_2 emissions per unit from construction*2 (Japan only)	(t-CO_2/ 100 million yen)	32.0	31.8	24.2	18.1
Final percentage of construction waste sent for landfill disposal (Japan only) (excluding asbestos-containing industrial waste materials and specially controlled industrial waste)*2, 3	(%)	5.0	3.1	2.9	2.7
Frequency rate of injuries*4 (4 or more days of absence from work) (non-consolidated)		0.95	1.10	0.67	0.72

*1 Number of employees includes temporary employees.
*2 Calendar year data for the fiscal years ended March 31, 2015 to March 31, 2019.

2019	2020	2021	2022	2023	2024	2025
348,045	376,088	313,437	333,974	340,392	360,273	**429,719**
349,318	391,621	336,241	323,754	339,757	401,633	**366,811**
43,423	43,938	39,761	43,772	33,719	40,787	**44,108**
24,928	25,313	20,950	23,540	12,615	18,827	**21,098**
25,985	25,838	21,561	23,497	13,176	19,578	**20,225**
18,784	18,721	17,166	15,103	9,648	12,388	**17,543**
466,327	497,045	472,440	477,613	513,623	579,624	**592,046**
86,167	121,909	115,039	160,039	168,396	186,150	**214,212**
54,694	75,449	71,269	112,917	114,669	129,617	**170,794**
171,828	184,803	196,158	145,459	144,294	150,320	**158,337**
(15,882)	14,120	4,907	41,243	34,747	32,037	**5,889**
(23,633)	(20,147)	5,302	(22,532)	(27,450)	(41,819)	**(36,250)**
38,555	20,952	(12,653)	(16,074)	(2,365)	11,083	**16,134**
31,473	46,459	43,574	47,121	53,726	56,532	**43,403**
343.39	342.24	313.83	312.34	244.43	313.86	**444.46**
105	105	105	221	221	220	**220**
30.6	30.7	33.5	70.8	90.4	70.1	**49.5**
3,605.62	3,599.01	3,765.62	3,833.71	3,770.77	4,277.06	**4,361.27**
9.9	9.5	8.5	8.5	6.4	7.8	**10.3**
42.3	39.6	43.6	31.7	29.0	29.1	**29.1**
0.4	0.6	0.6	1.1	1.1	1.1	**1.2**
0.3	0.4	0.3	0.7	0.8	0.8	**1.0**
2,920	3,005	3,060	3,106	3,201	3,301	**3,351**
2,606	2,684	2,762	2,794	2,804	2,892	**2,908**
16.1	15.9	20.1	17.1	11.1	10.1	**12.3**
2.1	2.2	2.2	2.4	2.4	2.1	**3.3**
1.02	1.04	0.75	0.79	0.49	0.67	**0.88**

*3 Final percentage of construction waste sent for landfill disposal: Before the fiscal year ended March 31, 2019, excludes construction sludge and special substances such as specified substances. From the fiscal year ended March 31, 2019, includes construction sludge and excludes special substances such as specified substances.
*4 Expresses the rate of occurrence by the number of fatalities and injured workers from occupational accidents per one million actual work hours.

Terminologies

Terms	Meaning
Batch plant	Batch plants are large pieces of equipment for manufacturing homogeneous concrete. Raw materials such as cement, aggregate (sand and gravel), water, and admixtures are measured accurately and mixed in a mixer to produce fresh concrete of a specified quality.
BIM/CIM	Building/Construction Information Modeling, Management (BIM/CIM). A 3D model with information that can be used in construction operations.
Branching shield method	A shield tunneling method in which the shield machine starts in the tunnel pit, or connected shield machines diverge.
Carbon negative concrete	Carbon negative concrete is a type of concrete that absorbs and fixes more CO_2 than is emitted in its manufacturing process, limiting CO_2 emissions to net zero or below. It is attracting attention as an innovative construction material for achieving the carbon neutrality of the construction industry.
Circular economy	In addition to applying conventional 3R initiatives, circular economic systems aim to curb resource input and consumption volumes, promote reuse and reclamation through resources as a service, and maintain, restore, or add value over the long term for used products and waste. In regard to the construction industry, this involves activities such as modularizing construction materials at the planning stages, resupplying resources to markets through waste collection and reprocessing, and optimizing maintenance and renovation through building lifecycle management.
Cuttable segment	A segment that is made using a new reinforcing material that can be cut with the blades of a shield machine. They are used as an alternative to the rebar used in RC segments.
Digital twin platform	Digital twin platforms are system platforms for building and managing virtual replicas (digital twins) in digital space of real-world equipment, structures, and environmental data status collected through sensors and IoT devices. It is expected that through real-time condition monitoring, data analysis, simulation, and more, they will improve the quality and safety of construction processes and the efficiency of on-site management, etc.
Earth pressure balance shield	A shield method in which excavated soil is mixed with another material, agitated, and transformed into a plastic and fluid muddy soil, and the chamber is filled with this muddy soil to maintain the stability of the tunnel face during excavation.
Electric Furnace CCS Method	The Electric Furnace CCS Method is a technology for decomposing plastic waste at a high temperature in an electric furnace, where the generated gas is recovered, refined, and changed back into a chemical material. This method also captures and stores CO_2, has a lower environmental impact than conventional incineration and enables the cyclical use of plastic resources.
Front loading	To intensively study in advance changes in specifications, etc. that are likely to occur in later processes during the initial process in order to improve quality and shorten the construction period. In the BIM approach, a typical example, a 3D building model is created at the design stage and attribute information is added, aiming to improve and solve problems in advance through simulation and verification at each stage of design, construction, operation, etc.
Geopolymer	Geopolymer is the collective term for non-crystalline polymers that are formed by a reaction between an alkali-silica solution and alumina-silica powder without the use of cement. Compared to conventional concrete, geopolymers emit less CO_2 during manufacturing, and they are superior in terms of acid and fire resistance. With these and other benefits, geopolymers are starting to attract attention as a next-generation construction material.
Lining	The (arch) concrete built over the interior surface of a tunnel.
N-TEMS	Nishimatsu Tunnel Energy Management System. A system for reducing energy use by controlling demand for contrarotating ventilation fans and dust collectors during mountain tunnel excavation. N-TEMS facilitates the reduction of ventilation equipment power consumption by around 40%.
P&UA construction method	P&UA stands for Panel & Unbonded Anchor. It is a high-performance, earthquake-resistant frame construction method for medium- to large-scale wooden structures that uses the newly developed glued in the unbonded anchor (GIUA) method for creating the beam-to-column joint as a glued-in rod (GIR) connection. Compared to conventional wood buildings, this method significantly improves seismic performance, making it possible to build approximately ten-story mid- and high-rise wood buildings.
PPA	Power Purchase Agreement. A service in which a company that owns and manages photovoltaic power generation equipment (PPA operator) installs the equipment in a space provided by the facility owner, such as a site or roof, and distributes the power generated there to the power consumers of the facility for a fee.
Precast slab	Precast slab is a reinforced concrete material that is manufactured in advance at a factory instead of at the construction site. Unlike cast-in-place concrete, precast slab is manufactured in an environment where it is possible to strictly control quality and then it is assembled and installed at the construction site. This makes it possible to increase quality and shorten construction periods. It is used for the walls, pillars, and floors of buildings, the replacement floor slabs of expressway bridges, and other applications.
Shield tunneling	Shield tunneling is an approach to tunnel excavation using a tube-shaped machine called a shield machine and block-shaped lining materials called segments. The method is widely used to build underground infrastructure in urban areas, including subways, utility tunnels, and water supply and sewerage systems.
Slagrete	Slagrete is an environmentally friendly concrete that uses a large amount of fine blast furnace slag powder, a byproduct from steel plants, as an alternative material to cement. Compared to conventional concrete, much less CO_2 is emitted when slagrete is manufactured, and its resistance to salt damage and thermal cracking is superior.
Slurry shield	A shield method with which slurry is pressurized and pushed to the face of the tunnel face to apply counterpressure against the pressure of the soil and water, thereby maintaining soil stability during excavation.
TCFD	Task Force on Climate-related Financial Disclosures (TCFD). This task force recommends that companies develop climate-related governance and risk management systems, as well as understand and disclose the financial impact of climate change. The TCFD dissolved in October 2023, transferring its oversight function to the International Financial Reporting Standards (IFRS) Foundation.
TNFD	The Task Force on Nature-related Financial Disclosures (TFND) The TFND has released recommendations which lay out a method for disclosing information that companies and other organizations use to assess their dependence and impact on natural capital, identify biodiversity risks, analyze financial impacts, and disclose their response measures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The TFND announced their final recommendations in September 2023, and it has been promoting the standardization of global natural capital-related risk management.
ZEB	Abbreviation for Net Zero Energy Building. ZEB aims to achieve a net annual primary energy consumption balance of zero in terms of energy consumed by the building itself through energy savings and energy creation, while maintaining a comfortable interior environment.

Investor FAQ

Q1 What is your policy regarding shareholder returns?

Under the current Medium-Term Management Plan 2025, we set the goal of a stable dividend based on a dividend on equity (DOE) ratio of around 5% in FY2024. Basically, we will continue to follow this policy. At present, however, we are formulating a new Medium-Term Management Plan in consideration of the optimal way to return profits to the shareholders in light of the balance between increasing profit and investing strategically.

Q2 What are your expectations with regard to orders received trends in FY2025?

For the Domestic Civil Engineering Business, we have set a modest target in consideration of the work in hand and the number of on-site staff members. In the Domestic Building Business, initiatives are progressing, mainly in logistics and housing, and the order-receiving environment has been favorable. We are also implementing initiatives in areas including factory projects and data centers, and orders received are expected to increase in the future. In the International Business, we have continued to work on ODA projects in the Philippines and Bangladesh.

Q3 What is the status of your collaboration with ITOCHU Corporation?

In the construction sector, which includes Civil Engineering, Building, and International businesses, we collaborate in the procurement of materials, the referral of projects, and other matters. We believe that, in the development projects within the Asset Value-Added Business, combining our capabilities and ITOCHU Corporation's capabilities will lead to further growth. In addition, regarding the new Regional Environmental Solutions Business, we are looking for ways to leverage ITOCHU Corporation's customer base and area deployment capabilities. We will continue to expand and transform the collaboration to achieve the medium- to long-term enhancement of our corporate value.

Q4 What is your policy on the reorganization of the construction industry?

We have been discussing the moves to reorganize being taken in the construction industry. The reorganization of the industry may accelerate in the future, and some argue that we should move forward aggressively. We will carefully consider matters in light of industry trends in the future.

Statement of Authenticity

On the publication of Nishimatsu Construction Co., Ltd. Integrated Report 2025

Osamu Shibui

Director, Senior Managing Officer
General Manager of Management Unit
In charge of Investor Relations

To help our stakeholders gain a better understanding of the Group's initiatives, we have been issuing an Integrated Report since FY2017.

Integrated Report 2025 shares information about the more than 150 years of history our Group has experienced since its founding, a message from President Hosokawa given one year after he became president, and our expanding value co-creation activities, from the developing of social infrastructure to the rebuilding of social functions, including the objectives of the organizational restructuring that includes the establishment of four new offices in the Corporate Unit. We also provide a detailed explanation of the progress made under Medium-Term Management Plan 2025 as we work towards realizing our long-term vision Nishimatsu-Vision 2030 that looks ahead to 2030. The report also includes messages from employees working every day at different sites on the Source of Value Co-Creation Activities 3: Trust. It's What We Build.

This report was produced mainly by the Corporate Planning Department of the Corporate Strategy Unit in cooperation with many relevant departments. As the person in charge of overseeing the production of this report, I hereby declare that the process of creating this report was fair and that its content is accurate.

I would like this report to assist a wide range of stakeholders, including shareholders and investors, in further deepening their understanding of Nishimatsu Construction's value co-creation initiatives and for it to lead to the creation of opportunities for meaningful dialogue. I would gratefully appreciate it if you could read the report and send us your honest opinions and comments.

Awards and External Evaluations

Award

Name	Main sponsor	Award/Award Recipient
FY2024 Director-General's Award for Construction Company in Outstanding Project	MLIT Chubu Regional Development Bureau	FY2020 Construction in the west section of the Gifu Yamagata Daiichi Tunnel on the Tokai Kanjo Expressway
FY2024 Director-General's Award for Outstanding Construction Engineers	MLIT Chubu Regional Development Bureau	FY2020 Construction in the west section of the Gifu Yamagata Daiichi Tunnel on the Tokai Kanjo Expressway A Nishimatsu Construction employee was the site representative
FY2024 Director-General's Award for Outstanding Constructors Using Infrastructure DX	MLIT Kyushu Regional Development Bureau	New construction of Chikuho Tunnel on National Route 201 in Fukuoka
FY2024 Director-General's Award for Outstanding Process Management Project	NEXCO EAST Tohoku Regional Head Office	Seismic strengthening work for Oedogawa Bridge on Akita Expressway
FY2023 Japan Construction Engineers' Association Award	Japan Construction Engineers' Association	Tateno Dam construction project
FY2023 Japan Society of Civil Engineers (JSCE) Awards Outstanding Civil Engineering Achievement Award	Japan Society of Civil Engineering (JSCE)	Tateno Dam construction project — Construction of Japan's largest flood mitigation dam —
FY2023 JSCE Awards Innovative Technique Award	Japan Society of Civil Engineers (JSCE)	Development of a concrete curing method that is lightweight and can be used any number of times without using water (the Ad-Balloon method)
Japan Construction Machinery and Construction Association Awards Grand Prize Division	Japan Construction Machinery and Construction Association	Tunnel RemOS-Excavator, a remotely controlled hydraulic shovel system for mountain tunnel construction
3rd Awards for outstanding companies in the development of construction human resources Award for excellence in the treatment improvement category	MLIT/Kensetsu Sangyo Jinzai Kakuho Ikusei Suishin Kyogikai (council for the promotion of the recruitment and development of human resources in the construction industry)	Nishimatsu Construction
33rd Kumamoto Environmental Award Divisional Award (Kumamoto Zero Carbon Award)	Government of Kumamoto Prefecture	Tateno Dam JV Site Office, Kyushu Regional Headquarters
44th (FY2024) Awards for achievements in dam construction	Japan Dam Foundation	Two Nishimatsu Construction employees
73rd Nikkei Advertising Awards (Award-winning work) Highest award in the Construction/Real Estate Category	Nikkei Inc.	130,000 projects in 150 years — Proof that we have been helping to build towns, lives, and society

External Evaluations

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SCIENCE BASED TARGETS

We have obtained the SBT 1.5°C certification of our FY2030 GHG reduction targets. (54.8% reduction of Scope 1 and 2 emissions and 27% reduction of Scope 3, Category 11 emissions from the FY2020 level)

CDP SUPPLIER ENGAGEMENT LEADER

S&P/JPX Carbon Efficient Index

JHEP CERTIFIED

WELL Platinum

Digital Transformation Certification

Eruboshi Certification

2025 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

MSCI Japan ESG Select Leaders Index

Health and Productivity Management®

Initiatives Supported/Participated In

RE100

Japan Climate Leaders' partnership

JAPAN CLIMATE INITIATIVE

Circular Partners

30by30 Alliance

DECOKATSU
(A national movement to create new, prosperous lifestyles that lead to decarbonization)

SCRUM JAPAN PROGRAM

Corporate Outline and Stock Status

Corporate Outline

Registered Name	Nishimatsu Construction Co., Ltd.
Head Office	Toranomon Hills Business Tower 17-1, Toranomon 1-chome, Minato-ku, Tokyo, 105-6407, Japan
Representative	Masakazu Hosokawa, Representative Director and President
Founded	1874
Established	September 20, 1937
Paid-up Capital	¥23,513,643,819
Number of Employees	Non-Consolidated: 2,908 Consolidated: 3,351 (As of March 31, 2025)

* The number of employees includes the number of temporary employees.

Regional Headquarters and Branch Offices

Domestic Offices

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

Overseas Offices

Singapore Branch Office
Malaysia Branch Office
Philippines Branch Office
Bangladesh Branch Office
Vietnam Branch Office
Myanmar Branch Office
Hong Kong Branch Office
Sydney Office

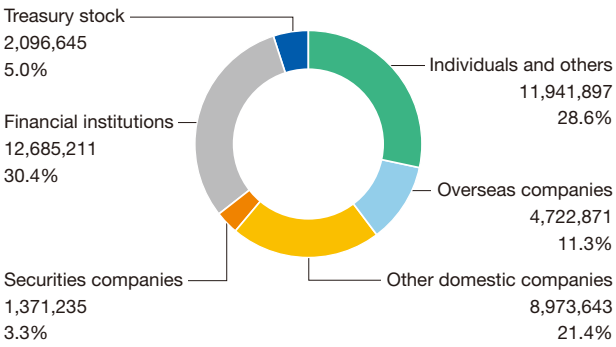
Main Subsidiaries

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

Stock Status (As of March 31, 2025)

Total number of authorized shares	160,000,000
Total number of issued shares	41,791,502 (including 2,096,645 shares of treasury stock)
Number of shareholders	30,233

Shareholder Distribution



Major Shareholders (Top ten shareholders)

Name	Shares held (Thousands)	Shareholding ratio (%)
ITOCHU Corporation	7,709	19.42
The Master Trust Bank of Japan, Ltd. (Trust account)	5,700	14.36
Custody Bank of Japan, Ltd. (Trust account)	2,507	6.32
Nishimatsu Construction Employee Stock Ownership Association	970	2.44
Meiji Yasuda Life Insurance Company	915	2.31
Mizuho Bank, Ltd.	614	1.55
Sumitomo Realty & Development Co., Ltd.	612	1.54
Mizuho Trust & Banking Co., Ltd.	600	1.51
JPMorgan Securities Japan Co., Ltd.	528	1.33
Custody Bank of Japan, Ltd. (Pension trust account)	494	1.24

* The Company holds 2,096,645 shares of treasury stock, but they are not included in the number of shares held by the major shareholders above.
* Shareholding ratio is calculated after deducting 2,096,645 shares of treasury stock. Treasury stock does not include 224,000 shares of the Company held by the Board Benefit Trust (BBT).

Third-party Assurances

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

Matters covered by assurances

- Group CO_2 emissions in Japan and overseas ▶P.21, 83
- Group water intake in Japan and overseas ▶P.20, 83
- Industrial waste emissions ▶P.21, 83
- Energy usage ▶P.20
- Percentage of female managers ▶P.29, 41, 83
- Percentage of male employees taking childcare leave ▶P.29, 41, 83
- Frequency rate of injury (4 or more days of absence from work) ▶P.29, 60, 84, 85

NISHIMATSU

Inquiries:

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17-1, Toranomon 1-chome, Minato-ku, Tokyo,
105-6407 Japan
https://www.nishimatsu.co.jp/eng/

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

DECO-KATSU