



Integrated Report 2023

NITTOC CONSTRUCTION CO., LTD.

Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi,
Chuo-ku, Tokyo 103-0004, Japan
TEL: +81-3-5645-5080

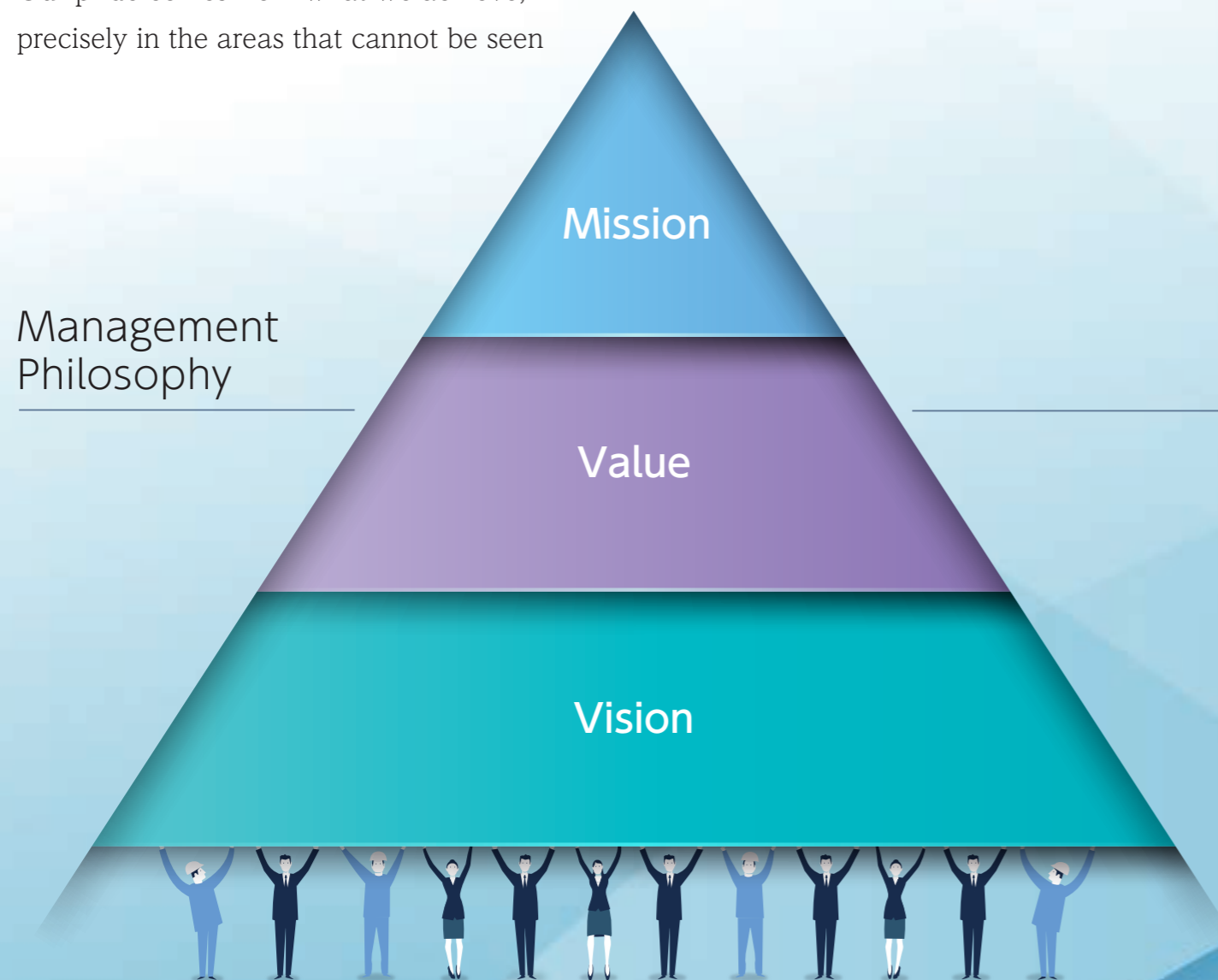


Our Motto

Continuing to be a company needed by society by sincerely providing technology, precisely in the areas that cannot be seen

Brand Message

Our pride comes from what we achieve, precisely in the areas that cannot be seen



Mission
We are the company that provides safe and secure society and contributes to countries

Value
With efficient management and comprehensive technical capabilities in foundation work

Vision
To lead disaster prevention and environmental conservation as the expert of foundation work accumulated by our reliable technical ability

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Editorial Policy

This report was published to share information with shareholders, investors, and other stakeholders regarding the Group's initiatives for improving corporate value over the medium- to long-term, with the hope that this information could provide opportunities for dialogue with our stakeholders. It contains not only financial information but also our Medium-Term Management Plan and non-financial information such as environmental, social, and governance information. We hope it provides readers with a better understanding of the Company.

Notes on Future Outlook

Business results forecasts, future outlook, strategies, targets, etc., contained in this report that do not concern past or current facts are future forecasts based on the Company's future plans, expectations, and decisions, which are predicated on information available to the Company as of the current time and certain assumptions deemed reasonable by the Company. Please note that due to various changing factors, actual targets, etc., may differ from the forecasts provided in this report.

Guidelines

International Integrated Reporting Council (IIRC)
International <IR> Framework

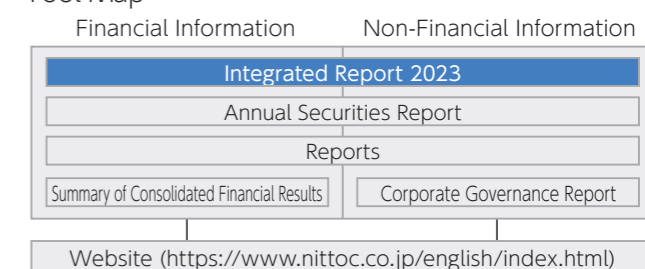
Period Covered by This Report

April 1, 2022 to March 31, 2023
(The report also includes some activities before and after this period.)

Scope of This Report

NITTOC CONSTRUCTION CO., LTD. and its Group companies

Tool Map



History of Value Creation

1950

The Early Days

● The foundation of Yachiyo Shisui Kogyosho

In April 1950, NITTOC's predecessor, Yachiyo Shisui Kogyosho was founded in Sapporo-shi, Hokkaido, for the purpose of undertaking a geological survey and civil engineering foundation work for power development projects. The first dam project that we took on was a survey and foundation construction work for the Horonai River Dam and its power plant. We worked on this project from September 1951 to November 1955. Following the Horonai River Dam project, we drew upon our unique foundation grouting technologies to perform grouting works, thereby refining our techniques and building up a solid track record.



Horonai River Dam chemical grouting work for temporary coffering

1953

● Establishment of Yachiyo Chika Kogyo Co., Ltd.

On April 10, 1953, we reorganized as a joint-stock corporation and changed our trade name to Yachiyo Chika Kogyo Co., Ltd.



Yachiyo Chika Kogyo head office

● Our foundation date changes to 1947

In April 1953, we reorganized as Yachiyo Chika Kogyo Co., Ltd. and prepared our future business lineup. Then, on December 24, 1962, we absorbed and merged with Hikari Shokai K.K. at a ratio of 1 to 10 in order to reduce the par value of our shares from ¥500 to ¥50. Hikari Shokai, which was headquartered in Chiyoda-ku, Tokyo, was established on December 17, 1947, and changed its trade name to Nippon Tokushu Doboku Kogyo K.K. on October 15, 1962. Due to this, the date of the Company's foundation became December 17, 1947.

1957

● Headquarters relocated to Azabu, Minato-ku, Tokyo

In October 1953, the government formulated its Guidelines on Forest Conservation and Flood Control Measures. Based on these guidelines, in September 1955, the Ministry of Construction (currently the Ministry of Land, Infrastructure, Transport and Tourism) formulated its Five-Year Flood Control Program and promoted comprehensive river development projects, primarily for multipurpose dams.

Given these circumstances and our own success in Hokkaido, in January 1957, we relocated our headquarters to 3 Azabu Kasumi-cho, Minato-ku, Tokyo, with the aim of making greater inroads in central Japan.



The Saso River Dam construction project, the beginning of our advance into central Japan. Constructed between 1956 and 1958

1959

Growth Period

● Changed trade name to Nippon Tokushu Doboku Kogyo K.K.

The late 1950s and early 1960s, when we expanded into central Japan, was a period of rapid economic growth in Japan, and the amount of construction work performed by the construction industry grew tremendously. We were a comprehensive civil engineering foundation work expert, focusing primarily on geological surveying and foundation grouting for large-scale dam construction. As such, we earned society's recognition as a civil engineering company with special technologies and techniques.

Therefore, in December 1959, we changed our trade name to Nippon Tokushu Doboku Kogyo K.K. We took the opportunity of this trade name change to diversify the construction work we were involved in, and started engaging in new fields such as slope protection, landslide prevention, and pile foundation work.



Kansai Electric Power's Kurobe 4th Dam (the so-called Kuro-yon dam) - began foundation construction work in 1960

1965

● Headquarters relocation and our great leap forward in the mid-1960s

In the mid-1960s, we took a great leap forward. In conjunction with our dramatic advances, we reorganized our organization and relocated our headquarters in 1965. We moved from Kanda Mitoshiro-cho, Chiyoda-ku, to 8-1, Ginza Higashi, Chuo-ku (which was renamed and renumbered as 8-14-14, Ginza in a later governmental address revision) and worked to reinforce our business management system.



Ginza headquarters building

1972

Transformation Period

● Changed trade name to NITTOC CONSTRUCTION CO., LTD., as we pursued greater success

Since the Company's foundation, we have built up one of Japan's finest track records as a specialist in dam foundation construction. We then expanded our business scope to encompass the full range of civil engineering works. Our core business was grouting for dams and other structures, as well as chemical grouting for ground improvement, slope protection and landslide prevention, spray-on greening for slope protection, reinforced concrete pile work as foundation pile for high-rise buildings, geological survey, and more. During Japan's era of rapid economic growth, we built up our track record and earned even greater trust from our customers, rapidly growing into a comprehensive foundation work company.

Under such circumstances, in March 1972, the Ministry of Construction enacted the revised Construction Business Act. The previous registration system switched to an industry-specific permit system, which was broken down into 28 industries, such as civil engineering work, building construction work, and other specialized industries. The goal of these changes was to improve the quality of construction enterprises and promote the healthy development of the industry as a whole.

We realized that this industry trend presented us with a favorable opportunity to expand our business in the fields of general civil engineering and construction (foundation).

On May 29, 1972, we changed our trade name from Nippon Tokushu Doboku Kogyo K.K. to NITTOC CONSTRUCTION CO., LTD.



Kamiosu Dam foundation construction work 1993



Site preparation for land readjustment project in Ishiki, Kagoshima-shi 1997

● Liquidation of NITTOC Real Estate Co., Ltd.

On March 31, 2001, we liquidated NITTOC Real Estate Co., Ltd., a consolidated subsidiary. NITTOC Real Estate Co., Ltd. was established in 1985 and was engaged in real estate business and residential and urban development. However, its development operations in Niigata and Nagasaki were struggling, and it had posted a loss of almost ¥20.0 billion. Although we had provided support primarily in funding to restore its business, given the poor outlook for the real estate market at the time, we determined that the rehabilitation of the business on its own was unlikely, and thus decided to liquidate NITTOC Real Estate Co., Ltd.

2008

Becoming a comprehensive construction company with distinctive strengths in foundation technology

● New Medium-Term Management Plan for a "Newborn NITTOC"

With the liquidation of subsidiary NITTOC Real Estate Co., Ltd. in 2001 and the improper accounting incident at subsidiary High-Tech Lease Co., Ltd. in 2007, NITTOC entered a period in which it was sorely tested.

Under such circumstances, we strove to further reduce our interest-bearing debt and to continue to develop our business based on a stable financial foundation. As such, on January 18, 2008, we raised ¥6.0 billion in capital through third-party allotment to the Phoenix Capital Partners Six Investment Partnership and Fudo Tetra Corporation. Furthermore, to create a "Newborn NITTOC," we formulated a new three-year Medium-Term Management Plan [Step I], beginning in fiscal 2008.

2023

● Formulation of Medium-Term Management Plan 2023 (fiscal 2023 to fiscal 2025)

In the past 15 years since 2008, the Company formulated five medium-term management plans, implemented the measures outlined in these plans during each period, and achieved results that exceeded key operational targets, such as net sales and operating profit targets, while also actively making capital investments and providing shareholder returns. In May 2023, we announced a new Medium-Term Management Plan (fiscal 2023 to fiscal 2025) with fiscal 2023 (fiscal year ending March 31, 2024) as its first year, setting our sights on further growth.



Ando area, Otsuchi-cho reconstruction work 2019

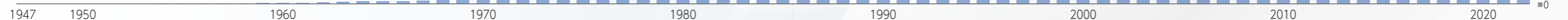


Aso Ohashi area slope protection work (Aso-gun, Kumamoto) 2017



Senbon Dam foundation reinforcement work 2020

Net sales (Millions of yen)

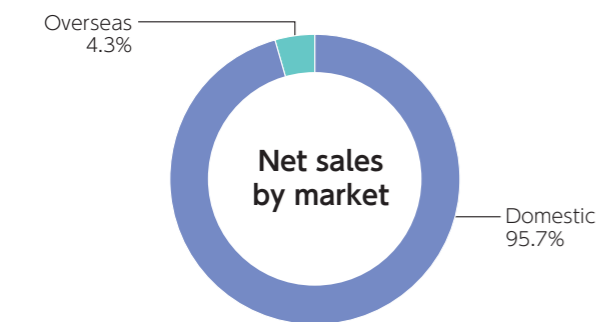
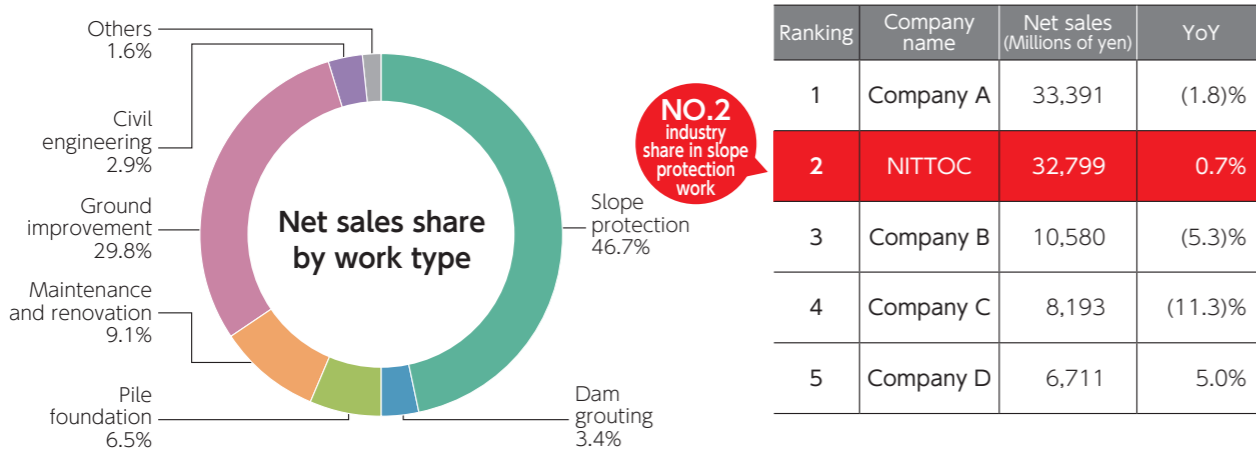


At a Glance

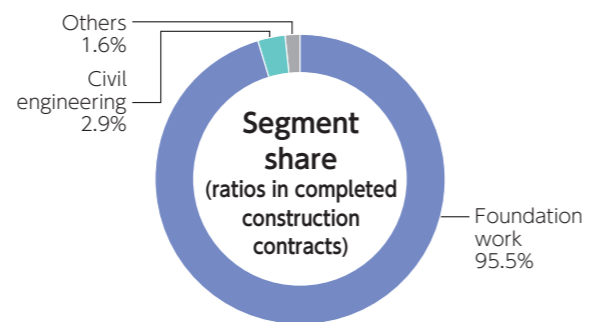
NITTOC's position in the construction market

Established in 1947, the Company took the initiative in leading the dam foundation works as the initial work type for its early days during Japan's heyday of constructing dam power stations associated with the development of power sources. In particular, NITTOC's technology, which boasted the collective strength deriving from the united efforts of civil engineers and geologists, was highly regarded by various related parties. Consequently, the Company undertook most of the foundation work of domestic large-scale dams including Kansai Electric Power's Kurobe 4th Dam (the so-called Kuro-yon dam).

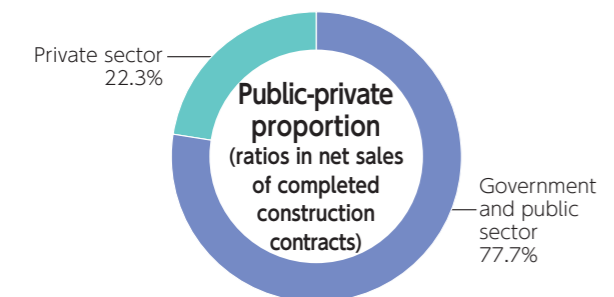
Moreover, the Company proactively engaged in various projects regarding the Shinkansen, expressways, building foundations and other projects with the aim of becoming a comprehensive foundation work company that appropriately adapts itself to an era of technological innovation, and has built an extensive track record. In 1972, we changed our trade name to our current name and took the opportunity to further expand our business scope. We have established a record of success in a wide range of fields, including not only general civil engineering projects involving dams, rivers, roads, water and sewerage systems, and land development, but also building construction work.



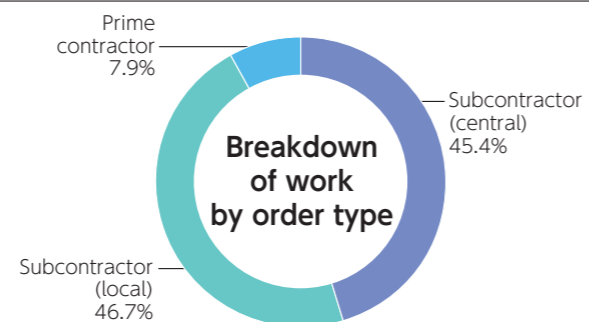
Currently, over 90% of our work consists of domestic construction projects. Overseas, we are building up a track record of construction work in growing Southeast Asian markets, primarily Indonesia.



Foundation work such as slope protection and ground improvement work accounts for over 90% of the total work of the Company.



A large portion of our orders, almost 80%, come from the government and public sector, including the national government and local governments. We are currently also dedicating ourselves to private-sector work such as projects for the former Japan Highway Public Corporation and railway operators.

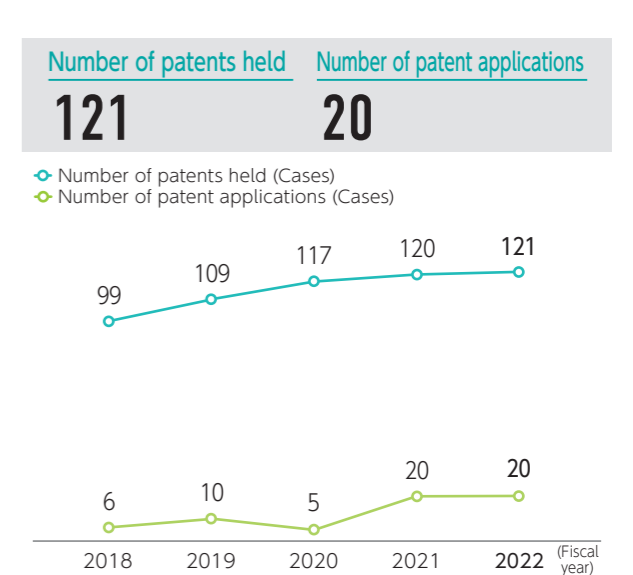
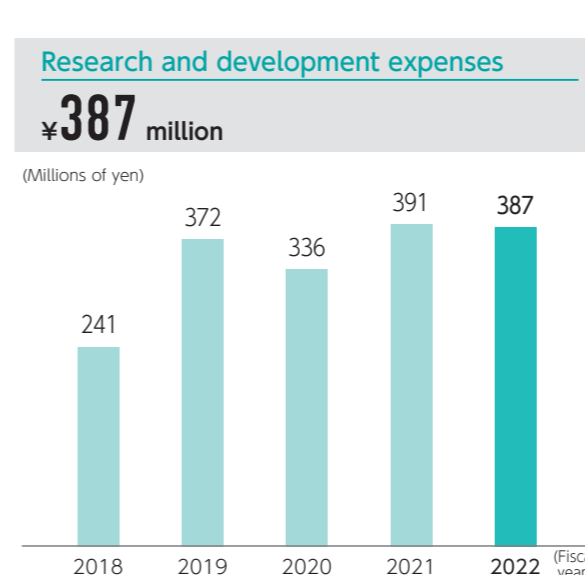
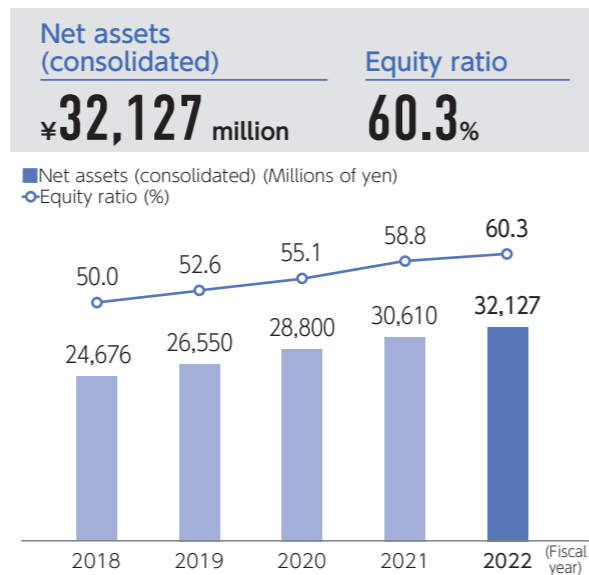
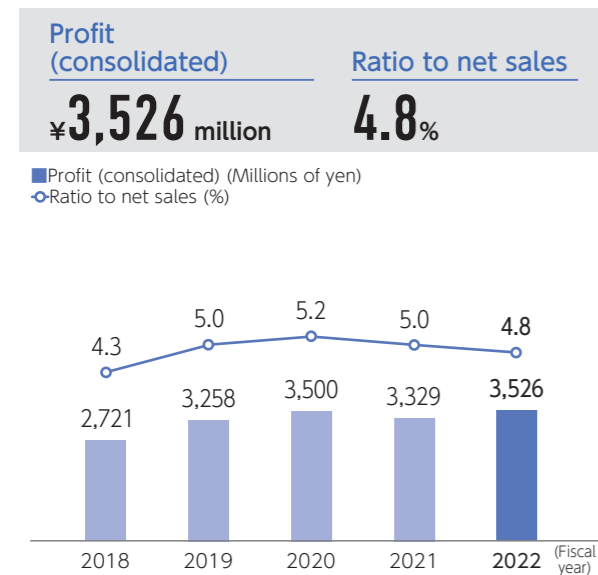
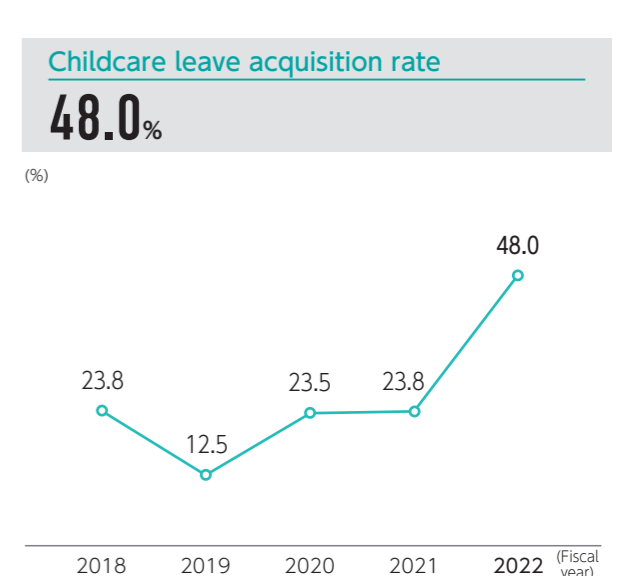
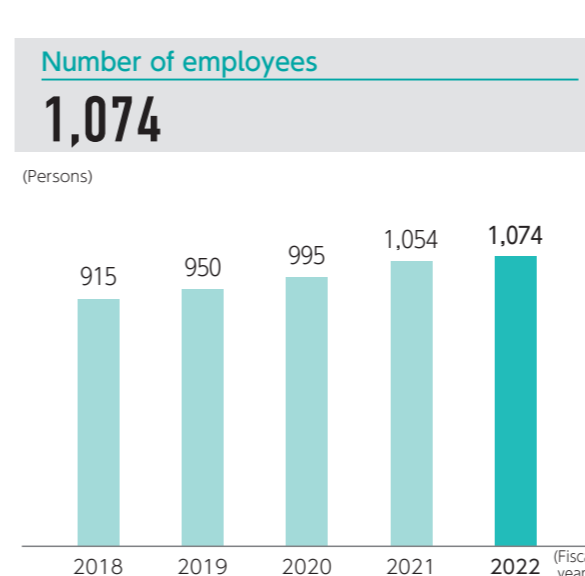
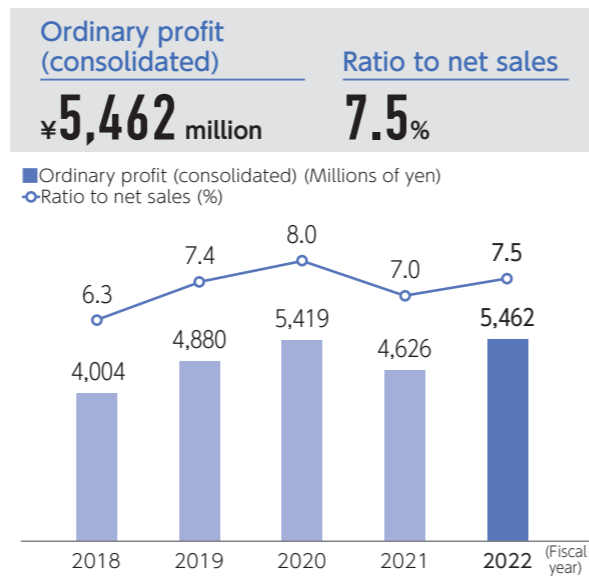
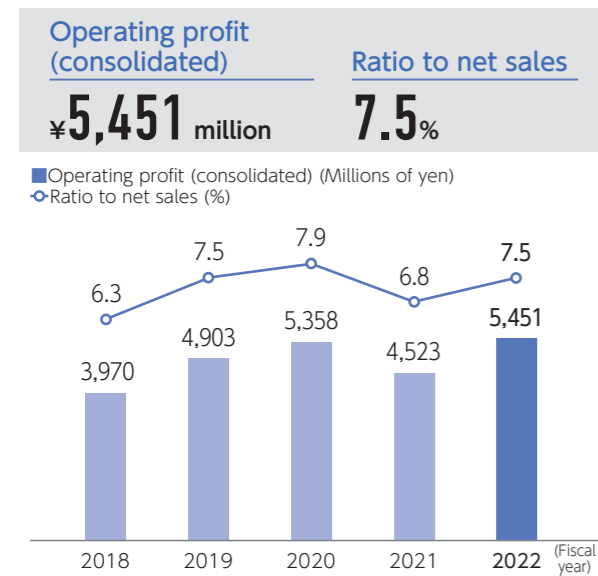
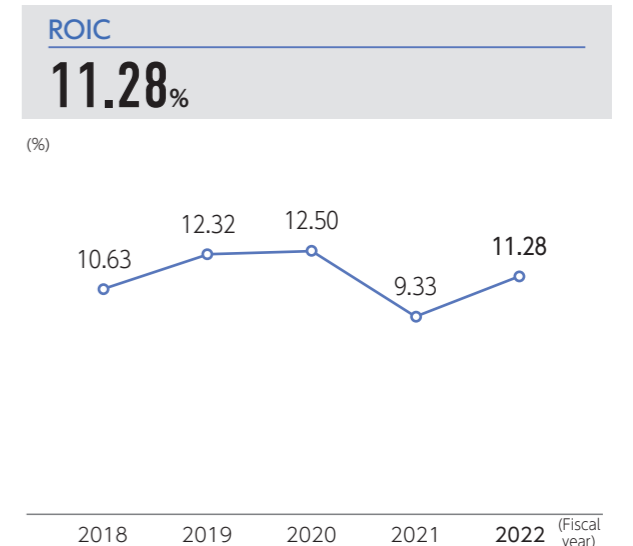
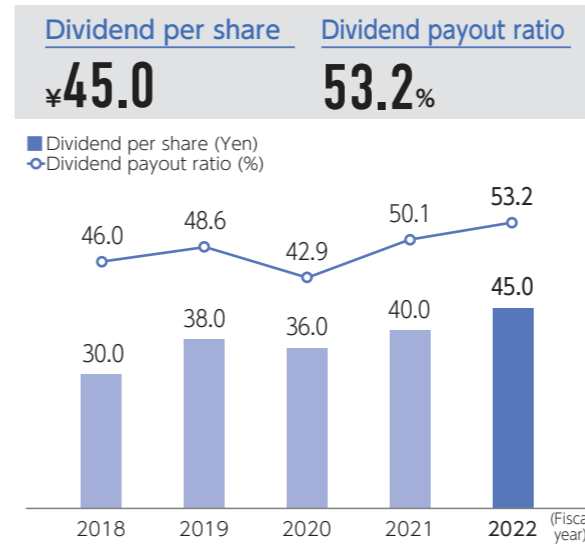
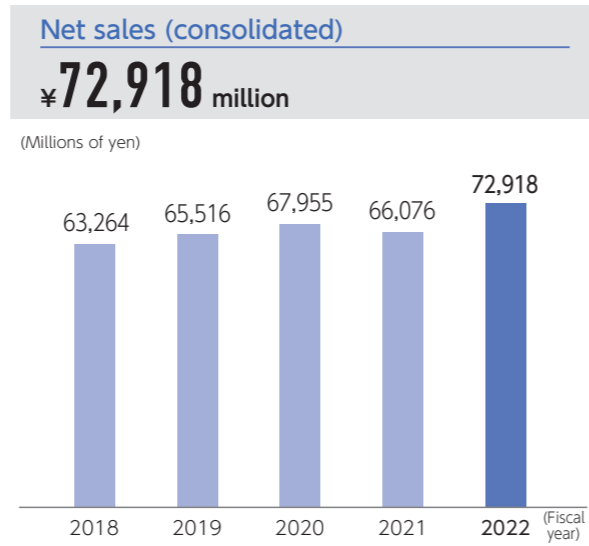
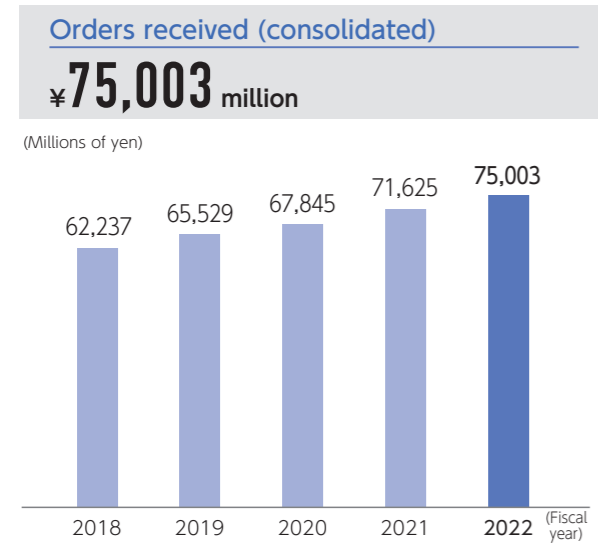


As a foundation work specialist, a large share of the orders we receive is slope protection and ground improvement works subcontracted from central and local general contractors. This work makes up almost 90% of all orders we receive.

Overview by type of work

<p>Slope protection work</p>	<p>We offer slope-related technologies that are effective for environmental conservation, disaster prevention, and renovation and reinforcement of slopes. We work to reduce our environmental impact in every field, and restore high-quality vegetation in harmony with nature, thereby working to maintain ecosystems and to protect the environment.</p>	<p>● Net sales (Millions of yen)</p> <p>33,517 (2021) 34,055 (2022)</p>
<p>Ground improvement</p>	<p>We use the high-level expertise we have developed over the years regarding subterranean areas to propose optimal construction methods and provide reliable construction technologies. This encompasses everything from general ground improvement construction methods to earthquake and liquefaction countermeasures. As such, we can provide wide-ranging, comprehensive plans and construction.</p>	<p>● Net sales (Millions of yen)</p> <p>16,000 (2021) 21,743 (2022)</p>
<p>Maintenance and renovation</p>	<p>We provide high-quality diagnostic, renovation, and reinforcement technologies for all types of civil engineering structures, such as tunnels, bridges, and water utilization facilities, with the aim of extending their service lives.</p>	<p>● Net sales (Millions of yen)</p> <p>5,952 (2021) 6,605 (2022)</p>
<p>Pile foundation</p>	<p>In addition to conventional construction methods, we also have a lineup of piles that can be installed in confined spaces, so that we can meet various needs everywhere from mountainous regions to urban areas.</p>	<p>● Net sales (Millions of yen)</p> <p>4,685 (2021) 4,712 (2022)</p>
<p>Dam grouting</p>	<p>We have been engaging in dam foundation grouting work as the initial work type for our early days, and have worked on over 75% of Japan's large-scale dams with heights of 100 meters or more. This achievement is the top in the industry.</p>	<p>● Net sales (Millions of yen)</p> <p>2,674 (2021) 2,490 (2022)</p>
<p>Civil engineering</p>	<p>We handle the full range of civil engineering work for water and sewerage systems such as pipe jacking, tunnels, bridges, and land development. In recent years, we have also been building up a track record of pipe-jacking construction projects overseas.</p>	<p>● Net sales (Millions of yen)</p> <p>1,899 (2021) 2,100 (2022)</p>

Financial and Non-Financial Highlights



Value Creation Process

External environment

- Increasingly severe climate change issues
- Acceleration of globalization
- Increased importance of supply chain management
- Logistics disruptions and interruptions caused by pandemics and conflicts
- Uncertain global economic outlook
- Low birthrates, longevity, and population decline
- Advances in technologies such as AI and the IoT, the spread of COVID-19, and the progress of diversity

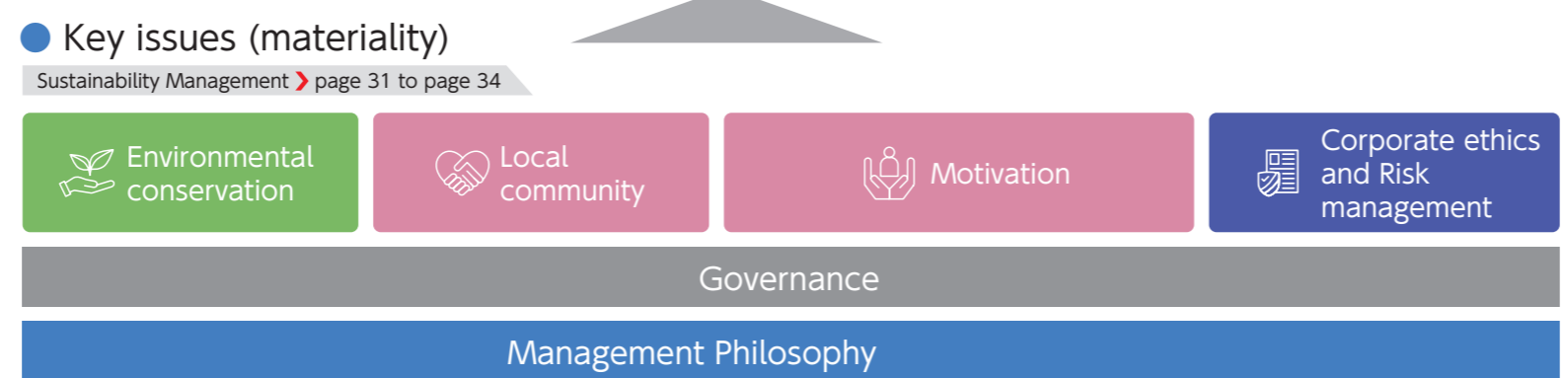
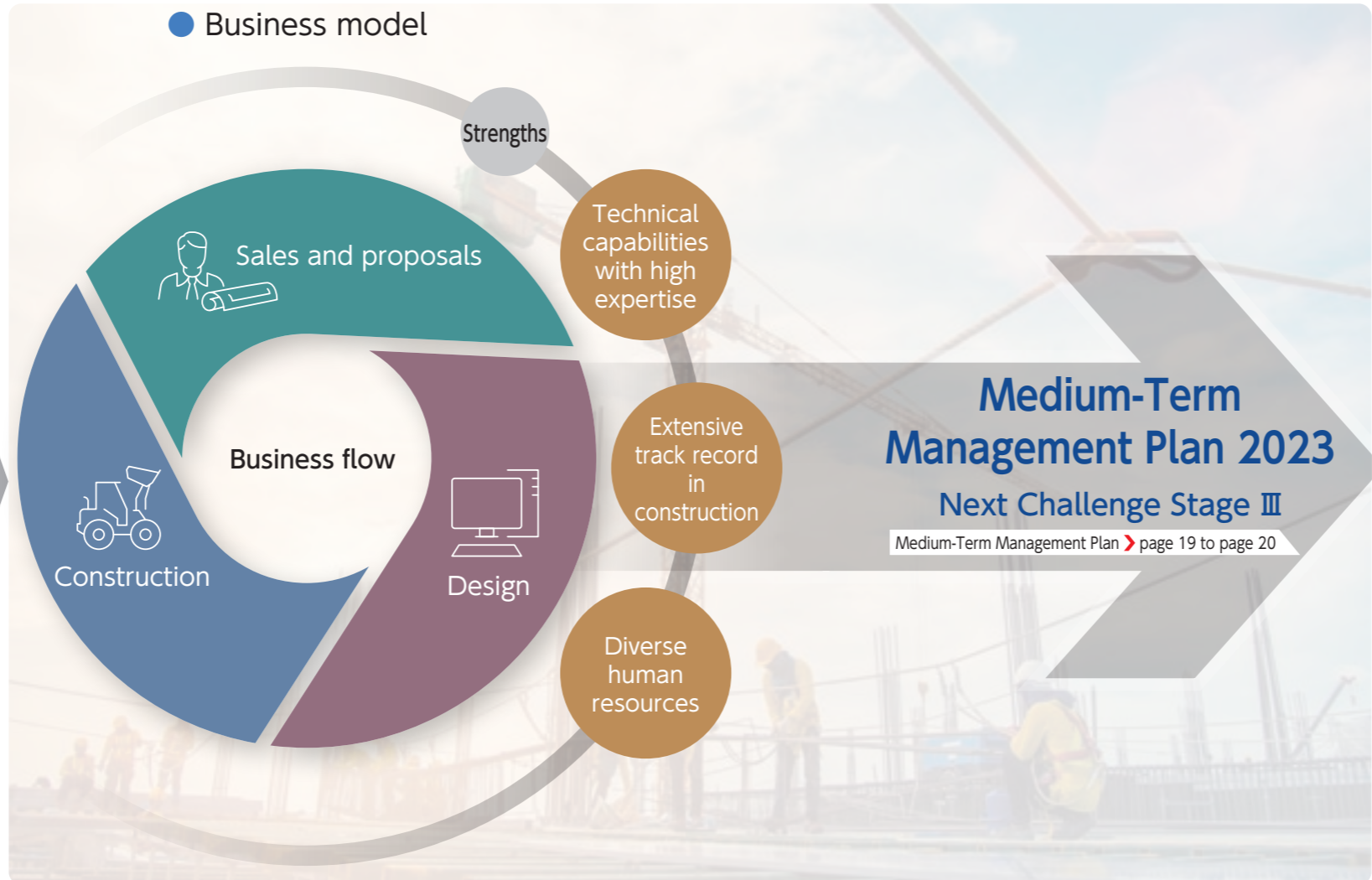
Vision

Our Motto: Continue to be a company needed by society by sincerely providing technology, precisely in the areas that cannot be seen

Brand Message: Our pride comes from what we achieve, precisely in the areas that cannot be seen

INPUT

<p>Financial capital</p> <p>Total assets ¥52,809 million Net assets ¥32,127 million Free cash flows ¥870 million</p>
<p>Manufactured capital</p> <p>Sales sites Domestic 54 sites Overseas 2 sites Capital investment ¥1,352 million</p>
<p>Intellectual capital</p> <p>Number of patents held 121 Number of patent applications 20 Number of patent applications for developed technologies 764</p>
<p>Human capital</p> <p>Number of employees (consolidated) (Total of 1,074 employees) Domestic 999 Overseas 75 First-Class Civil Engineering Managers 648 Second-Class Civil Engineering Managers (Civil Engineering) 513 Professional Engineers and Assistant Professional Engineers 299 Slope Protection Works Managing Engineers 172 Employee construction fields Civil engineering 49% Soil and geology 19% Building construction 14% Agriculture and agricultural engineering 8% Other 3%</p>
<p>Social and related capital</p> <p>Number of Group companies 6 Number of regular Nisshinkai members (Number of subcontractors) 248 Number of cooperation agreements on disaster management signed (Ministry of Land, Infrastructure, Transport and Tourism national highway offices, local governments, etc.) 39 Business transactions 847 (current fiscal year)</p>



OUTPUT Fiscal 2022

<p>Slope protection</p> <p>Net sales</p> <p>¥34,055 million</p>
<p>Ground improvement</p> <p>Net sales</p> <p>¥21,743 million</p>
<p>Maintenance and renovation</p> <p>Net sales</p> <p>¥6,605 million</p>
<p>Pile foundation</p> <p>Net sales</p> <p>¥4,712 million</p>
<p>Dam grouting</p> <p>Net sales</p> <p>¥2,490 million</p>
<p>Civil engineering</p> <p>Net sales</p> <p>¥2,100 million</p>

OUTCOME

Three-year performance targets (2023 to 2025 target)

Orders received ¥2,237 million
 Net sales ¥2,187 million
 Operating profit ¥161 million
 Ordinary profit ¥162 million
 Profit ¥108 million

- Sales targets (fiscal 2025)**
 - ① Expand ground improvement work → Orders received/net sales of completed construction contracts: ¥23.0 billion (30% or more of total)
 - ② Expand private-sector orders → Orders received: ¥23.0 billion (30% or more of total)
 - ③ Expand structural renovation work → Orders received: ¥10.0 billion
 - ④ Level out construction volume → Construction work during the first half: 50% of total (¥37.0 billion)
- Performance targets**
 - ① Operating profit → 3-year average: ¥5.4 billion or more
 - ② Operating profit margin → 3-year average: 7.4% or more
- Financial indicators (fiscal 2025)**
 - ① PBR (share price/net assets per share) → 1.3 times or more
 - ② ROIC (operating profit after taxes (operating profit x (1 - effective tax rate)) / invested capital (interest-bearing debt + net assets)) → 10% or more
 - ③ EBITDA (operating profit + depreciation) → 3-year average: ¥6.1 billion
- Shareholder return goals**
 - ① Pay dividends equal to or greater than those paid in the previous fiscal year.

Reinvestment



We create working environments in which our employees feel pride in their work, staying true to what makes NITTOC's uniqueness and establishing a brand that earns the trust of our customers.

Yasuo Wada
President & Representative Director

Message from the President

Opening

I am Yasuo Wada, President & Representative Director of NITTOC CONSTRUCTION CO., LTD. I would like to take this opportunity to extend my gratitude to our shareholders, investors, clients, local communities, and other stakeholders for the understanding and support to the management of the NITTOC Group. In recent years, dialogue with shareholders and investors and collaborative value creation with diverse stakeholders are becoming more important than ever. As such, we have created and published this integrated report.

With the support of our stakeholders, we were able to celebrate our 75th anniversary in December of last year. The NITTOC Group has expanded its operations, and has been involved in dam grouting for 97 of the 169 dams nationwide managed by the Ministry of Land, Infrastructure, Transport and Tourism and the Japan Water Agency. We also have one of the top market shares in Japan in the slope protection field. At the Japan Federation of Construction Contractors Awards, which recognize excellence in social capital, the NITTOC Group has won the Civil Engineering Award four years in a row, ever since the award was first presented in 2020. This is evidence of the high acclaim that the NITTOC Group's technologies and techniques have received within the industry.

The NITTOC Group will continue to be a company needed by society by sincerely providing technology, precisely in the areas that cannot be seen, with the aim of achieving sustainable growth together with all of our stakeholders. We look forward to your ongoing support.

The features and strengths of the NITTOC Group and the challenges it faces

NITTOC was established in Hokkaido in 1947, 76 years ago in the post-war era, during Japan's heyday of constructing dam power stations associated with the development of power sources. Since then, we have developed numerous technological innovations that meet contemporary societal needs, rooted in the grouting technologies used in dam foundation construction, which are the origins of the Group. We now possess over 200 technologies and construction methods. The lifeblood of the NITTOC

Group consists of what makes NITTOC's uniqueness, including its technical capabilities, established through the efforts of the NITTOC Group's members over the past 75 years: (1) the diligence of our employees who are sincerely committed to their work, (2) our proposal and construction capabilities for meeting our customers' needs and requests, (3) our flexibility stemming from our nationwide sales network, (4) our diverse customer base, and (5) our construction experts with the management strengths of a prime contractor.

At the same time, we have improved our own technical capabilities to better meet the demands of customers, progressively expanding our business scope from dams to slope protection, environmental conservation and disaster prevention, and urban regeneration. We are still in the process of dedicating our efforts to increasing order volume from the private sector in urban areas and are working to grow our business even further. To reinforce and bolster these efforts, we are now actively sharing our successes with our sales force automation (SFA) system for technical sales throughout the NITTOC Group, at the organization level. As a result, although the number of private-sector urban area projects is low, it is steadily growing. In our previous Medium-Term Management Plan 2020, our targets for fiscal 2020 were ¥66.4 billion in orders received, ¥64.4 billion in net sales, and ¥4.0 billion in operating profit, and our actual results were ¥67.8 billion in orders received, ¥68.0 billion in net sales, and ¥5.4 billion in operating profit. In fiscal 2021, our targets were ¥70.5 billion in orders received, ¥69.4 billion in net sales, and ¥4.5 billion in operating profit, and our actual results were ¥71.6 billion in orders received, ¥66.1 billion in net sales, and ¥4.5 billion in operating profit. In fiscal 2022, our targets were ¥77.2 billion in orders received, ¥71.5 billion in net sales, and ¥4.8 billion in operating profit, and our actual results were ¥75.0 billion in orders received, ¥72.9 billion in net sales, and ¥5.5 billion in operating profit. These results have been steadily rising, year on year. Although we have only just begun with these initiatives, we will efficiently share our successes within the Group going forward. To put it in my own words, we will strive to "offer proposals that strike a chord with customers," and bolster our ability to steadily and continuously take on new orders for private-sector projects in urban areas.

Message from the President

The spirit underlying our new motto and brand message

In conjunction with the launch of our current Medium-Term Management Plan 2023 (please see details on page 19 and page 20), we formulated a new motto, “Continuing to play a vital, behind-the-scene role in society through dependable construction technologies,” and a new brand message, “We have our pride, just where you can’t see it.”

Due in part to the fact that we are a BtoB company, and that orders are placed with us by government agencies and core private-sector companies, we can be described as a company that only people in the know are familiar with, a quiet but powerful presence supporting social infrastructure from behind the scenes. Furthermore, the dam grouting technologies that are the NITTOC Group’s pride are technologies that build a second underground dam directly below massive dams full of water to prevent water from leaking through below. This means that the sites where we engage in work look the same before and after it is done, making it hard to understand what exactly we do.

However, these technologies are the source of pride in our work, and they are the origin of all of the technical services we currently offer. I would even go a step further to say that they are the very reason for the existence of the NITTOC Group. Based on our reaffirmed understanding of these factors, we redefined our motto and brand message to better share with the world what it means to be the NITTOC Group, where field personnel feel pride in their work and produce results while staying true to what makes NITTOC’s uniqueness. In the future, we will further enhance our brand message communication strengths both inside and outside the Company, thereby improving employee engagement, securing personnel, heightening society’s awareness of the importance of the NITTOC Group, and bringing in new orders.

Backcasting from our vision for a decade into the future to formulate the new Medium-Term Management Plan 2023

The NITTOC Group has now set out on its new Medium-Term Management Plan 2023. There were two key discussion points in formulating this plan.

The first, with regard to our motto and brand message, was how to ensure that employees felt pride while engaging in their work without losing sight of what makes NITTOC’s uniqueness, establishing our brand, and earning the trust of our customers.

The second was what our vision for the NITTOC Group should be a decade from now, under the prediction of long-term trends of shrinking public works projects, the emergence of new business opportunities as we fully enter an age of maintenance and renovation, and a reappraisal of dams in terms of hydroelectric power as a source of clean energy.

We deliberated and discussed these matters from an integral perspective, and in formulating Medium-Term Management Plan 2023, we backcast by defining our vision for the NITTOC Group 10 years into the future and working back from them, instead of forecasting by starting from the current situation and cumulatively adding up figures and strategies. This is to say that the three years of Medium-Term Management Plan 2023 are the first stage in achieving our vision for a decade from now. We have only defined a broad vision for the NITTOC Group 10 years from now, and we have yet to narrow down its details. However, I hope that our shareholders will understand our dedication to continuing to supply social infrastructure and protect the lives and property of the people who use it, without being affected by short-term changes in the surrounding environment.

In addition, we are also engaging in research and development aligned with these efforts. Our Engineering and Development Division is working with several universities on the development themes we have selected with an eye to the coming decade, such as AI utilization, XR technologies, and environment-friendly materials.

Tackling the key challenges of securing and developing human capital, improving productivity, reinforcing health, safety, and quality management, promoting sustainability management, and taking up challenges in new fields

In Medium-Term Management Plan 2023, we are carrying on and expanding the initiatives of our previous medium-term management plan by tackling five key challenges to realize our newly defined credo and brand message. These include “securing and develop-

ing human capital” and “improving productivity.”

To reiterate what I mentioned earlier, we anticipate a long-term trend going forward of expanded renovation work, reinforcement work, and updating work, as we fully enter an era of maintenance and renovation of social infrastructure. It will be a business environment in which companies with the frameworks essential for engaging in such business will succeed. This will become a prerequisite for corporate growth when we also take into consideration issues such as the so-called “2024 problem.” Led by this belief, we have set securing and developing human capital as one of our top tasks in the new Medium-Term Management Plan. These efforts will be focused on recruiting exceptional personnel, having them work with us for the long term, educating and training them, and developing them into engineers that our customers trust and rely on.

Furthermore, as I mentioned earlier, we are also focusing our efforts on increasing the number of urban civil engineering projects. As mechanized construction has made tremendous strides in this field, and employee efficiency is high, it has the potential to contribute to work style reforms. Of course, it will also serve as a stable revenue-generating platform. As above, improving productivity can truly bring about diverse benefits. Going forward, we plan to work harder than ever to increase the share of our work in the high-productivity construction field and to utilize technology to mechanize our construction work.

In addition to these two challenges, our Medium-Term Management Plan will take on three other challenges: “reinforcing health, safety, and quality management,” which is the foundation of creating comfortable working environments, “promoting sustainability management” for meeting the needs of the times and the society, and “taking up challenges in new fields” with M&As in mind as extensions of our current business.

Outlook for fiscal 2023, the first fiscal year of Medium-Term Management Plan 2023

During the previous fiscal year, several major projects, including an overseas project (a major ground improvement project in Indonesia) progressed steadily and our business performed strongly. Due to this, at present, we expect orders received and

major profit items to fall year on year in fiscal 2023, the first year of Medium-Term Management Plan 2023. However, within Japan, we have started the year with more in-process projects than we had at the start of the previous fiscal year. Therefore, we believe that we will be able to minimize the year-on-year decline.

Furthermore, in fiscal 2023, we are anticipating the results of the benefits of introducing two core systems. One will be the benefits from the operation of our sales force automation (SFA) system, which I mentioned earlier. The second will be the benefits of the construction management system we are deploying as part of our onsite management operation DX efforts. This construction management system, which we will introduce this year, is a core system that was built by gathering feedback from the field through close communication between the DX Promotion Department, Corporate Strategy Division and worksites, and using them to reconstruct the system through cycles of trial runs.

The era in which all fieldwork can only be performed in the field is now of the past. At present, remote technologies can be used to send data from the field to sales offices and branches, where office staff can perform data processing and send the results back to the field. Through this approach, we hope to minimize the burden placed on onsite personnel and raise efficiency as much as possible, thereby improving work precision and achieving work style reforms.

Our fundamental approach to capital cost-conscious management

In the final year of Medium-Term Management Plan 2023, we have set not only sales and profit targets, but also the capital profitability-related KPI of PBR of 1.3 times or more, ROIC of 10% or higher, and a three-year average EBITDA of ¥6.1 billion. Looking back, there is no denying that to date, our management has been somewhat lacking in the attention it has paid to capital profitability. This is a shortcoming that we take very seriously. As such, we have also set capital profitability-related KPI in our medium-term management plan targets to respond to the current demands of the market, such as from shareholders and investors, and improve our recognition and positioning within the stock market.

Message from the President

Furthermore, we have adopted ROIC as a financial indicator as the clearest example of our operating profit focus.

In the past 15 years, the Company formulated five medium-term management plans and positioned them as follows: “Creation of a Newborn NITTOC,” “Establishment of Stable Management Foundations,” “Challenge for Growth,” “Next Challenge Stage I,” and “Next Challenge Stage II.” We have implemented various measures through each of these stages. During the first medium-term management plan, “Creation of a Newborn NITTOC,” we were facing a financial crisis and were implementing a policy of “capital-free” management, spending as little money as possible. In the 15 years that have passed, we have been able to recover financially to a considerable degree. In the next three years, we will therefore aim to achieve a consolidated operating profit of ¥16.1 billion (total of three years), which represents a 5% growth compared to the operating profit recorded for the previous medium-term plan period. We plan to actively and continuously invest these profits in capital investment and to improve employee compensation.

Sustainability Management for the NITTOC Group

In June 2023, the NITTOC Group formulated its Basic Policy on Sustainability. This policy clearly sets forth the Group’s active efforts to assist with recovery and restoration efforts in the event of natural disasters, and its promotion of the development of environment-friendly and sustainable technologies that contribute to the realization of a decarbonized society. In addition, not to mention our policy for respecting human rights, it states our commitment to creating workplace environments where diverse personnel respect each other and thrive.

Based on this Basic Policy on Sustainability, the NITTOC Group is implementing various initiatives in each of the Environmental, Social, and Governance fields. However, in principle, the Group does not intend to launch initiatives that merely follow or imitate leading ESG companies in an effort to surpass them. Instead, we will assess the current situation with respect to our human capital, accurately grasp the contributions we can make in line with the business of the NITTOC Group, and steadily

implement initiatives that are achievable only by the NITTOC Group.

One of these initiatives is our promotion of cooperation agreements on disaster management with NEXCO and local governments. Floods, typhoons, and other natural disasters have become increasingly common across Japan in recent years, and the occurrence and damage caused by these disasters have also been growing year over year. As this state of affairs is highly likely to continue in the future, we will continue to improve our systems to enable us to rapidly mobilize in the event of a disaster and promptly engage in restoration efforts. This is one of the major social contributions that the NITTOC Group can make, and we consider it to be one of the Group’s missions.

The environmental contributions through the course of our business are also a key point in our sustainability promotion efforts. We are already engaging in business activities that contribute to environmental conservation, such as using construction methods that do not produce waste, conducting greening in our slope protection work, and using materials made from reused resources. In each of our construction projects, the technology proposals of the NITTOC Group have been highly praised and frequently adopted. We plan to further increase the development and market deployment of these environmental technologies.

Since May 2022, the Sustainability Committee, which I chair, has been assessing the risks and opportunities presented by changes in the surrounding environment and engaging in discussions aimed at identifying key issues (materiality) that affect our operations. The results of these efforts are shown on page 31 to page 34. We do not consider materiality as consisting solely of risks, but also of opportunities. To combat climate change, we will reduce CO₂ emissions through various measures we carry out in the course of our business activities, and contribute to the realization of a decarbonized society. With respect to biodiversity, we will work to conserve biodiversity and engage in efforts to use it sustainably through our construction business, and contribute to the creation of a society in which humans live in harmony with nature. Through these initiatives to address the materiality, we will help protect our planet’s environment while also creating new business opportunities for us as a company that con-

ducts disaster prevention work.

Message to stakeholders

75 years have passed since the Company was first founded, and now we have set out on a new path for achieving our vision for the NITTOC Group 10 years into the future, led by our new credo and brand message. The first stage of this process was the formulation and launch of the Medium-Term Management Plan 2023. I believe that what is most important for the NITTOC Group, not just for the three years of this plan but throughout the 10 years, will be the employees who support the NITTOC Group.

Again, the NITTOC Group is a quiet but powerful presence supporting societal infrastructure from behind the scenes. We do not ever stand out. However, we are also a company that society constantly relies on, both in the event of a disaster and also in everyday life. All of our employees, regardless of gender, understand this and demonstrate what makes NITTOC unique, the engineering ethics, and a strong sense of pride in their day-to-day work. I hope to be able to shine an even stronger spotlight on our

employees and the work they do. It is with this spirit and this aim that we have decided to formulate a brand message and enhance our information communications. Due to the nature of the NITTOC Group’s business, many of our projects are at small worksites, and a large proportion of the approximately 2,000 projects we do each year are so-called “solo worksite” projects. Under such circumstances, the NITTOC Group not only strives to improve health and safety measures at worksites and provide physical care, but also places great importance on mental care for onsite workers. This includes using business chat to provide support to onsite employees.

In this manner, we create working environments in which our employees feel pride in their work, staying true to what makes NITTOC unique and establishing a brand that earns the trust of our customers. Furthermore, through our business, we will always consider the significance of the Company’s existence, envisioning the ideal future from a long-term perspective, so that both people and the Company can grow together. We appreciate your further anticipation of what the future holds for the NITTOC Group.



Looking Back on the Previous Medium-Term Management Plan

Business strategy

We will aim to secure workers and improve productivity centered on the achievement of work style reforms, secure customer trust, meet the expectations of the market, and grow our business. At the same time, we will anticipate long-term changes in the construction market and strengthen technical and sales capabilities in the maintenance and renovation field, aiming to grow market share with superior technology development.

Key measures

Secure and develop human resources

- Increase hiring of field employees (including career hires)
- Reduce turnover rate

Improve productivity

- Expand ground improvement volume (increase volume of business)
- Improve productivity through mechanized spraying
- Promote construction volume in the first half of the fiscal year and level out construction volume

Develop slope repair technology

- Create a slope repair market
- Develop slope repair and reinforcement technology and deploy it in the field

Take on challenges in new fields

- Expand business areas (overseas business expansion)
- Expand types of works
- Respond to local requirements

Summary

In addition to the budget for enhancing national resilience, the volume of public works projects remained at a high level due to the occurrence of large-scale natural disasters. As a key measure in such an operating environment, we worked to receive orders for ground improvement work with high productivity and unique construction methods with high profit margins. As a result of this, we exceeded the performance plan and achieved an operating profit of 115% for the three-year period compared to the previous plan. The profits earned were allocated to improvements in employee salaries, capital investments in machinery, and shareholder returns as we worked toward enhancing corporate value.

Performance plan

Consolidated	Fiscal 2020		Fiscal 2021		Fiscal 2022		2020 to 2022 Total		
	Medium-Term Management Plan	Results	Medium-Term Management Plan	Results	Medium-Term Management Plan	Results	Medium-Term Management Plan	Results	Vs. targets
Orders received	66.4	67.8	70.5	71.6	72.2	75.0	209.1	214.5	103%
Net sales	64.4	68.0	69.4	66.1	71.5	72.9	205.3	206.9	101%
Operating profit	4.0	5.4	4.5	4.5	4.8	5.5	13.3	15.3	115%
Profit	2.6	3.5	2.9	3.3	3.2	3.5	8.8	10.4	118%
Equity ratio	51.2%	55.1%	51.8%	58.8%	52.4%	60.3%	-	-	-
EBITDA	4.4	5.8	4.9	5.0	5.3	6.0	14.7	16.8	114%

Shareholder returns

The dividend payout ratio significantly exceeded the target of 40% or more.

2020	2021	2022	Three-year average
42.9%	50.1%	53.2%	48.7%

Outcomes of key measures

Key measures | 1 Secure and develop human capital

Medium-Term Management Plan 2020 final year targets	Results	Evaluation
Increase the number of engineers by 50 per year (target +23 for each fiscal year)	41	△

New graduates were hired almost as planned. However, due to some employees leaving, the increase in personnel fell short of the plan.

Although the hiring of new graduates for the three years during the current Medium-Term Management Plan period was challenging due to the COVID-19 pandemic, we have managed to meet the number of hires as planned. However, the target of a 50-person increase over three years was not reached due to some turnover occurred.

Key measures | 2 Improve productivity

Medium-Term Management Plan 2020 final year targets	Fiscal 2022 results	Evaluation
Ground improvement work Net sales of completed construction contracts: ¥20.0 billion	¥21.7 billion	○
Construction volume in the first half of the fiscal year: 48% of the annual construction volume First quarter construction volume: 22.5% of the annual construction volume	First half: 46% (¥30.9 billion) 1Q: 20%	△

As a productivity indicator, aiming for a 5% increase in PH construction volume, we shared and carried out the significance of key measures throughout the Company such as expanding orders for ground improvement work and acquiring construction work from carried-over projects at the beginning of the fiscal year in order to increase construction volume in the first half of the fiscal year when there is room in the construction system. As a result, we successfully achieved our targets. Although the ratio of construction volume in the first half did not meet the target, the measures are beginning to take root.

Key measures | 3 Develop slope repair technology

Medium-Term Management Plan 2020 final year targets	Fiscal 2022 results	Evaluation
Slope repair work Net sales of completed construction contracts: ¥10.0 billion	¥11.2 billion	○

With regard to slope repair construction, stable orders were secured thanks to the expansion of established construction methods and the growing demand for recycling methods. Regarding the automation of the spraying method, research and development and demonstration construction have progressed smoothly, and it has reached the point of market introduction, as we move further forward toward practical application in the future.

Key measures | 4 Take on challenges in new fields

Medium-Term Management Plan 2020 final year targets	Fiscal 2022 results	Evaluation
Overseas business expansion Independent operation of the Indonesian subsidiary Establishment of a second base	7th anniversary of the establishment of the local subsidiary Preparation for the establishment of a representative office in the Philippines (restrictions on activity due to the COVID-19 pandemic)	○
Expand types of works Repair technology Construction types that have an advantage in niche markets	Technical information exchange with repair companies and negotiations with material manufacturers	△
Respond to local requirements Establishment of local slope contractor Capital alliance with existing slope companies	Establishment of Fukui Earth Engineering Co., Ltd. as a regional subsidiary Discussions with slope contractors, M&A efforts with ground improvement work contractors	○

Despite the impact of the COVID-19 pandemic, we successfully built up a track record overseas, including orders for large-scale ground improvement projects in Indonesia. Going forward, we plan to further expand our business, considering the Philippines as a second base candidate. Fukui Earth Engineering Co., Ltd. was established in Fukui Prefecture to address local requirements.

In order to improve productivity, we aim to further expand ground improvement work with high construction efficiency.

We will also focus on promoting sustainability management.

➔ **New Medium-Term Management Plan** ➤ page 19 to page 20

Medium-Term Management Plan 2023 (Fiscal 2023 to Fiscal 2025) —Next Challenge Stage III—

Business strategy

Create an environment in which workers can engage in business with pride without losing sight of what makes NITTOC unique,* earn customer trust, and establish a brand. Through our business, we will always consider the significance of the Company's existence, envisioning the ideal future from a long-term perspective, so that both people and the Company can grow together.

* "What makes NITTOC unique" refers to (1) the diligence of our employees who are sincerely committed to their work, (2) our proposal and construction capabilities for meeting our customers' needs and requests, (3) our flexibility stemming from our nationwide sales network, (4) our diverse customer base, and (5) our construction experts with the management strengths of a prime contractor

Challenges in achieving our business strategy

Challenges	
Response to the internal environment <ul style="list-style-type: none"> Decrease in personnel due to aging of key personnel and a deteriorating new hiring environment Increase in workload for mid-level employees due to distortion of age structure and a slowdown in training plans Control of overtime work Decrease in the direct-to-indirect ratio Increase in administrative expenses 	<ol style="list-style-type: none"> 1. Securing and developing human capital <ul style="list-style-type: none"> Securing employees for hiring, diverse working styles, improvement of workplace environment and compensation, training of employees and subcontractors 2. Improving productivity <ul style="list-style-type: none"> Expansion of ground improvement and structural repair, stable orders for large projects, construction leveling, and mechanization 3. Strengthening safety, health, and quality management <ul style="list-style-type: none"> Enhancement of temporary equipment plans, sincere construction, risk hedging in advance, multifaceted patrols 4. Promoting sustainability management <ul style="list-style-type: none"> Development and promotion of environmental impact reduction technology, control of greenhouse gases, ESG policy and its implementation 5. Taking on challenges in new fields <ul style="list-style-type: none"> Promotion of research and development of new construction methods, expansion of business domains, forming alliances with local companies
Response to the external environment <ul style="list-style-type: none"> Compliance with the revised Labor Standards Act 2024 Promotion of ESG management Support for DX Development of repair and reinforcement technologies Expansion of established business domains 	

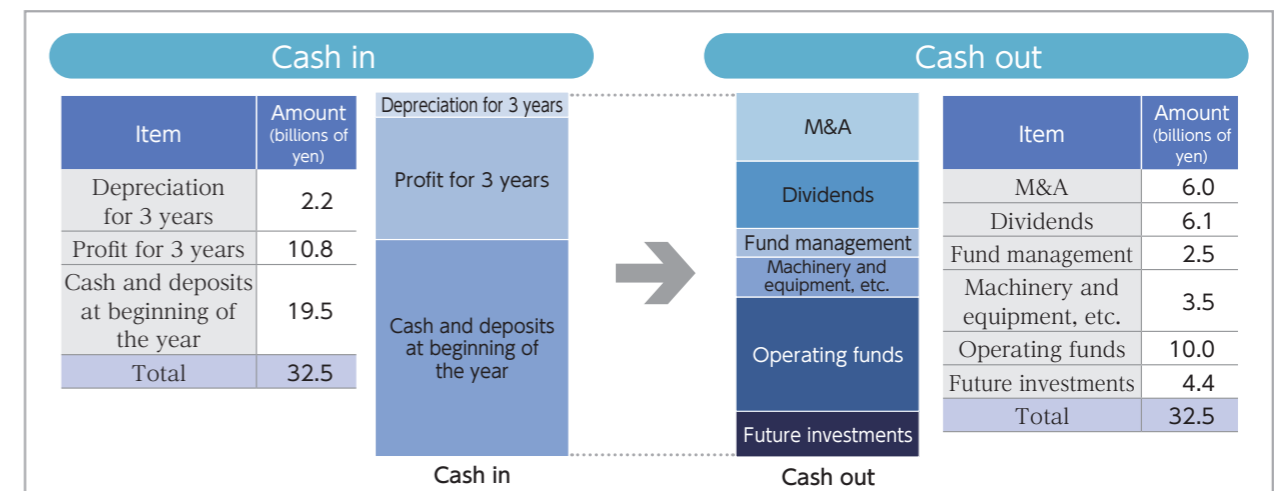
Management goals and target indicators

1 Sales targets (Fiscal 2025)	<ol style="list-style-type: none"> Expansion of ground improvement work → Orders received and net sales of completed construction contracts: ¥23.0 billion (more than 30% of total) Expansion of private sector orders → Orders received: ¥23.0 billion (more than 30% of total) Expansion of structural repair work → Orders received: ¥10.0 billion Construction leveling → Construction volume in the first half: 50% of total (¥37.0 billion)
2 Performance indicators	<ol style="list-style-type: none"> Operating profit → Three-year average: ¥5.4 billion or more Operating profit margin → Three-year average: 7.4% or more
3 Financial indicators (Fiscal 2025)	<ol style="list-style-type: none"> PBR (share price/net assets per share) → 1.3 times or more ROIC (operating profit after tax (operating profit x (1 - effective tax rate)) / invested capital (interest-bearing debt + net assets)) → 10% or more EBITDA (operating profit + amortization) → Three-year average: ¥6.1 billion
4 Shareholder return goals	<ol style="list-style-type: none"> Pay dividends equal to or greater than those paid in the previous fiscal year.

Performance plan

Consolidated	2017 to 2019 results	2020 to 2022 results	(Billions of yen)	
			2023 to 2025 plan	Compared to the previous plan period
Orders received	192.6	214.5	223.7	104%
Net sales	191.7	206.9	218.7	106%
Operating profit	13.0	15.3	16.1	105%
Operating profit margin	6.8%	7.4%	7.4%	
Ordinary profit	13.0	15.5	16.2	105%
Profit	8.7	10.4	10.8	104%
Depreciation	0.9	1.5	2.2	—
EBITDA	13.9	16.8	18.3	109%

Profit distribution



Promotion of sustainability management

E nvironment	<ul style="list-style-type: none"> Biodiversity Conservation activities through business, achievement of society where humans and nature coexist 	S ocial	<ul style="list-style-type: none"> Occupational safety and health Improvement of safety and health environment, noise control 	G overnance	<ul style="list-style-type: none"> Corporate ethics and corruption prevention Risk reduction by instilling a culture of ethics through education and internal controls
	<ul style="list-style-type: none"> Climate change Development of contributing construction methods, energy conservation, and use of renewable energy 		<ul style="list-style-type: none"> Human rights and labor standards Respect for the human rights of all supply chain companies 		<ul style="list-style-type: none"> Risk management Establishment of a Compliance Committee and Risk Management Committee chaired by the President, and improvement and guidance to major risks
	<ul style="list-style-type: none"> Pollution and resources Control of industrial waste and pollutants 		<ul style="list-style-type: none"> Stakeholders Achieving a strong reputation among all stakeholders 		
	<ul style="list-style-type: none"> Ensuring water security Reduction of water used in construction, proper drainage 				

Business Segment-Specific Strategies

Specialty Construction Department (ground improvement work and slope protection work)



Sales targets (fiscal 2025)

- 1 Expansion of ground improvement work
 - Orders received and completion volume: **¥23.0 billion** (more than 30% of total)
- 2 Expansion of private sector orders
 - Orders received: **¥23.0 billion** (more than 30% of total)
- 3 Expansion of structural repair work
 - Orders received: **¥10.0 billion**
- 4 Construction leveling
 - Construction volume in the first half: **50% of total (¥37.0 billion)**

Looking back on the previous fiscal year

Recently, natural disasters such as earthquakes, typhoons, and heavy rains have become more severe and frequent in Japan. Disaster mitigation and prevention measures are becoming increasingly important. Although the reconstruction work from the Great East Japan Earthquake has settled, disaster prevention and mitigation work for important structures continues to be implemented based on the Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience. For private business operators including electricity and railways, where construction orders had been postponed due to the impact of the spread of COVID-19, a recovery trend is gradually being seen.

Ground Improvement Work Department

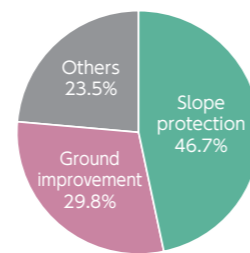
In the previous fiscal year, we achieved a significant improvement in business results by receiving orders for large-scale construction such as reinforcement work for power plants and ground improvement work in social infrastructure development projects as disaster prevention and mitigation measures. Ground improvement work by private business operators is on the rise. We have been improving business performance with the goal of expanding ground improvement work. Although they were affected by the spread of COVID-19, orders for ground improvement work have been on an upward trend. Orders in the previous fiscal year exceeded ¥20.0 billion, marking a record high, due in part to large-scale orders with our in-house developed technology. We aim to increase orders for ground improvement and improve productivity.

Slope Protection Work Department

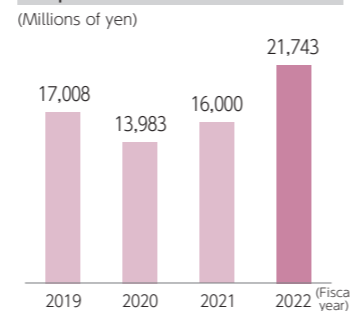
In the previous fiscal year, we were able to maintain a performance similar to the previous year by receiving orders for large-scale construction such as slope protection work (frame work, rock bolts) and embankment reinforcement as disaster prevention and mitigation measures.

We aim to secure stable work volume in projects such as social infrastructure development projects and Shinkansen bullet train tunnel entrance protection construction.

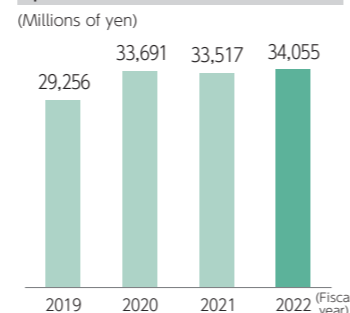
Sales composition ratio by types of works



Net sales for ground improvement work



Net sales for slope protection work

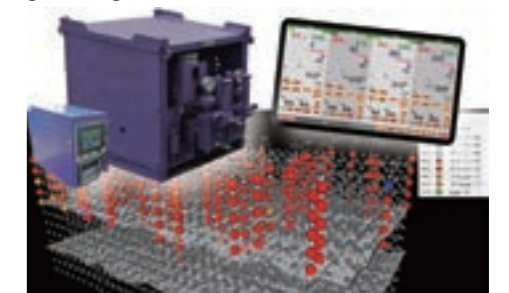


Future measures for achieving the Medium-Term Management Plan

With the increasing severity and frequency of disasters such as heavy rains caused by global warming, renewable energy that does not emit greenhouse gases and that can be produced in Japan is gaining attention. An increase in construction work for renewable energy facilities such as solar power, hydropower, wind power, geothermal power, and biomass is expected. Maintenance and renovation work is also expected to increase for existing hydropower generation facilities. In addition, the construction industry plays a significant role in enhancing national resilience. We will continue to be a company that contributes to building safe and secure societies and countries, actively incorporating ICT construction technology for quality management, quality improvement, and construction efficiency improvement, as well as digital technologies in order to roll out construction systems that achieve automation and labor-saving. As such, we will develop the following two areas.

Ground Improvement Work Department

In ground improvement work, there are expectations for ground strengthening works for structure foundations and repair and reinforcement work for existing structure foundations. In particular, for works related to existing structures, ground improvement work methods that can be done with small machines are being adopted due to construction yard limitations. We will increase orders for ground improvement work through technical proposals that meet on-site needs. We will also actively incorporate ICT into construction to improve quality and construction efficiency. Moreover, we will enhance the application of position guidance systems for the deep mixing method, etc., and the visualization technology for construction with chemical grouting methods, and utilize ICT to improve productivity.



Visualization technology for the chemical grouting: Grout Conductor

Slope Protection Work Department

We will actively incorporate ICT construction technology for quality management, quality improvement, and construction efficiency improvement, as well as digital technologies in order to roll out construction systems that achieve automation and labor-saving. We will thus develop the following two areas.



Slope surface photographed by drone → Creation of a 3D model from the photo

- Many slope structures, which were constructed in large numbers during the period of high economic growth in Japan, are aging. We will develop slope repair and reinforcement technology to extend their service life.
- We will also develop greening technology that utilizes forest topsoil and locally generated soil in consideration of the ecosystem.

Business Segment-Specific Strategies

TOPICS — Specialty Construction Department (ground improvement work and slope protection work)

NITTOC has been awarded the Civil Engineering Award established by the Japan Federation of Construction Contractors for four consecutive years since fiscal 2020 as a related party. We will introduce the award-winning construction projects here.

1st Yamba Dam main body construction work

Achieved significant shortening of the schedule while ensuring high quality

2nd Hokusatsu Tunnel Izumi Construction Area of Hokusatsu Odan Road

Development of the RPG (ring-post-grouting) method for reducing large amounts of spring water in mountain tunnels

3rd Senbon Dam Seismic Reinforcement and Refurbishment Project

100 years of supporting the lives of citizens, maintaining infrastructure as cultural heritage for another 100 years

Seismic reinforcement of a 100-year-old concrete dam for water supply designated as a tangible cultural property while continuing to supply water

Types of works: Vertical PS anchor method

Senbon Dam, an overflow, rubble concrete gravity dam built in March 1918, did not meet the current seismic standards for overturning prevention. Therefore, PS anchoring was carried out from the top of the dam toward the foundation bedrock to reinforce the earthquake resistance of the dam body.



Provided by the Japan Federation of Construction Contractors

4th Civil Works for Kita-osaka Kyuko Line Extension Project

Removal of obstructions and shield tunneling close to a 49-story high-rise apartment building, with the consensus of residents

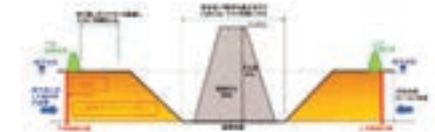
The annual comprehensive catalog NITTOC 2023 features a construction photo of the 3rd Senbon Dam Seismic Reinforcement and Refurbishment Project on its cover.



Ground improvement work

Development technology: construction with new sleeve grouting method

Name of project	Chokai Dam cofferdam (diaphragm wall) construction
Construction location	Chokaimachi Momoyake, Yurihonjo City, Akita Prefecture
Client	Chokai Dam Construction Office, Tohoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism
Orderer	Maeda Corporation
Construction period	October 25, 2021 to October 31, 2023



This grouting work was performed to create a cut-off wall as part of the cofferdam construction work for the Chokai Dam construction project. This cofferdam construction work aims to suppress water intrusion for excavating approximately 40 meters of the riverbed gravel bed during the dam body construction.

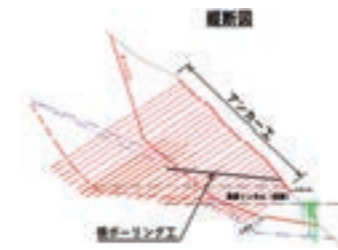
Because there were more boulders than expected, it made deep construction difficult with the planned construction method. Deep construction using the double-tube double-packer method was considered, and the work was performed using the new sleeve grouting method.



Slope protection

Large depth, large diameter anchors

Name of project	Takahara Tunnel Upper Slope Stabilization Work
Construction location	Sako, Kawakami Village, Yoshino District, Nara Prefecture, Japan
Client	Kinokawa Dam General Management Office, Kinki Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism
Orderer	HAZAMA ANDO CORPORATION
Construction period	March 1, 2021 to February 29, 2024



The Takahara Tunnel on National Route 169 (in Sako, Kawakami Village, Yoshino District, Nara Prefecture) was closed due to cracks in the construction near the south entrance of the tunnel. (Currently reopened)

The survey confirmed that the deformation was caused by a landslide, and 798 restraining anchors were installed as a countermeasure.

These anchors have a large diameter, with 20 long anchors exceeding 80 meters, and the excavation machine used a large percussion drill to combine drilling and sending technologies for the construction. (Construction in progress)



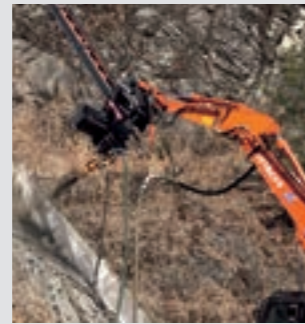
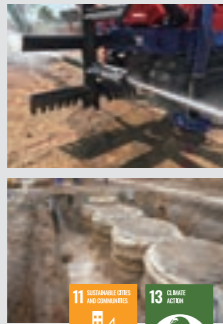
Business Segment-Specific Strategies

Technology development



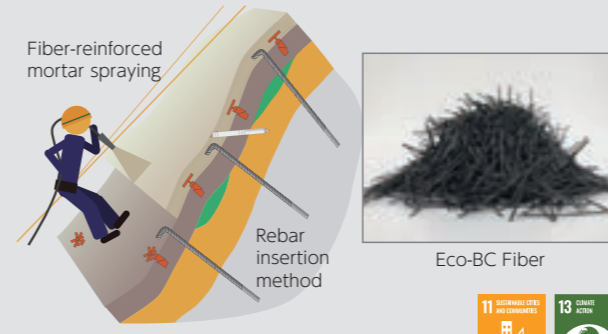
■ N-Roll Column Method

Developed using an easy-to-maneuver base machine, combining mechanical mixing and high-pressure jet mixing (completed and implemented on-site in 2022).



■ Slope Saver and Shot Saver mechanization and labor-saving technologies for slope spraying

This is a mechanized and labor-saving technology for spraying work on slopes and supplying materials from a plant. We have achieved significant labor-saving in work. We will aim for further automation and autonomous construction in the future.



■ New ReSP Method and Eco-BC Fiber

We developed and introduced Eco-BC Fiber containing 30% recycled materials for the reinforcing organic fiber used in the New ReSP Method, which repairs existing sprayed slopes without stripping.

NITTOC aims to contribute to building safe and secure societies and countries with comprehensive technical capabilities in foundation work. To realize this aspiration, we are advancing research and development of technologies related to slope and ground disaster prevention, as well as research and development of technologies to reduce environmental impacts. We are also advancing labor-saving and automation at construction sites given the worker shortage, aging of specialized engineers, and promotion of work style reforms. We aim to contribute to the construction of a sustainable society by swiftly implementing these developed technologies on-site.

Status of research and development

Under the Medium-Term Management Plan 2020, we have been working on research and development with the goals of expanding the volume of ground improvement, improving productivity through automation and labor-saving, and exploring the slope repair market. As a result, in the field of ground improvement, we have developed and improved the N-Jet Method and N-Roll Column Method, and are promoting their on-site implementation. In the slope field, we have automated the slope spraying method and completed the Slope Saver and Shot Saver to achieve significant labor savings. In slope repair, in addition to the New ReSP Method, which allows for the renewal without stripping the existing sprayed mortar, we have worked on improving and developing technologies such as the Bite Off Method and EGN Anchor, and are preparing a menu of various repair and reinforcement technologies that can respond to the deteriorated condition of slope structures.

In addition, we are improving and upgrading construction methods we developed, and also combining new technologies to make them more attractive. We combine our in-house developed technologies, such as the New Sleeve Grouting Method, Ultra-Fine Particle Cement, and Grout Conductor, to offer technologies requested by customers, leading to orders and the construction of major projects.

* For more information on each construction method, please visit our website.
<https://www.nittocon.co.jp/technology/index.html> (in Japanese)



Research and development structure

The Engineering and Development Division, Corporate Strategy Division, Business Operation Division, and other relevant departments collaborate in research and development. At the Engineering and Development Division, we have established the Geotechnical Technology Development Department, Slope Technology Development Department, and Materials and Environmental Technology Development Department at the Technology Center, which serves as the core of development, to advance the development of geotechnical disaster prevention technologies, automation and labor-saving technologies, and technologies to reduce environmental impacts. In particular, at the Materials and Environmental Technology Development Department, which was newly established in fiscal 2023, we are advancing the development of technologies for achieving a carbonless society.



Technology Center opened in 2018 as a base for development

Strategy for securing and enhancing intellectual property

To maintain a competitive advantage through the differentiation of our technologies, it's crucial to secure and enhance intellectual property and intangible assets and promote their use. NITTOC is strengthening its intellectual property strategy to increase patent applications, currently about 20 cases per year. Led by the Patent & Strategy Department, we are linking these intellectual properties with our value creation story, recognizing risks of infringement or loss of competitiveness, and working to utilize them effectively.

Initiatives to achieve the Medium-Term Management Plan 2023

We are working on research and development centered around two pillars: development of construction methods and technologies in our main fields, such as disaster prevention for slopes, ground improvement and maintenance and renovation, and exploration and development of new fields and technologies considering the state of the Company in 10 years. For the former, we will continue to develop and improve our core construction methods, promote mechanization and automation, and advance the development of construction methods, materials, and environmentally friendly technologies. For the latter, we will promptly incorporate social issues and technological information, aiming to develop innovative technologies in the new field or technologies that go beyond existing frameworks based on our characteristics and strengths.

Medium-Term Management Plan 2023

The Medium-Term Management Plan 2023 states improving productivity, promoting sustainability management, and taking on challenges in new fields as key measures for realizing business strategies. To achieve these key measures, the Engineering and Development Division is working on research and development based on the following four pillars.

- **Establishment and spread of competitive ground improvement methods**
 In addition to establishing and improving our main construction methods, we will pursue the establishment of a ground improvement system that includes construction management techniques and monitoring technologies.
- **Mechanization and automation of each method, introduction of high-precision management systems**
 We will promote further automation and autonomy along with the diffusion of completed automation and labor-saving construction methods in the field.
- **Development of technologies to reduce environmental impacts**
 We aim to reduce CO₂ through recycling and ICT-based labor-saving technologies, and develop low-carbon materials.
 We will also improve the workability and functionality of greening technologies, which NITTOC excels in, to contribute to environmental restoration and ecosystem conservation.
- **Promoting research and development in new fields and new construction methods**

Initiatives for future markets

In addition to the development of technologies that are extensions of existing fields and technologies, we are also working on the development of entirely new fields and technologies to prepare for the next generation of markets. Along with advancing basic research on new technologies, we also take on the challenge of developing disruptive technologies aimed at future commercialization. To incorporate technology information without delay and use it for development, we are strengthening partnerships with universities, public institutions, and startup companies, enhancing our development network to enable efficient development while incorporating the latest information.

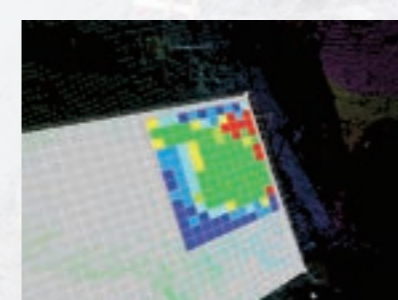
Business Segment-Specific Strategies

TOPICS — Technology Development

Steps toward the future with development technology at its core

Aiming for labor-saving and automation of labor-intensive slope protection works

Recently, damage from slope disasters has been increasing and intensifying due to abnormal weather, earthquakes, and aging slope structures. For NITTOC, which aims to contribute to building safe and secure societies and countries through specialized construction technology, this will be an opportunity to contribute to society through disaster prevention technology. On the other hand, the labor shortage due to low birthrates and longevity poses a major risk to business continuity. The Company is promoting dramatic automation and labor-saving in slope protection work to overcome this risk and continue contributing to society through slope disaster prevention measures.



Slope spraying with Slope Saver. Simultaneously monitor spraying thickness using LiDAR.

Dramatic automation and labor-saving in disaster prevention construction

As a leading company in the slope disaster prevention field, NITTOC has contributed to building safe and secure societies and countries. Continuing forward, we aim to contribute to society through slope disaster prevention works based on our unique technology developed so far.

Considering the current social situation, the top priority for NITTOC in continuing the slope disaster prevention business in the future is to improve the productivity of slope protection works, which have been carried out manually by specialized engineers under severe construction conditions. Under the Medium-Term Management Plan 2020, we established an ICT Development Department within the Engineering and Development Division and intensively worked on the mechanization and labor-saving of slope protection works.

As a result, we were able to significantly reduce manpower, shorten construction periods, and save construction space by incorporating various technologies utilizing ICT to mechanize and save labor. The safety of slope protection work, which used to be hazardous work, has also been significantly improved.

Development related to mechanization and automation tends to be costly, often ending with the creation of “one expensive robot.” NITTOC is proceeding with the development with the aim of utilizing general-purpose machines and existing machines as base machines as much as possible, considering deployment in the field after development. By quickly deploying developed technologies in the field, we aim to improve the productivity of slope protection work.

With mechanization, the construction know-how that was previously supported by the senses and experience of veteran skilled workers, can now be preserved as digital data. Based on these results, while keeping an eye on the future development of ICT, we plan to develop further automation and autonomy by incorporating XR, AI, and other technologies.

● Mechanization and labor-saving technology for slope protection works for the future

Slope Saver remote spraying technology

We have mechanized the slope spraying work that was done by people hanging from main ropes. Work is performed by attaching a specialized attachment to a general-purpose backhoe. As a real-time monitoring method for spraying thickness, we incorporate the measurement technology LiDAR and accurately manage the quality from a distance. We achieved a 40% to 70% reduction in construction period and 50% to 80% labor-saving compared to conventional methods through the development of this construction method. In addition, the safety of the work has been improved dramatically.



Spraying on rock slopes

Shot Saver automatic spraying plant

Spraying materials were supplied by the work of three to four workers, mostly specialized and skilled technicians, at the spraying plant. We promoted mechanization and labor-saving in this process. The entire plant can be controlled by a single operator from a panel to provide a continuous supply of high-quality materials. By utilizing sensors and delicate robot functions, we promoted mechanization, including areas that previously required experienced skills, allowing for a stable supply of spraying materials with a small number of people.



Plant overview and operation by touch panel

SGZAs drilling machine guidance

When setting up the drilling machine on scaffolding in the designed direction for work such as anchor work, it took time while performing processes such as surveying. We developed a technology that enabled the quick setup of drilling machines by using RTK-GNSS positioning and inclinometers. This successfully and significantly shortened the setup time compared to traditional methods. We plan to further automate drilling based on this machine guidance technology.



Setting up the machine using a monitor that guides direction and angle

Slope 3D ICT application in slope protection

Traditionally, completion management of slope protection works was performed by people directly measuring dimensions while hanging on the slope. This has been replaced by combining drone photography and photogrammetry technology to acquire high-density 3D point cloud data, enabling the measurement of any dimensions on a computer monitor. It is also applicable to slope frames with complex shapes. It can also easily calculate the volume of excavated soil on slopes and the sprayed area. This technology brings a revolutionary improvement in productivity to the management of slope protection works.



Measuring any dimensions on high-density 3D point cloud data

Main Construction Projects Completed in Fiscal 2022

Disaster recovery work

31st Disaster No. 1-2 Prefectural Road Kawano-Otoyo Line Road Disaster Recovery Work Kochi Prefecture

Main types of work	Construction length	L = 188 m
	Ground anchor method	N = 471 units (average 22.7 m)
	Concrete retaining wall	L = 158 m (H = 4.5 m)
	Excavation or cutting	V = 9,150 m ²
Construction period	December 2019 to July 2022	

The project was a recovery project for a prefectural road that was completely closed due to a slope and road failure caused by torrential rain in western Japan in July 2018. The construction spanned 188 m and included the installation of 471 ground anchors (a total of 10,700 m) for slope stabilization.



Fiscal 2021 Disaster No. 1 to No. 4 River Disaster-related Construction Work Oita Prefecture

Main types of work	Fiber-reinforced mortar spraying method	A = 6,250 m ²
	High-strength net method	A = 6,250 m ²
	Rebar insertion method	N = 1,165 units (D19 × 2.5 m)
Construction period	April 2022 to March 2023	

This project involved 6,250 m² of fiber reinforced mortar spraying and high-strength netting as revetment protection work on the Kusu River, which was damaged by torrential rains in July 2021.



Ground improvement work

Gosen Area Sanitation Facilities Association Intermediate Treatment Facility Construction Niigata Prefecture

Main types of work	Deep mixing method	N = 1,371 units (L = 14,124 m)
	Epoch-making soil mixed method	
Construction period	July 2022 to December 2022	

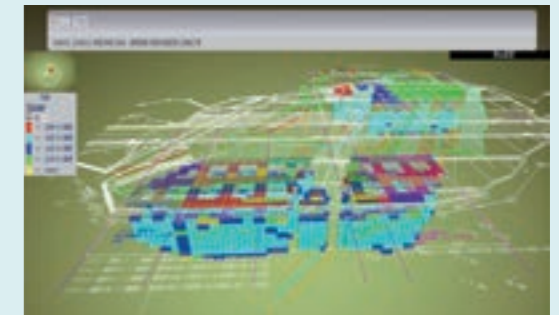
This project was for the foundation ground improvement accompanying the construction of an intermediate waste treatment facility, using the deep mixing method (epoch-making soil mixed method) to implement ground improvement for 14,124 m (1,371 units).



Fiscal 2021 Fukumitsu-Asari Road Kuromatsu Area No. 1 Improvement Work Shimane Prefecture

Main types of work	Deep mixing method	N = 480 units Improvement length L = 3,078.8 m
	CDM-EXCEED Φ1,600 2-axis	
Construction period	May 2022 to February 2023	

This project was for the foundation ground treatment (countermeasures for circular slip and liquefaction) associated with the new construction of the Sanin Road (high-standard road) using the deep mixing method (CDM-EXCEED), and implemented ICT management compliant with the as-built management guidelines of the Ministry of Land, Infrastructure, Transport and Tourism by introducing an ICT construction management equipment.



Repair and reinforcement work

Seismic Reinforcement Work Between Ikawa-Ikeda Interchange and Kawano-Higashi Junction on the Tokushima Expressway Ehime Prefecture

Main types of work	Structure excavation	V = 270 m ³
	Horizontal force dispersing structure method	N = 12 units
	Carbon fiber jacketing method	A = 3,489 m ²
	Steel plate fixing method	A = 25 m ²
	RC jacketing method	V = 46 m ³
Construction period	September 2021 to September 2023	

This project was the seismic reinforcement of five bridges between Ikawa-Ikeda Interchange and Kawano-Higashi Junction on the Tokushima Expressway, mainly implementing a carbon fiber jacketing method for 3,479 m².



Sustainability Management

Basic Policy on Sustainability

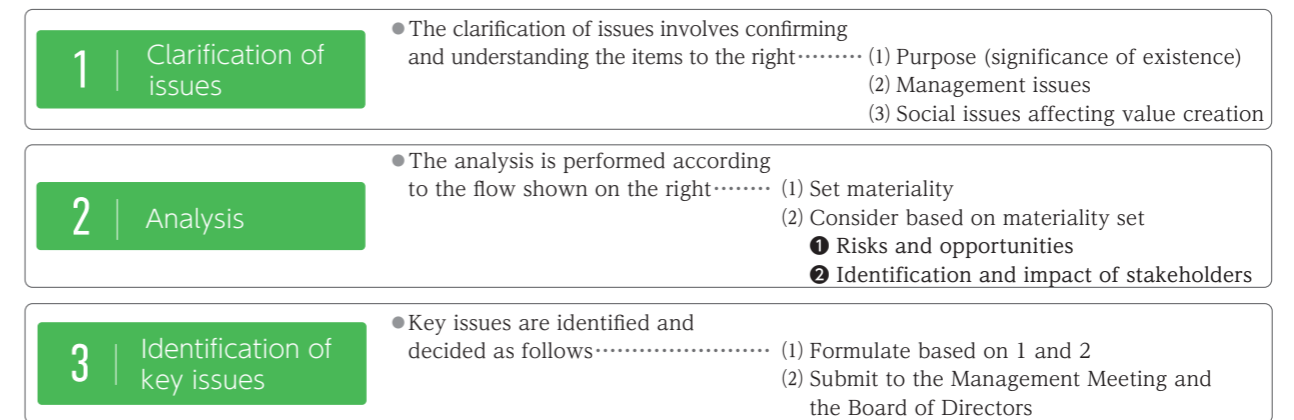
The NITTOC Group, as an expert in foundation work focusing on environmental conservation and disaster prevention work developed through its trusted technical capabilities, has aimed to be a company that contributes to building safe and secure societies and countries.

Meanwhile, the environment surrounding companies is significantly changing, as represented by climate change and human rights issues, and we believe it is important to appropriately address risks and opportunities related to sustainability in order to continue to be a company needed by society by sincerely providing technology, precisely in the areas that cannot be seen.

Accordingly, the NITTOC Group will actively engage in recovery and reconstruction during natural disasters and develop and promote sustainable, environmentally friendly technologies toward a decarbonized society. In addition, we will create an environment where diverse human resources can mutually accept each other and thrive, in addition to respecting human rights.

Based on this approach, the NITTOC Group aims to contribute to the achievement of a sustainable society through its business activities and seeks to enhance its corporate value over the medium to long term.

Process for identification of key issues (materiality analysis)



ESG themes and policies to deepen awareness of issues

In the midst of globalization and drastic social changes, the NITTOC Group will secure and train the next generation of human resources by accepting people with diverse personalities and values, including those from overseas.

In addition, we take into consideration the health and safety of employees, including those of Group companies. Furthermore, we will comply with the fundamental rights described in the ILO Declaration on Fundamental Principles

and Rights at Work.

We will also achieve diverse and flexible working styles and a rewarding work environment, and establish a corporate culture that respects human rights.

ESG themes to deepen awareness of issues		Policy	
Environment	<ul style="list-style-type: none"> Biodiversity Environmental concerns or backlashes from local communities can lead to delays or cancellations of projects, affecting a company's profitability and growth opportunities. 	➡	<ul style="list-style-type: none"> Action policy on biodiversity At the NITTOC Group, our mission is to maintain a rich environment and develop social infrastructure by utilizing our unique special technologies that can reduce environmental impact. Recognizing that the construction business and its associated material procurement depend on ecosystems, we understand that conserving biodiversity is a key issue supporting our business foundation, and we will contribute to the achievement of a society where humans and nature coexist by working on the conservation of biodiversity and its sustainable use through our construction business.
	<ul style="list-style-type: none"> Climate change Evaluating and communicating risks and opportunities caused by climate change can help evaluate the overall impact of climate change on our business. 	➡	<ul style="list-style-type: none"> Action policy on the impact of climate change At the NITTOC Group, we recognize that climate change is both a significant issue in the global environment and a significant management issue affecting our business activities. We aim to contribute to a decarbonized society by reducing CO₂ emissions in our business activities through means such as energy-saving efforts and the introduction of renewable energy, as well as through the research and development of construction methods, design and construction, and the promotion of environmentally friendly construction methods using recycled materials.
	<ul style="list-style-type: none"> Pollution and resources Clearing, leveling, and drilling activities may generate hazardous waste during construction activities for projects. 	➡	<ul style="list-style-type: none"> Action policy on waste reduction At the NITTOC Group, we understand that reducing and recycling by-products generated by our business activities, and suppressing the generation of pollutants are responsibilities demanded of construction contractors. We will actively promote construction methods that control and reuse industrial waste and pollutants, and promote 4R (refuse, reduce, reuse, and recycle) activities across the Company.
	<ul style="list-style-type: none"> Ensuring water security Although there is potential for global and regional resource constraints and water stress to have adverse effects, there are also new profit opportunities that can arise from water efficiency improvements. 	➡	<ul style="list-style-type: none"> Action policy on ensuring water security At the NITTOC Group, we conduct our construction work using finite water resources in all situations due to the nature of our business. Currently, against a backdrop of increasing global population, developing worlds, and the progression of climate change, we recognize that water resource issues are arising on a global scale, and water resource conservation is an important issue. Accordingly at the NITTOC Group, we will actively work on conserving local water resources by reducing the amount of water used at sites both in Japan and overseas, ensuring proper use, and conducting preliminary studies and their implementation to ensure appropriate treatment of water discharged during construction in compliance with environmental laws.
Social	<ul style="list-style-type: none"> Occupational safety and health Health and safety accidents can cause project delays and interruptions, potentially leading to increased project costs and decreased profitability. 	➡	<ul style="list-style-type: none"> Action policy on occupational safety and health management At the NITTOC Group, we regard the prevention of occupational accidents and disasters involving the general public as one of the absolute conditions for the survival and development of our company. With safety at the center of all our corporate activities, and under the motto "We will not allow injuries to workers or injuries that cannot be cured," we will thoroughly instruct adherence to safety rules, conduct integrated safety and health management activities with all employees, including the employees of subcontractors. In addition, we provide safety education to new hires when they enter job sites and equip them with necessary equipment as part of considerations to ensure that workers involved in construction can work safely. Furthermore, we comply with standards regarding noise from construction sites and properly dispose of industrial waste in accordance with the law.
	<ul style="list-style-type: none"> Human rights and labor standards Failure to address and provide oversight on human rights and labor standards can lead to human rights violations, one-time costs, legal action, and regulatory action. 	➡	<ul style="list-style-type: none"> Action policy on human rights and labor standards At the NITTOC Group, we recognize human rights as the foundation of all business activities. To continue to be a company needed by society as stated in our credo, we will fulfill our responsibility to respect human rights by not infringing on human rights in our business activities and minimizing any possible negative impacts on human rights. 1. In terms of positioning and scope of application, this policy applies to all persons working for the NITTOC Group, including officers and employees. We also expect all stakeholders, including subcontractors, to understand and support this policy. 2. As a commitment to respecting human rights, we support the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Guiding Principles on Business and Human Rights. Specifically, we will implement initiatives for respecting basic human rights, prohibiting discrimination and harassment based on race, nationality, gender, religion, creed, etc., providing a healthy working environment, respecting freedom of association and the right to collective bargaining, and prohibiting child labor, forced labor, and human trafficking. 3. In terms of compliance with applicable laws and regulations, we will comply with laws and regulations in each country and region where we conduct business activities. We will pursue methods that respect international human rights principles as much as possible if there is a contradiction between the laws and regulations of the countries and regions where we conduct business activities and international human rights principles.
	<ul style="list-style-type: none"> Stakeholders Neglecting relationships with stakeholders such as customers, shareholders, and local communities could affect orders and lead to damage to the reputation of the Company. 	➡	<ul style="list-style-type: none"> Action policy for stakeholders We will strive to be valued and trusted by all stakeholders, including customers, business partners, shareholders, investors, local communities, and employees. By actively engaging with stakeholders, we will recognize our challenges and enhance our corporate value.
Governance	<ul style="list-style-type: none"> Corporate ethics and corruption prevention Ethical violations can lead to investigations by authorities, significant fines, settlement costs, and reputational damage. 	➡	<ul style="list-style-type: none"> Action policy on corporate ethics and prevention of corruption At the NITTOC Group, we are aware of our corporate social responsibility as a company and we have established a code of conduct (Basic Policy on Compliance) to act with a social conscience while complying with laws, internal and external rules, and their spirit. Against this backdrop, we strive to prevent bribery and corruption, build transparent, fair, and healthy relationships with business partners, and conduct transactions considering mutual prosperity through continuous compliance education such as through e-learning and internal controls to instill a culture of ethics and reduce risks.
	<ul style="list-style-type: none"> Risk management Errors and quality deficiencies in buildings or infrastructure in the construction phase can cause serious personal injury, loss of property value, and economic damage. 	➡	<ul style="list-style-type: none"> Action policy on risk management At the NITTOC Group, in response to various risks associated with the nature of our business, we have established a Compliance Committee and Risk Management Committee under the Board of Directors, chaired by the President, to give guidance on major risks and make improvements to mitigate them while periodically reporting to the Board of Directors. As information security risks have also increased, we regularly conduct assessments by specialized institutions, BCP training, and risk management plan formulation and management structure reviews to implement risk management activities.

Key issues (materialities) ➡ page 36 to page 37

Sustainability Management

Key issues (materiality)					
Category	Materiality	Theme	Major initiatives	Target value	Contributing SDGs
E (Environment)	Environmental conservation We aim for the realization of a sustainable, environmentally friendly society.	Promotion of decarbonization ● Reduction of CO ₂ emissions ● Promotion of CO ₂ absorption	Promotion of research and development contributing to the reduction of CO ₂ emissions ● Development of environmentally friendly materials ● Development of ICT labor-saving technologies ● Development of greening technology and construction methods using recycled materials	Fiscal 2030 40% reduction in CO ₂ emissions compared to fiscal 2013	
			Promotion of design and construction with construction methods that contribute to the reduction of CO ₂ emissions ● Promotion of design and construction with unique construction methods ● Promotion of the introduction of environmentally friendly construction machinery such as electric construction equipment and energy-efficient construction equipment		
			Promotion of energy conservation in offices and field offices ● Power saving ● Incandescent lamp → LED ● Work style reform (reduction of overtime hours)		
		Promotion of the use of recycled materials	Promotion of design and construction with construction methods using recycled materials	* Select targeted construction methods and align their target values (Business Operation Division) Example: Target value for recycled greening construction method	
			Promotion of green purchasing, use of ecolabel products ● Ministry of the Environment: EcoLabel Database https://www.env.go.jp/policy/hozen/green/ecolabel/touroku.html (in Japanese)	Usage rate: More than the previous year	
Conservation of biodiversity	Promotion of design and construction with topsoil-utilizing greening method and greening without seeding	* Select targeted construction methods and align their target values (Business Operation Division) Example: Target value for native species revegetation method			
	Promotion of environmental conservation activities ● Participation in satoyama (a mountain/forest (yama) that is located near an agricultural or mountain village (sato)) conservation, tree planting activities, etc.	Number of activities: More than the previous year			
Ensuring water security	Implementation of wastewater quality management	Implementation of wastewater quality management (within environmental standards): 100%			
S (Social)	Local community We aim to be a company trusted by society and promote various social contribution activities.	Construction of social infrastructure	Signing of cooperation agreements on disaster management (emergency disaster recovery work during a disaster)	Cooperation agreements on disaster management signed: More than 50	
		Contribution to local communities	Participation in cleaning activities, cooperation in social welfare activities	Continuation of social contribution activities by all offices and branches (more than 25 per year)	
	Motivation We are promoting workplace environment improvement and work style reform to create a comfortable working environment for employees.	Respect for human rights and ensuring and development of human resources	Prevention of harassment	Workshop participation rate by targeted participants: 100%	
			Strengthening of hiring	Hiring (technical positions): More than 40 people/year	
			Promotion of active participation of women	Targets set under the Act on the Promotion of Women's Active Engagement in Professional Life in the Workplace (April 2022 to March 2025) Ratio of female engineers hired: More than 15% Number of business locations with female engineers: More than 9 locations	
			Employment of people with disabilities	More than the statutory employment rate	
			Human resource development through a job-level-specific education system	Participation rate of job-level-specific training by targeted participants: 100%	
	Quality assurance and enhancement of technical capabilities	Operational reform for productivity improvement (promotion of DX)	Improvement of PH construction volume		
		Work style reform	Correction of long working hours, acquisition of 8 days off in 4 weeks	Achievement of 8 days off in 4 weeks for employees in the field: More than 100% Overtime work hours within 360 hours annually: 100% (excluding unforeseen special circumstances)	
	Safety and health		Initiatives for diverse work styles	Targets set under the Act on the Promotion of Women's Active Engagement in Professional Life in the Workplace (April 2022 to March 2025) Childcare leave utilization rate: 100%	
Management of the physical and mental health of employees		Implementation rate of periodic health checkups: 100% High-stress individuals identified by stress check: No more than 13% (standard 10% to 15%)			
Accurate operation of occupational health and safety management systems	Severity rate: 0.60 Frequency rate: 0.03				
G (Governance)	Corporate ethics, risk management We are building a sound, fair, and strong governance structure while adhering to compliance.	Risk management	● Clarification of risk management system and process using a risk management program ● Reinforcement of information security ● Continuation and improvement of BCP response	● Review of risk management program and management system: At least once a year ● Risk assessment evaluation of information security: Score of more than 4.0 (out of 5/3.5 in 2022, 3.3 in 2021) ● Implementation of BCP training: At least once a year	
		Compliance	● Continuation and strengthening of compliance education ● Strengthening of support for the supply chain	● Compliance education (e-learning participation): 100% of all employees ● Disaster prevention cooperation association: 100% participation of Nisshinkai members	

Environment

Initiatives for the achievement of an environmentally friendly society

NITTOC is working on the following measures to achieve a sustainable and environmentally conscious society.

Promotion of decarbonization

We are working on the development and spread of technologies and construction methods that contribute to the reduction of CO₂ emissions and the promotion of design and construction with construction methods that contribute to CO₂ emission reduction, as well as the promotion of energy saving in offices and field offices. We are aiming for a 40% reduction in CO₂ emissions in the construction phase in the early part of the period between fiscal 2023 and fiscal 2040 (compared to fiscal 2013), and for net zero Scope 1 and 2 emissions by fiscal 2050.

Promotion of the use of recycled materials

We are working on the development and spread of construction methods utilizing recycled materials. In construction, we will pursue the design and construction with construction methods using recycled materials and aim to promote green purchasing and the use of ecolabel products in order to use environmentally friendly materials.

Conservation of biodiversity

For the conservation of the environment around construction sites, we are promoting the design and construction with topsoil-utilizing greening methods and greening without seeding, in addition to the construction methods we have developed. As part of promoting environmental conservation activities, we will also actively participate in satoyama (a mountain/forest (yama) that is located near an agricultural or mountain village (sato)) conservation activities, tree planting activities, and other activities.

Ensuring water security

We will thoroughly manage the water quality of wastewater and actively work on conserving local water resources.

Initiatives in research and development

We believe that addressing environmental issues is one of the important corporate activities that lead to the enhancement of corporate value. In particular, we believe that the provision of technologies, products, and services that contribute to the conservation of the global environment in the specialized civil engineering field we are involved in, is our important social responsibility. The Engineering and Development Division, which is engaged in research and development operations to provide new technologies and products to society, has acquired the ISO 14001 international standard for environmental management systems, and is working to fulfill those responsibilities.

The Engineering and Development Division is working on all research and development themes as themes that can contribute to the preservation of the global environment. We aim to develop and provide technologies and products that contribute to the conservation of the global environment by understanding the environmental impact of the products and services we develop, reducing waste, improving recycling rates, conserving resources and energy, and protecting ecosystems. In addition, in performing development work, we are advancing energy saving, resource saving and recycling, waste management, and the promotion of using environmentally friendly products, striving for the effective use of resources and reducing environmental impact. Furthermore, we are actively working on publishing our achievements externally and acquiring intellectual property, advancing the social implementation of environmental conservation technologies we have developed, and working on environmental improvement and load reduction.

From fiscal 2023, the Materials and Environmental Technology Development Department was newly organized within the Engineering and Development Division. We will further promote the development of environmentally friendly technologies.

Environmental management system

The Engineering and Development Division of NITTOC CONSTRUCTION CO., LTD. has established an environmental management system based on the environmental policy and is engaged in environmental management activities.

Environmental Policy

Based on the management philosophy, the Engineering and Development Division shall promote research and development for the establishment of a resource recycling society in order to make effective use of limited resources and reduce the burden on the environment. It shall also work to conserve the global environment, such as by creating an optimal environment for realizing such a society, and contribute widely to society. Accordingly, we have defined the following items as the guiding principles for our business activities.

- 1 | The Engineering and Development Division recognizes global environment conservation as one of its business activities, and aims to reduce the burden on the global environment by working to improve and continuously enhance the environmental management system.
- 2 | Promote effective research and development to establish a resource recycling society that leads to the effective use of limited resources and reduced burden on the environment.
- 3 | Promote activities aimed at reducing waste, increasing recycling rates, saving resources and energy, conserving the ecosystem and landscape, promoting the use of environmentally friendly products, and adapting to climate change.
- 4 | Comply with environment related laws and regulations, agreements, customer and industry requirements to actively fulfill social responsibility for environmental protection.
- 5 | Improve environmental conservation awareness by educating personnel of the Engineering and Development Division.
- 6 | Disclose the implementation status of the environmental policy and environmental conservation activities as needed in order to cooperate with customers and the community.

Environmental management system

ISO 14001 certification registration	
Registration number	JSAE222
Initial registration date	March 24, 2000
Renewal date	March 24, 2021
Expiration date	March 23, 2024
Applicable standard	JIS Q 14001: 2015, ISO 14001: 2015
Scope of registration	Research and development and quality testing of buildings and construction methods related to environment, disaster prevention, urban renewal, and maintenance



In fiscal 2022, we promoted the development of four top-priority themes and successfully achieved 100% of the annual plan.

Environment

TOPICS — Technology Development

Steps toward the future with development technology at its core

Disaster prevention work that is friendly to people, the environment, and the future

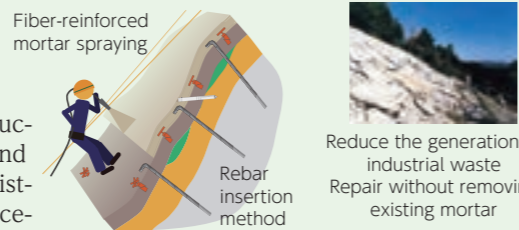
NITTOC believes that it is essential not only to protect the lives of people from disasters, but also to continue prosperous lives by conducting environmentally friendly disaster prevention construction. We also strive to contribute to building a society that aims for the conservation of local ecosystems by appropriately restoring environments damaged by construction or disasters using plants. We have developed various unique environmentally friendly technologies and deployed them in the field, working to reduce waste generation, energy consumption, and CO₂ emissions. Based on the specialized construction and greening technologies we have developed, we will continue to develop technologies that reduce environmental impact aimed at promoting decarbonization, promoting the use of recycled materials, and conserving biodiversity, and apply them in the field to contribute to building a sustainable society.

Achieving environmental impact reduction in construction

We are developing construction methods and technologies that can reduce environmental impact and consider the environment within our specialty areas of ground improvement and slope protection. In addition to developing construction methods that reduce the generation of waste and CO₂, we are also working to rationalize construction using ICT to reduce energy consumption and material use. For materials used, we aim to develop materials that use recycled products and reduce CO₂ emissions during manufacturing.

Waste reduction — New ReSP Method and Eco-BC Fiber

We have developed and are applying a method that reduces the generation of industrial waste by reinforcing and repairing aging sprayed slopes without removing the existing sprayed mortar. We have reduced the amount of cement used by incorporating reinforcing fibers to increase strength and reduce the thickness of the spraying. Furthermore, we are working to reduce our environmental impact by using recycled materials for the reinforcing fibers used.



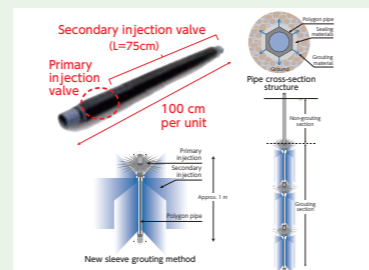
Reduction of cement usage — SBN Anchor

Rock bolts (rebar insertion) have been used for reinforcing embankment slopes, where reinforcement is fixed in the ground using cement grout. We have developed screw fixed anchors that do not require fixation using cement grout by rotating and pressing in a reinforced material with screw-like ribs. Because they eliminate the need for cement grout plants and grouting work, they can shorten the construction period and reduce CO₂ emissions as no cement is used.



Improvement of construction efficiency — New Sleeve Grouting Method

In ground improvement work (chemical grouting work) to grout cement and chemicals in the ground aimed at preventing liquefaction during earthquakes and for water cut-off, we have improved grouting pipes used in existing methods and made efficient construction possible. The injection valves, which were traditionally placed at 33 cm intervals, have been changed to continuous vertical slit valves to speed up the grouting process. In addition to speeding up grouting, expanding the injection intervals can improve construction efficiency compared to the traditional method and reduce CO₂ emissions during the construction phase.

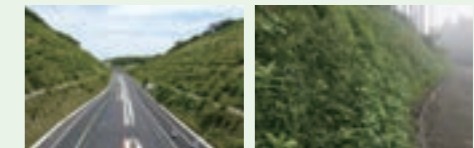
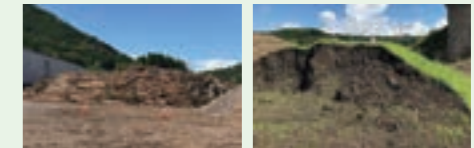
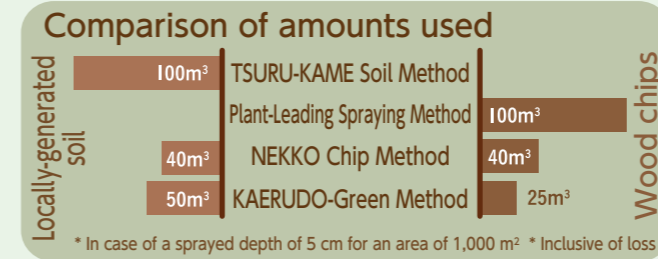


Restoring the environment and preserving ecosystems

In slope protection, it is important not only to ensure the stability of the slope but also to harmonize the slope with the surrounding environment and ecosystems. We have developed and possess various greening methods with various functions.

Greening methods that can be selected according to recycled materials

We restore vegetation slopes harmonized with the surrounding slopes using local soil or wood chips generated from construction or disasters as a growth base. Multiple construction methods are available depending on the recycled materials used.



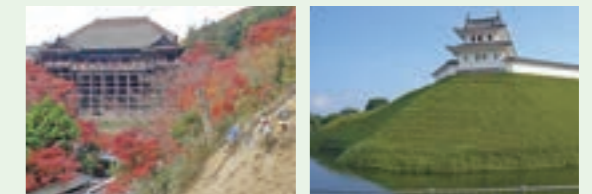
Efficiently achieving high-quality greening

We are also developing construction technologies that can support large-scale slope greening works when high-speed construction is desired. By using the Slope Saver developed for slope spraying work, we aim to efficiently conduct high-quality greening through the NEKKO Chip Method and KAERUDO-Green Method.



Connecting historic landscapes to the future

The preservation of historic landscapes that have been protected and passed down through the years is required in slope disaster prevention works around cultural properties. NITTOC has conducted slope disaster prevention measures without damaging the historic landscapes at temples, shrines, castles, and ancient burial mound sites throughout Japan, including the World Heritage Site of Kiyomizu-dera Temple.

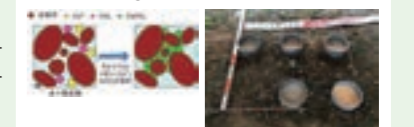


Working on dream technologies toward the future

It is essential not only to develop technologies that are an extension of the past, but also to have innovative initiatives that have never been seen before. While working together with universities and nurturing the seeds of new technologies, we are advancing the development of technologies that reduce environmental impact.

One of these technologies, bio-grout, is a ground solidification technology that takes advantage of the solidifying ability of microorganisms. We are verifying its application to ground improvement in joint research with Hokkaido University. We are conducting research with the aim to apply it as an environmentally friendly ground improvement method that does not use cement.

CO₂ produced by microbial metabolism reacts with Ca²⁺ in the soil to precipitate calcium carbonate → CaCO₃ binds soil particles together and solidifies the ground



Social

Social contribution activities

Tohoku Branch: Regeneration and Maintenance Activities for a Seaside Forest Reserve to Prevent Disasters (Miyagi Prefecture, April 2022)

On Monday, April 25, the Tohoku Branch conducted maintenance activities for black pines and other trees planted in 2014 at Millennium Hope Hills (Natori City, Miyagi Prefecture) by employees of the Tohoku Branch. This year marks the ninth year of this activity.

On the day of the activity, nine employees of the Tohoku Branch, including the branch manager and four new employees, cleared underbrush and cleaned up the forest in a 0.1-hectare (1,000 m²) planting area.

Millennium Hope Hills utilize land that became uninhabitable due to the tsunami caused by the Great East Japan Earthquake in March 2011, and has six parks and park roads along about 10 km of the coast, including Ainokama Park, Fujisone Park, Ninokura Park, Hasegama Park, Kabasaki Park, and Shinbama Park.

In April 2014, the Tohoku Branch applied for volunteer activities for the maintenance of Millennium Hope Hills organized by the Tohoku Regional Forest Office, planted 450 black pines and 30 mountain cherries in a seaside disaster-prevention forest regeneration area in Natori City, Miyagi Prefecture, and continued maintenance activities every year. However, we have decided to terminate our activities and transfer them to the Tohoku Regional Forest Office.



Supporting Paralym Art activities (since September 2021)

We support the activities of Paralym Art (SHOUGAISHA JIRITSU SUISHIN KIKOU ASSOCIATION), which undertakes an art project for people with disabilities based on the philosophy of “Creating a world where people with disabilities can fulfill their dreams through art,” and have signed on as a Bronze Partner since this fiscal year. We support Paralym Art’s activities through the display of artworks and cooperate with the organization to help people with disabilities participate in society and become economically self-reliant. As one of such activities, we have started to display the works of artists belonging to Paralym Art in temporary enclosures at each of our branch sites since January 2022.

1. Osaka Branch

Name of project: Seismic Reinforcement Work Between Ikawa-Ikeda Interchange and Kawano-Higashi Junction on the Tokushima Expressway (No. 1)
Project location: Shimokawa-cho, Shikokuchuo City, Ehime Prefecture
Exhibition start: March 2022



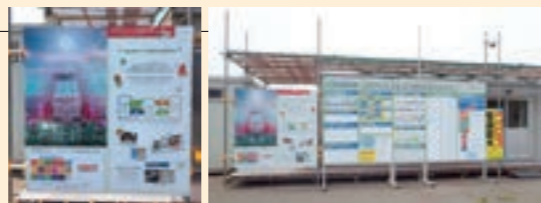
2. Osaka Branch

Name of project: Fiscal 2021 Slope Repair Construction on the Tokushima Expressway under the Jurisdiction of Tokushima Expressway Tokushima Highway Office
Project location: 715-1 Aza Omichi, Otsu-cho Oshiro, Naruto City, Tokushima Prefecture
Exhibition start: March 2022



3. Hiroshima Branch

Name of project: Fiscal 2021 San-in Expressway Ex. Senzan Area Disaster Prevention Work
Project location: Senzan, Asayama-cho, Ota City to Umaji, Yunotsu Town in Shimane Prefecture
Exhibition start: May 2022



Supporting C's Athlete (since August 2019)

Since August 2019, we have joined as a corporate member of Disabled Athletes Employment Center (C's Athlete). C's Athlete is an organization established by Aso Humane Center Co., Ltd., a group company of Aso Corporation, to develop new employment opportunities and to promote sports for people with disabilities. We also support athletes aiming to compete in the Olympic and Paralympic Games. We endorse its purpose, and support and sponsor the activities of C's Athlete.



DX initiatives

Initiatives as key issues in the Medium-Term Management Plan 2023

We are improving operational efficiency through DX to comply with labor time regulations from fiscal 2024 due to the revision of the Labor Standards Act, promote diverse work styles, improve the workplace environment and employee treatment, and develop engineers unique to NITTOC.

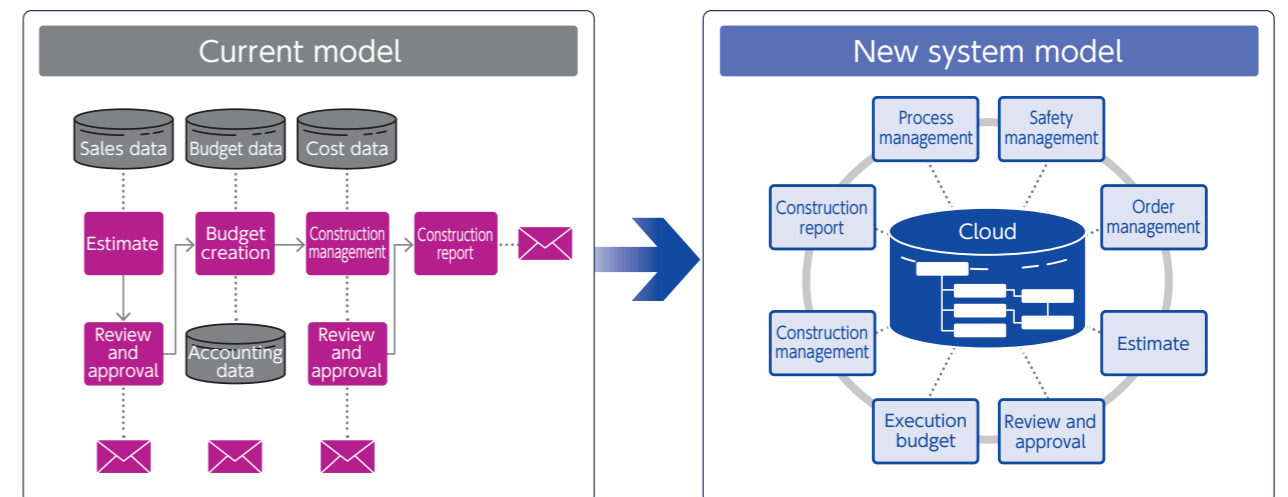
Before improving operational efficiency through DX, it was necessary to clarify the issues in our operations. We needed to analyze which process of the operation could be improved for better efficiency.

The analysis of the collected information revealed that creating data for each operation was a stumbling block to efficiency. Each system was centered around operations, data was created for each operation, and data for each operation was scattered throughout systems, requiring input into various systems during operations, which was causing a loss of productivity. The lack of integrated data capture and scalability were also issues.

In response to these issues, we decided to restructure the business system, aiming to create a system where all operations are linked around data, eliminating inefficient input, making it possible to understand the situation from all angles, and strengthening coordination as an organization.

Because a cloud-based single-platform system was the best fit as a flexible system that can adapt to changes in business, we adopted it and are currently building a new system.

Part of the new system has been completed and entered the operational phase. We will continue to improve operational efficiency by adding and expanding functions. In addition, we will apply the centralized data to operations, strengthen competitiveness, and aim for sustainable growth.



Social

Health and safety activities and safety training

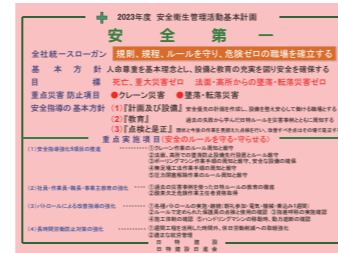
Consideration for safety and health

We are working to create a safe and secure workplace environment.

NITTOC recognizes that creating a safe and secure workplace environment for everyone involved in construction, including employees and subcontractors, is an important corporate responsibility and we are committed to maintaining safety and health as well as education.

Safety and Health Management Activity Basic Plan

At NITTOC, the Safety, Environment, and Quality Control Division at the Headquarters sets a basic plan for safety, and according to that plan, the Safety, Environment, and Quality Department at each branch provides safety activity guidance to site supervisors. In addition, within that plan, we have set three basic policies for safety guidance and have selected five priority measures in response to relatively accident-prone areas, focusing particularly on management to prevent accidents related to these areas.



Implementation of safety training

We provide various education programs as required for safety activities so that employees and employees of partner companies do not cause accidents at work sites and other locations.

1. Safety education for new employees

We provide safety education every April when employees join the Company. We offer employees a hands-on experience on slope protection practices to learn how to use safety equipment and to learn how to manage and instruct workers.

2. Safety education for employees

In addition, we also provide group safety education for different job levels every year including follow-up training, younger employee training, etc. In addition, regular safety education is also provided for employees at each branch.

3. Safety education through videos

Since fiscal 2019, we have started safety education using videos (YouTube). All videos are short at no more than three minutes, making it easy to understand hazardous areas and safe work practices through subtitles (including foreign languages) and audio. Until now, the dangers of work were confirmed through procedure manuals, but now they can be easily and clearly understood using videos.

Rope work at heights



New employees: Lecture



New employees: How to tie the main rope



New employees: Slope ascending and descending practice



Technical interns: How to tie the main rope



Technical interns: Slope ascending and descending practice



Slope protection contractor training: Lecture on how to tie the main rope



Slope protection contractor training: Slope ascending and descending practice

Drone operation training



New employees: Drone operation training

How to take construction photos



New employees: How to take construction photos

Information sharing on safety and health with employees and partner companies

1. Nisshinkai News

Since June 2014, we have been publishing Nisshinkai News every month which continues to this day, sharing disaster information and legal amendment information with our partner companies who work with us, aiming to eliminate disasters together.

2. Disaster and construction issues search system (SpectAKY-Tool)

We have introduced a system that creates a database based on past disasters and construction issues, allowing search via PC or smartphone. This makes it possible for even younger site managers with insufficient experience or skills to consider safety measures above a certain level during pre-construction planning meetings and when preparing work procedure manuals. In addition, during onsite hazard prediction sessions, it becomes a communication tool for visualizing risks to subcontractor workers, preventing routine-based hazard anticipation and establishing preventive measures.



Disaster and construction issues search system (SpectAKY-Tool)



Onsite hazard prediction

Safety and quality patrols and education for subcontractors

1. Implementation of safety and quality patrols

At NITTOC, under the leadership of the Safety, Environment, and Quality Control Division at the Headquarters, the Safety, Environment, and Quality Department at each branch takes the lead in conducting safety and quality patrols at each site. In civil engineering work, the work environment and conditions differ from site to site. We aim to create a safe site and workplace environment that prevents accidents and construction issues by checking the status of safety management at each site not only by the site supervisor, but also from the perspective of the Headquarters and executives.

2. Education for subcontractors (business owners)

We provide periodic training for business owners (presidents and executives of partner companies), including disaster prevention education based on past disasters, explanations of legal revisions at the time of amendments, and survey reports on the implementation rate of business owner patrols.



Safety and quality patrols



Education for subcontractors (business owners)

Conducting health and safety patrols using wearable cameras

By strengthening site monitoring using real-time cameras (image sharing between the Headquarters and branches), we directly contact personnel in the field to point out and improve unsafe behaviors and unsafe equipment, thereby utilizing the system for early response to prevent accidents and disasters.



Implementation of health and safety patrols using wearable cameras

Nisshinkai and Safety and Health Promotion Convention

Every June, we hold the Safety and Health Promotion Convention at the Headquarters and each branch with representatives from employees and partner companies, and in Indonesia, staff and workers gather in November for the same purpose. At the Safety and Health Promotion Convention, the Company, Nisshinkai, staff, and workers unite to declare safety and pledge to achieve zero fatalities or serious disasters.



Headquarters

Branches

Overseas: Indonesia

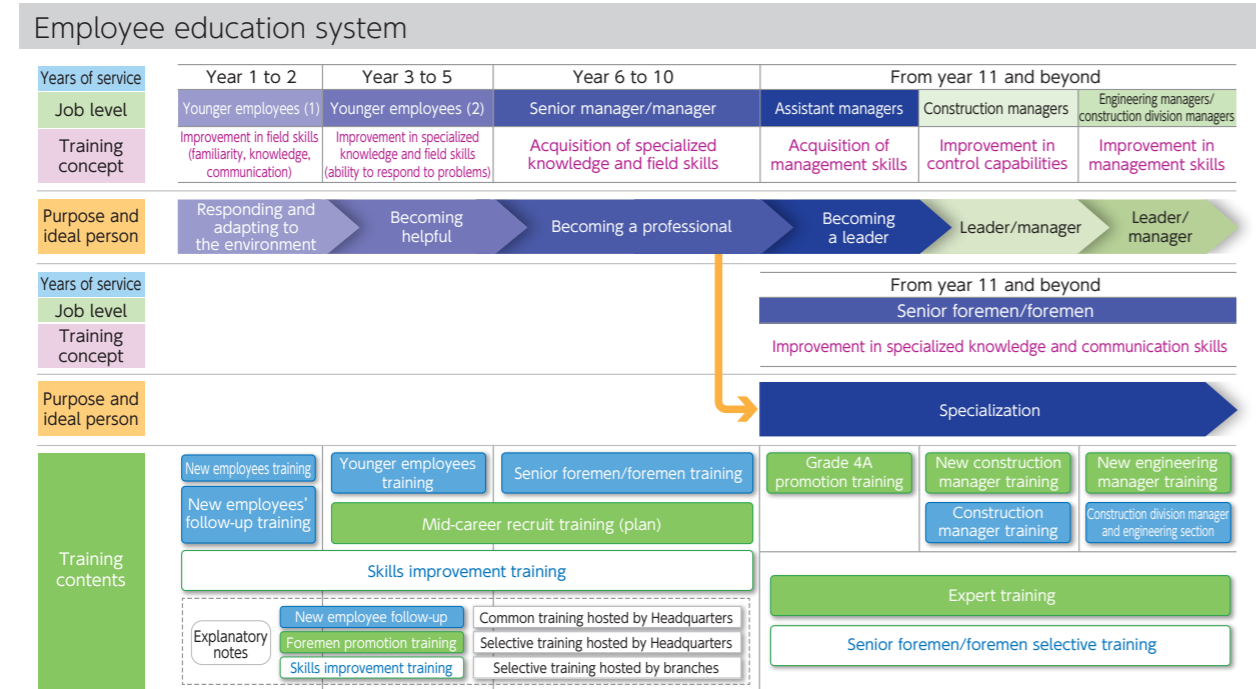
Social

Human capital

Education system: We have established a training system for each job level to bring out the potential of our employees.

We have established an education system for future dreams, looking ahead to the future, based on the concept shown in the table below.

Furthermore, by valuing the feelings of each employee and fostering their individuality, we promote growth into versatile individuals with specialized expertise and interests in various things.



Qualification acquisition support: We support our employees in obtaining qualifications by offering various forms of support including qualification allowances.

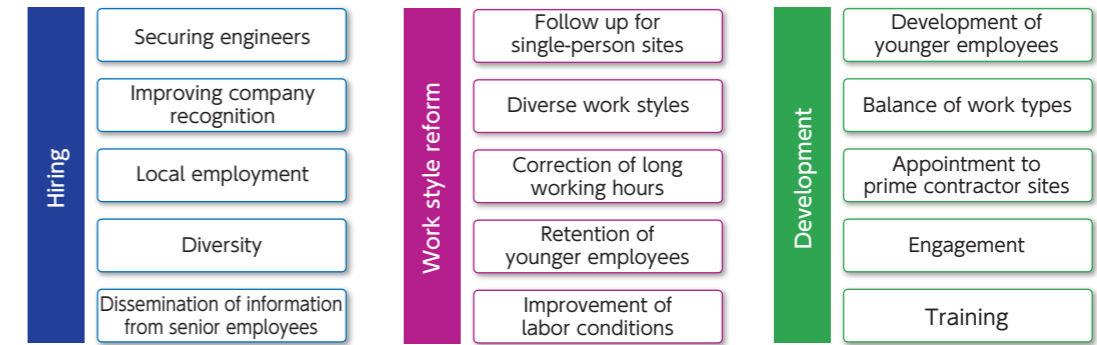
We provide various support to our employees to help them obtain the qualifications necessary for our operations. In particular, we provide training and proofreading of essays for first-class civil engineering managers, which is required to serve as a site supervisor. For professional engineers, the NITTOC Engineers Association is playing a central role in providing support. In addition, we provide qualification allowances to the qualification holders, which boosts the motivation of our employees to acquire qualifications.

Qualifications eligible for allowances (including lump-sum payments for acquisition)

Engineering	Ph.D. (engineering, science), professional engineer, first-class and second-class civil engineering manager (civil, chemical grouting), assistant first-class civil engineering manager, first-class and second-class architect, first-class and second-class architectural construction manager, first-class and second-class landscape construction manager, first-class and second-class plumbing construction manager, first-class and second-class construction machinery and construction manager, first-class and second-class electrical construction manager, class I, II, and III chief electrical engineer, class I and II electrician, class A and B explosives handling safety manager, licensed surveyor, assistant surveyor, geological survey technician, foundation construction engineer, landslide prevention construction engineer, class I and II sewerage engineering examination passer, microtunneling engineer, concrete diagnostician, value engineering leader, well-driller (first and second class), automobile mechanic (first, second and third class), class A and B hazardous goods handler, occupational safety and health consultant, pollution control manager, principal pollution control manager, ground anchor construction engineer, building cost estimator, construction manager (bullet train and conventional lines), jet grout engineer, slope protection works managing engineer, soil contamination investigation technical manager, fisheries engineer (fisheries civil engineering), first-class pavement construction managing engineer, civil consulting manager, comprehensive dam construction managing engineer, small-scale dam project comprehensive manager
Administration	Certified public accountant, assistant certified public accountant, tax accountant, patent attorney, judicial scrivener, certified real estate appraiser, assistant certified real estate appraiser, real estate transaction specialist, licensed land and house investigator, first-, second-, and third-class construction industry accountant, systems auditor, IT strategist (systems analyst), system architect (application engineer), project manager, network specialist, database specialist, information security specialist, IT service manager, labor and social security attorney, health supervisors, applied information technology engineer (class I information processing engineer and software development engineer), administrative scrivener, first-grade bookkeeping, basic information technology engineer (class II information processing engineer), IT passport (junior system administrator), TOEIC test

Initiatives for human resource development and workplace environment improvement: We are promoting the development of human resources and the creation of a comfortable workplace environment.

NITTOC is engaged in human resource development and creating a workplace environment where employees can work comfortably. We have set securing and developing human capital as one of the key measures in the Medium-Term Management Plan 2023 (fiscal 2023 to fiscal 2025)



Hiring

Securing engineers	● Continuation and strengthening of hiring activities
Improving company recognition	● Website renewal (Clearly and plainly communicate our management philosophy and the significance of existence, expressing what makes NITTOC unique to the fullest)
Local employment	Expand hiring in regions with fewer hires to correct the regional disparity in hiring.
Diversity	● Hiring of female employees (ratio of females of more than 20% among new graduate hires in general positions (11.8% in fiscal 2022)), hiring of foreign national employees, employment of people with disabilities (more than the statutory employment rate), and establishment of diverse career paths

Work style reform

Follow up for single-person sites	● Follow up from back office, use of business chats, webcams, systematic placement in the field
Diverse work styles	● Follow up during life events (childcare leave acquisition rate: 100%)
Correction of long working hours	● Introduction of new construction management system plus DX to save labor, improve the efficiency and management accuracy of field employees, and thereby reducing loss and establishing a backup office (overtime within 360 hours, and 8 days off in 4 weeks: 100% achievement)
Retention of younger employees	● Review of the training system ● Presenting a model case for each life event for looking ahead and gaining a sense of security for the future
Improvement of labor conditions	● Average annual salary increase through wage increase (including regular salary increases), review of various allowances ● Extension of retirement age ● Enhancement of welfare benefits including facilities

Development

Development of younger employees	● Establishment of a system for accumulating construction information and easily utilizing the information to pass on technologies ● Utilization of information tools to activate communication within teams for efficient management and elimination of work loss
Balance of work types	● Visualization of skills by work type, implementation of systematic work type rotation (skill map)
Appointment to prime contractor sites	● Acquisition of comprehensive management skills
Engagement	● Clarification of our significance of existence to improve engagement and motivation
Training	● Review of training for new and younger employees ● Compliance training

Governance

Message from Outside Directors

The Company's Board of Directors, made up of nine Directors including three Outside Directors, works to strengthen governance by receiving oversight and advice from an external perspective.

Currently, companies are required to engage in constructive dialogue with stakeholders in order to achieve sustainable growth and enhance corporate value over the medium to long term.

On these pages, we have asked our Outside Directors to give our stakeholders, including shareholders, their impressions and evaluation of the Company from an external perspective, as well as their views on the challenges to our sustainable growth.



Enhance the Company's ability to communicate, increase its market value, and strengthen its power. Expect a company that has a presence such as spice which is "small, but packs a punch"



Katsuo Nakamura
Outside Director

My impression of NITTOC is that it is a prudent company with high sociality that contributes to restoration and reconstruction in times of disaster, while striving to improve infrastructure and build national resilience in times of peace. My impression of NITTOC's employees is that they are earnest, dedicated, and loyal to the Company. This has not changed in the six brief years since I was appointed as an Outside Director. The organization has an open atmosphere and a corporate culture that allows anything to be said.

One issue the Company needs to work on is strengthening its ability to communicate. The Company's ability to communicate must be improved as soon as possible, as it affects its reputation in the market and the recruitment of new talent.

In terms of my expectations in NITTOC, I want the Company not to needlessly expand its scale, but to develop human resources, build human capital, promote technological development, and solidify its absolute position in an unsurpassable specialized field. At the same time, I hope to see the Company enhance its ability to communicate, increase its market value, and strengthen its power.

To achieve this, I hope that both the Company and individual employees are willing to take on new challenges and will work to improve their own quality. It is said that "the opposite of success is not failure, it is not trying." However, that does not mean to say that we should be forging ahead blindly. "Success occurs when preparation meets opportunity." This means, undertaking painstaking preparations, waiting for an opportunity, and when the time comes, boldly taking on the challenge without flinching. I hope NITTOC will build such a corporate culture to become a company that employees are happy to work for and business partners are happy to work with, and that has a presence such as spice that may be small, but that packs a punch.

Diligently and painstakingly enhance technology and support efforts to build Japan's national resilience. Aggressive promotions enhance the Company's reputation and make it a more attractive company that continues to shine where it cannot be seen.



Masayuki Watanabe
Outside Director

NITTOC adheres to its credo of "continuing to be a company needed by society by sincerely providing technology, precisely in the areas that cannot be seen." NITTOC's basic stance is not to be flashy, but to diligently and painstakingly enhance its technology even when that technology cannot be seen and to support efforts to build Japan's national resilience.

I have been involved with NITTOC for eight years as an Outside Director. During that time, the President & Representative Director changed three times, to President Nakamori, then President Nagai, and now President Wada, all of whom have "excellent personalities" and are "dependable and trustworthy." All officers and employees take pride in their work and work together as one to support top management.

NITTOC boasts a strong track record in the fields of slope protection and ground improvement works. Especially in slope protection works, it has one of the largest market shares in Japan and is trusted for its safety and quality. In the ground improvement works, its hard work has paid off and NITTOC is building a stable revenue base. These achievements are the result of the hard work and efforts of each and every employee, and their teamwork.

Although I am an Outside Director, I am also a fan of NITTOC. If I were to make one recommendation, I would have to say that I would like to see the Company more aggressively promote its technologies and achievements externally. This is because the Company can sometimes come across as being very modest, and I think it deserves much more recognition from investors and the media. I would like more people to discover the allure of NITTOC.

Making NITTOC more attractive to younger employees so that they will support it in the future is a task that lies ahead. NITTOC is not a company where some people shine, but a company where everyone works together to shine. That stance will not change. I would like every officer and employee to take greater pride in this stance. NITTOC is a company that continues to shine in places that cannot be seen.

At NITTOC, each and every employee takes pride in developing Japan's national land using its overwhelming on-site capabilities and highly specialized, advanced technology. Hope to use the power of communication to raise awareness.



Naoko Okada
Outside Director

In May 2023, NITTOC announced its Medium-Term Management Plan 2023, Next Challenge Stage III. At the center of this plan is "securing and developing human capital" and "improving productivity." The construction market is expected to continue to grow, and the next three years are an opportunity for NITTOC to make even greater strides. NITTOC is focusing on promoting, educating, and training employees regarding the appeal of the Company in order to enhance their individual personalities, while at the same time doing its best to engage in DX with the help of several experts to improve productivity.

I was appointed as an Outside Director in June 2022. Since I am not an expert in the construction industry, I visited dams, highway slope protection, seaside ground improvement work sites, etc. in order to understand the Company, and I had opportunities to exchange information with employees, business partners, and subcontractors. What impressed me there was NITTOC's "solid technical and on-site capabilities."

Safety is paramount at construction sites. Ensuring safety requires a deep understanding of the construction sites and advanced technical capabilities. Recognizing this, management has thoroughly instilled "strengthening health, safety, and quality control" at construction sites so that employees and subcontractors can work with pride. It should be noted that management regularly visits construction sites and often interacts with employees and business partners.

I sense the need for NITTOC to reaffirm its stance that "values everyone involved and uses the power of civil engineering to create the national land of the future," and to communicate this stance far and wide in a manner that comes across as confident and is easy-to-understand. I will continue to strengthen and support internal and external communication to share these wonderful values with investors, business partners and customers, new associates who work with us, and NITTOC's employees and their families.

Management Members



Yasuo Wada
President & Representative Director



Hiroshi Yamada
Vice President & Representative Director



Toshikazu Kawaguchi
Director



Masayuki Watanabe
Director Outside Independent



Katsuo Nakamura
Director Outside Independent



Naoko Okada
Director Outside Independent



Naoto Kami
Director



Katsuhiro Yorozu
Director



Iwao Aso
Director



Yoshihiro Abe
Standing Corporate Auditor



Makoto Kaai
Standing Corporate Auditor Outside



Atsushi Ono
Corporate Auditor Outside

Skills matrix

Name	Positions and responsibilities	Corporate management	Sales/construction	Legal affairs/compliance	Engineering	IT/DX	Finance/accounting	Overseas expertise	Safety and quality control	Personnel and labor management
Yasuo Wada	President & Representative Director	●	●		●				●	
Hiroshi Yamada	Vice President & Representative Director and responsible for overseas operations and engineering & development	●	●		●			●		
Toshikazu Kawaguchi	Director, Managing Executive Officer, General Manager, Corporate Strategy Division	●		●			●			
Naoto Kami	Director, Managing Executive Officer, General Manager, Business Operation Division	●	●		●				●	
Katsuhiro Yorozu	Director, Managing Executive Officer, General Manager, Administration Division	●		●			●			●
Iwao Aso	Director	●		●		●		●		●
Masayuki Watanabe	Outside Director			●				●		
Katsuo Nakamura	Outside Director	●								●
Naoko Okada	Outside Director	●		●		●		●		

Skill Definition

Corporate management	Contribution to decisions on corporate strategy, etc. from experience of involvement in important corporate decision-making
Sales/construction	Contribution to decisions on sales strategy from knowledge of sales and construction
Legal affairs/compliance	Contribution to management from experience and knowledge of legal affairs and compliance
Engineering	Contribution to management from experience and expertise in engineering
IT/DX	Contribution to management from experience and expertise in IT and DX
Finance/accounting	Contribution to management from knowledge and experience in finance, accounting, and tax matters
Overseas expertise	Contribution to management from experience and expertise in overseas operations
Safety and quality control	Contribution to management from knowledge and experience of safety, quality control, and environment
Personnel and labor management	Contribution to management from experience and expertise in human resource development, workstyle reform, and environmental improvement

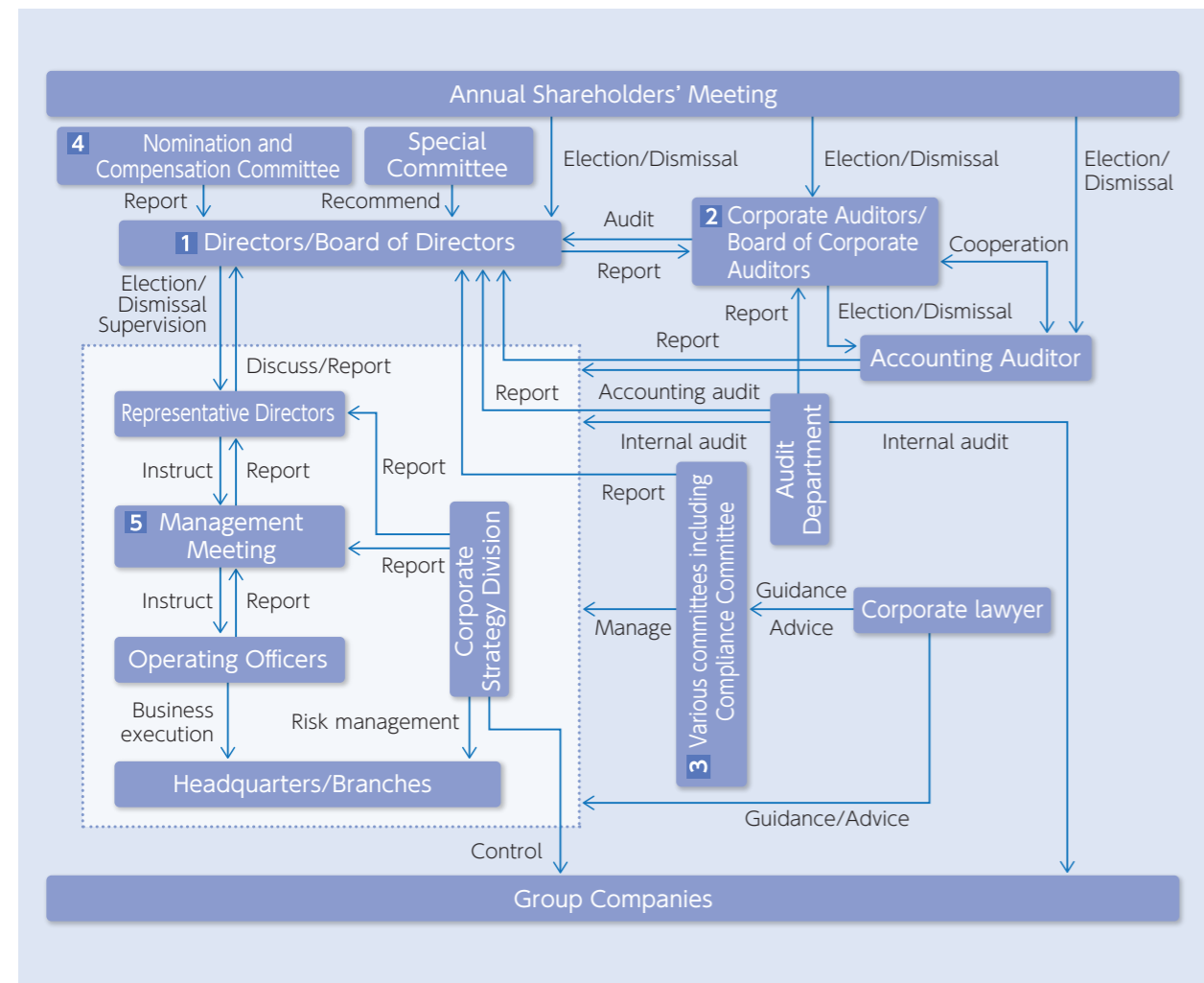
Corporate Governance

Basic approach to corporate governance

The Company attaches great importance to the interests of all stakeholders who support its corporate activities and recognizes the importance of corporate ethics that comply with not only various legal norms but also internal standards and social decency and common sense. At the same time, the Company's basic policy on corporate governance is to build an organization that can contribute to the development of social infrastructure by raising transparency and the soundness of management, through efforts such as continuous corporate development, the acquisition of social credibility, and the elimination of illegal payoffs to antisocial organizations.

NITTOC's corporate governance system

Based on our basic approach to corporate governance, we have adopted the following system to ensure thorough risk management and compliance and improve internal controls, with regard to swift responses to the business environment, as well as decision-making, execution, and supervision of business operations.



Summary of our corporate governance system

<p>1 Board of Directors</p>	<p>The Board of Directors shall deliberate and decide basic management policies and execution policies, as well as decide or approve important matters concerning the execution of business operations. The Company strives to improve the effectiveness of the Board of Directors by receiving objective opinions from Outside Directors. As a general rule, meetings are held once a month, or as needed.</p>
<p>2 Board of Corporate Auditors</p>	<p>The Board of Corporate Auditors receives reports, engages in discussions, or passes resolutions on important matters concerning audits. However, the Board of Corporate Auditors cannot prevent individual Corporate Auditors from exercising his or her authority. Meetings are held once a quarter, or as needed.</p>
<p>3 Compliance Committee</p>	<p>The Compliance Committee discusses and decides individual issues stipulated in the compliance program, which is a specific practical plan for establishing compliance within the Company, and manages the progress of the program. Meetings are held at least four times a year.</p>
<p>4 Nomination and Compensation Committee</p>	<p>As an advisory body to the Board of Directors, the Nomination and Compensation Committee deliberates the establishment and revision of the officer compensation system and evaluation system, as well as evaluation results, fixed compensation, and performance-linked compensation. The Committee consists of the following five members:</p> <ul style="list-style-type: none"> (Chair) Independent Outside Director (Members) President & Representative Director, two (2) independent Outside Directors, one (1) independent Outside Corporate Auditor
<p>5 Management Meeting</p>	<p>The Management Meeting is a place where matters to be discussed by the Board of Directors are preliminarily examined, and each division reports on the progress of business execution. For this reason, meetings are held once a month before the regular Board of Directors meeting.</p>

Corporate Governance

Evaluating the effectiveness of the Board of Directors

The Company conducts a self-evaluation and analysis of the Board of Directors using an external organization, with the aim of improving the functions of the Board of Directors and increasing the corporate value.

The self-evaluation and analysis were conducted in February 2023 for all members of the Board of Directors (nine Directors including three Outside Directors and three Corporate Auditors including two Outside Corporate Auditors) in the form of a questionnaire that was answered directly to the external organization to ensure anonymity. The questionnaire includes sections on the Board of Directors composition, operation, discussion, monitoring functions, training, and dialogue with shareholders, as well as open-ended sections.

The results of this questionnaire were reported and discussed at the Board of Directors meeting on April 28, 2023, and while there were some issues, the evaluation was generally positive. The Company thus recognizes that the effectiveness of the Board of Directors as a whole, including the evaluation by the external organization, has been ensured.

The Company has formulated a succession plan, which has been an issue, including in this questionnaire, and we will operate in accordance with this plan going forward. The composition of the Board of Directors, the Company's addressing of diversity, and the creation of a skills matrix have improved following the appointment of a female Outside Director and the disclosure of the skills matrix in the Notice of the Annual Shareholders' Meeting. However, we will continue to further improve the functions of the Board of Directors going forward. In addition, there were opinions on future issues, such as organizing items for deliberation for deeper discussions in a limited time, ensuring sufficient time for discussions of future strategies and plans, exercising supervision functions over sustainability initiatives, and providing sufficient feedback on the status of dialogue with shareholders (investors), and such issues were shared for improving the functions of the Board of Directors and invigorating discussions.

Going forward, the Company's Board of Directors will consider and address issues based on this effectiveness evaluation. In addition, the Company will continue its efforts to improve the functions of the Board of Directors by regularly evaluating its effectiveness.

Officer compensation

The basic policies for compensation for Directors are made so that they will contribute to the sustainable enhancement of the Group's corporate performance and shareholder value. To this end, the Group offers a compensation level and compensation system that are commensurate with the duties of Directors, comparable to those of other companies in the same industry and of the same size in Japan and adequate for securing and retaining excellent human resources. The amount of compensation for officers of the Company shall be determined for each position. The compensation shall consist of fixed compensation (basic compensation) and performance-linked compensation (bonuses) as monetary compensation, and share compensation as non-monetary compensation. The amount of compensation for non-executive Directors shall be based on individual agreements, and only fixed compensation shall be paid as performance-linked compensation and share compensation are not appropriate.

The amount of fixed compensation, which is part of the compensation for individual Directors, shall be determined by position depending on responsibilities and roles, and paid monthly.

As for performance-linked compensation, which is part of the compensation for individual Directors, the Company shall formulate regulations that stipulate matters, including calculation standards, and payment shall be made every July, taking into consideration the progress assessment of the historical amount of consolidated operating profit, which the Company believes is the most important indicator, its published amount for the relevant fiscal year, and its historical average for the past three years, as well as individual performance evaluation by department.

Regarding non-monetary compensation, which is part of the compensation for individual Directors, restricted shares shall be allotted. The number of shares to be allotted shall be determined by a resolution of the Board of Directors based on the standard amount depending on positions and responsibilities, and allotment shall be made on the date determined by the resolution of the Board of Directors.

The amount of compensation shall be determined so that the ratio of fixed compensation, performance-linked compensation, and non-monetary compensation will be approximately 70%, 20%, and 10% when calculated based on the maximum amount of performance-based compensation.

The details of the compensation for individual Directors shall be determined by a resolution of the Board of Directors after the Board received a recommendation from the Nomination and Compensation Committee, which had been consulted by the Board and deliberated on them.

Reasons for appointment as Outside Director

Name	Reasons for appointment and expected roles	Years served	Attendance at the Board of Directors meetings in fiscal 2022
Masayuki Watanabe	Masayuki Watanabe has expertise and experience in corporate legal affairs gained through working as an attorney-at-law. The Company has appointed him as an Outside Director as it believes that, by making use of his broad insight, he will be able to appropriately perform his duties as an Outside Director at the Company as well. In addition, he will be involved in the nomination of candidates for officer of the Company and determination of compensation, etc. for officers from an objective and neutral standpoint as a member of the Nomination and Compensation Committee, a voluntary committee.	7 years	16/16 (100%)
Katsuo Nakamura	Katsuo Nakamura has abundant experience as a corporate manager and has served in many prominent positions at Nihon University. The Company has appointed him as an Outside Director as it believes that, by making use of his broad insight, he will be able to appropriately perform his duties as an Outside Director at the Company as well. In addition, he will be involved in the nomination of candidates for officer of the Company and determination of compensation, etc. for officers from an objective and neutral standpoint as a member of the Nomination and Compensation Committee, a voluntary committee.	6 years	16/16 (100%)
Naoko Okada	Naoko Okada has a wealth of experience as a corporate manager and an expert in corporate public relations. The Company has appointed her as an Outside Director as it believes that, by making use of her broad insight, she will be able to appropriately perform her duties as an Outside Director at the Company as well.	1 year	13/13 (100%)

Training policy for Directors and Corporate Auditors

Directors and Corporate Auditors shall constantly and actively strive to gather information on and study the Company's financial condition, legal compliance, corporate governance, and other matters in order to fulfill their roles, and the Company shall provide the necessary opportunities for training.

Internal controls

The Company's Board of Directors recognizes that management is responsible for establishing an appropriate system for operations based on its management policy, and has adopted a resolution on its basic policy on an internal control system.

The Company's internal control system based on this basic policy consists of the Board of Directors as the highest organization in the system; the headquarters divisions, branches, and affiliated companies that execute business; the Audit Department, which directly reports to the Board of Directors and is in charge of internal audits; and various committees that assist the Board of Directors.

Risk Management

Basic approach

To continue to engage in sound business activities, the Company engages in management activities to identify various possible risks, prevent the occurrence of such risks, and minimize their impact should they occur.

Risk management system

In terms of risk management, the Company has established a Risk Management Committee under the Board of Directors, which is chaired by the President & Representative Director and whose members include Representative Directors, Directors in charge of each division, general managers and deputy general managers of each division, and corporate lawyers. The Committee is an organization to discuss and approve issues and measures related to company-wide risk management. As a general rule, the Risk Management Committee holds meetings four times a year.

The Committee deliberates and approves the matters related to risks to be controlled and their management and supervises the implementation of such controls, deliberates and approves the overall policy and direction of risk management initiatives, deliberates and approves annual plans, budgetary measures, and corrective measures related to risk management, manages the progress of annual plans related to risk management, gives instructions to ensure thorough risk management at headquarters divisions, branches, and affiliated companies, and manages the progress of initiatives conducted.

Business Continuity Plan (BCP)

The Company has formulated a Business Continuity Plan (BCP), aiming to prevent and avoid risks, ensure the safety of human life in the event of a disaster, control and mitigate damage to the Company's assets, prevent secondary disasters, and resume business operations as soon as possible by establishing necessary matters for disaster prevention and crisis management at the headquarters, branches, and sales offices, as well as to fulfill our social responsibility as a corporate citizen.

The Company continues to conduct BCP training in cooperation with branches every year to prepare for the occurrence of actual disasters, etc.

Information security

The Company has established Information System Protection Rules, with the aim of preventing the loss of information assets by clarifying the arrangements and responsibilities for the appropriate protection of information assets handled on the Company's information systems. Under these rules, the Company manages "information security" to appropriately maintain and ensure the confidentiality, integrity, and availability (information is available whenever it is needed) of information assets. In addition, the Company provides various training programs, such as e-learning, to employees to maintain and ensure information security.

Compliance

Basic approach

The Company positions compliance as an important issue to gain the trust of our various stakeholders. In order to continue to be a company trusted and needed by society, we have established a Code of Conduct and Ethics and are committed to social responsibility by disseminating and practicing this code.

Compliance system

Under the Company's compliance promotion system, the Board of Directors makes decisions on important matters related to compliance promotion activities. Under the Board of Directors, the Compliance Committee, which is chaired by the President & Representative Director and whose members include Directors, general managers of each division, and corporate lawyers, has been established to discuss and decide individual issues in the compliance program for compliance education, and to manage the progress of the compliance program. As a general rule, the Compliance Committee holds meetings at least four times a year.

Compliance objectives

The Company's compliance objectives are as follows.

- ① To establish an organizational structure to effectively manage compliance promotion activities.
- ② To have various measures and mechanisms to ensure effectiveness, and to steadily promote such measures and mechanisms based on a compliance program founded on a medium- to long-term perspective.
- ③ To thoroughly familiarize all officers and employees with the necessity and importance of compliance, and to foster a legal mindset (ability to think legally in a logical manner and make accurate judgments in the course of business).
- ④ To ensure that damage suffered by the Company is minimized through appropriate handling based on predetermined response procedures when misconduct, etc. is discovered.

Education

● Workshops

The Company has established a compliance program and provides compliance training at various meetings throughout the year.

Examples : Training for new employees, joint training for construction, sales, and engineering staff, joint training for general managers of sales offices and construction managers, training for managers and section managers of administration departments, training for compliance and risk management promotion managers, training for senior managers and managers, training for mid-career hires, etc.

● Education through internal newsletters, e-learning, and monthly meetings

Compliance courses that introduce various specific examples are included in the internal newsletter each month. In addition to regular e-learning, the Company works to raise awareness of and educate each employee about compliance at monthly meetings at the headquarters and branches at the beginning of each month, at which officers explain important matters regarding the Company.

11-Year Financial Summary

	Unit	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating results												
Net sales	(Millions of yen)	53,247	57,264	60,703	57,638	57,174	62,943	63,264	65,516	67,955	66,076	72,918
Operating profit	(Millions of yen)	2,438	3,035	4,198	3,465	3,583	4,100	3,970	4,903	5,358	4,523	5,451
Ordinary profit	(Millions of yen)	2,249	2,904	3,905	3,431	3,555	4,119	4,004	4,880	5,419	4,626	5,462
Profit attributable to owners of parent	(Millions of yen)	3,552	1,663	1,664	2,110	2,342	2,688	2,721	3,258	3,500	3,329	3,526
Financial position												
Current assets	(Millions of yen)	29,611	31,359	33,270	33,420	37,161	39,933	39,937	41,003	42,282	42,526	42,431
Total assets	(Millions of yen)	39,111	41,047	42,306	40,385	44,225	48,142	49,048	50,159	51,971	51,712	52,809
Current liabilities	(Millions of yen)	18,058	18,981	19,372	16,429	18,285	19,962	19,633	19,214	18,931	16,790	16,559
Net assets	(Millions of yen)	15,029	16,370	18,116	19,781	21,813	23,256	24,676	26,550	28,800	30,610	32,127
Interest-bearing debt	(Millions of yen)	2,000	1,600	1,200	0	0	1,100	826	552	278	0	0
Cash flows												
Net cash provided by (used in) operating activities	(Millions of yen)	4,933	1,011	2,435	(630)	2,501	(301)	3,108	7,357	1,426	4,750	2,659
Net cash provided by (used in) investing activities	(Millions of yen)	(206)	(189)	(277)	1,209	(393)	(867)	(1,252)	(217)	(705)	(23)	(1,788)
Net cash provided by (used in) financing activities	(Millions of yen)	(1,756)	(678)	(775)	(1,592)	(321)	(144)	(1,624)	(1,625)	(1,784)	(1,785)	(2,171)
Free cash flows	(Millions of yen)	4,726	822	2,158	579	2,107	(1,169)	1,856	7,140	720	4,727	870
Cash and cash equivalents at end of period	(Millions of yen)	12,132	12,277	13,698	12,681	14,462	13,114	13,346	18,713	17,722	20,723	19,457
Per-share information												
Dividend per share	(Yen)	6.00	8.00	9.00	10.00	17.00	24.00	30.00	38.00	36.00	40.00	45.00
Basic earnings per share	(Yen)	82.78	39.06	39.08	49.58	55.03	64.13	65.24	78.12	83.93	79.83	84.56
Net assets per share	(Yen)	352.84	384.37	425.56	461.17	509.02	554.76	588.33	632.68	686.19	729.42	763.67
Financial indicators												
Return on assets (ROA)	(%)	5.9	7.2	9.4	8.3	8.4	8.9	8.2	9.8	10.6	8.9	10.5
Return on equity (ROE)	(%)	26.2	10.6	9.7	11.2	11.3	12.0	11.4	12.8	12.7	11.3	11.3
Equity ratio	(%)	38.4	39.9	42.8	48.6	49.0	48.1	50.0	52.6	55.1	58.8	60.3
Other												
Capital expenditure	(Millions of yen)	202	173	358	443	350	876	1,157	381	381	900	1,352
Depreciation	(Millions of yen)	175	198	257	276	284	269	324	380	402	507	583
Research and development expenses	(Millions of yen)	338	156	162	188	201	169	241	372	336	391	387

Financial Statements

Consolidated Balance Sheets			(Millions of yen)	
	75th fiscal year (March 31, 2022)	76th fiscal year (March 31, 2023)	75th fiscal year (March 31, 2022)	76th fiscal year (March 31, 2023)
Assets			Liabilities	
Current assets			Current liabilities	
Cash and deposits	20,723	19,457	Notes payable, accounts payable for construction contracts and other	11,921
Notes receivable, accounts receivable from completed construction contracts and other	17,934	18,395	Advances received on construction contracts in progress	593
Electronically recorded monetary claims - operating	2,563	3,462	Lease obligations	0
Merchandise and finished goods	25	31	Income taxes payable	555
Real estate for sale	0	0	Provision for warranties for completed construction	25
Costs on construction contracts in progress	301	284	Provision for loss on construction contracts	168
Raw materials and supplies	285	355	Provision for bonuses	1,150
Other	693	446	Provision for bonuses for directors (and other officers)	33
Allowance for doubtful accounts	(2)	(2)	Other	2,341
Total current assets	42,526	42,431	Total current liabilities	16,790
Non-current assets			Non-current liabilities	
Property, plant and equipment			Lease obligations	
Buildings and structures, net	1,639	1,674		4
Machinery, vehicles, tools, furniture and fixtures, net	1,314	1,542	Retirement benefit liability	4,209
Land	2,578	2,578	Other	97
Leased assets, net	0	–	Total non-current liabilities	4,311
Construction in progress	253	633	Total liabilities	21,101
Other, net	2	2	Net assets	
Total property, plant and equipment	5,787	6,430	Shareholders' equity	
Intangible assets			Share capital	
	607	578		6,052
Investments and other assets			Capital surplus	
Investment securities	417	1,040		1,753
Deferred tax assets	2,003	1,978	Retained earnings	22,560
Other	403	370	Treasury shares	(0)
Allowance for doubtful accounts	(32)	(21)	Total shareholders' equity	30,365
Total investments and other assets	2,791	3,368	Accumulated other comprehensive income	
Total non-current assets	9,185	10,377	Valuation difference on available-for-sale securities	112
Total assets	51,712	52,809	Foreign currency translation adjustment	3
			Remeasurements of defined benefit plans	(58)
			Total accumulated other comprehensive income	56
			Non-controlling interests	188
			Total net assets	30,610
			Total liabilities and net assets	51,712

Consolidated Statements of Income			(Millions of yen)	
	75th fiscal year (April 1, 2021 to March 31, 2022)	76th fiscal year (April 1, 2022 to March 31, 2023)		
Net sales				
Net sales of completed construction contracts	65,882	72,697		
Sales in other businesses	194	221		
Total net sales	66,076	72,918		
Cost of sales				
Cost of sales of completed construction contracts	53,849	59,117		
Cost of sales in other businesses	92	115		
Total cost of sales	53,941	59,233		
Gross profit				
Gross profit on completed construction contracts	12,032	13,579		
Gross profit - other business	102	105		
Total gross profit	12,134	13,685		
Selling, general and administrative expenses				
	7,611	8,233		
Operating profit	4,523	5,451		
Non-operating income				
Interest income	7	6		
Dividend income	36	12		
Patent income	16	14		
Foreign exchange gains	49	40		
Other	29	23		
Total non-operating income	139	97		
Non-operating expenses				
Interest expenses	5	7		
Guarantee commission	22	17		
Commission for syndicated loans	5	55		
Other	2	6		
Total non-operating expenses	35	86		
Ordinary profit	4,626	5,462		
Extraordinary income				
Gain on sale of non-current assets	0	–		
Gain on sale of investment securities	372	–		
Total extraordinary income	372	–		
Extraordinary losses				
Loss on sale and retirement of non-current assets	11	22		
Impairment losses	–	4		
Total extraordinary losses	11	27		
Profit before income taxes	4,986	5,435		
Income taxes - current				
	1,513	1,827		
Income taxes - deferred				
	155	(0)		
Total income taxes	1,668	1,826		
Profit	3,318	3,608		
Profit (loss) attributable to non-controlling interests				
	(11)	81		
Profit attributable to owners of parent	3,329	3,526		

Consolidated Statements of Comprehensive Income			(Millions of yen)	
	75th fiscal year (April 1, 2021 to March 31, 2022)	76th fiscal year (April 1, 2022 to March 31, 2023)		
Profit	3,318	3,608		
Other comprehensive income				
Valuation difference on available-for-sale securities	(200)	26		
Foreign currency translation adjustment	57	22		
Remeasurements of defined benefit plans, net of tax	35	29		
Total other comprehensive income	(106)	78		
Comprehensive income	3,211	3,686		
Comprehensive income attributable to owners of parent				
	3,203	3,597		
Comprehensive income attributable to non-controlling interests				
	8	89		

Financial Statements

Consolidated Statements of Changes in Net Assets

(Millions of yen)

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,052	2,022	21,419	(1,057)	28,436	312	(34)	(95)	183	180	28,800
Cumulative effects of changes in accounting policies			102		102						102
Restated balance	6,052	2,022	21,521	(1,057)	28,538	312	(34)	(95)	183	180	28,902
Changes during period											
Dividends of surplus			(1,501)		(1,501)						(1,501)
Profit attributable to owners of parent			3,329		3,329						3,329
Purchase of treasury shares				(0)	(0)						(0)
Cancellation of treasury shares		(269)	(788)	1,057	-						-
Net changes in items other than shareholders' equity						(200)	37	36	(126)	8	(118)
Total changes during period	-	(269)	1,039	1,056	1,826	(200)	37	36	(126)	8	1,708
Balance at end of period	6,052	1,753	22,560	(0)	30,365	112	3	(58)	56	188	30,610

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,052	1,753	22,560	(0)	30,365	112	3	(58)	56	188	30,610
Changes during period											
Dividends of surplus			(2,168)		(2,168)						(2,168)
Profit attributable to owners of parent			3,526		3,526						3,526
Purchase of treasury shares				(1)	(1)						(1)
Cancellation of treasury shares					-						-
Net changes in items other than shareholders' equity						26	14	29	70	89	159
Total changes during period	-	-	1,357	(1)	1,356	26	14	29	70	89	1,516
Balance at end of period	6,052	1,753	23,918	(2)	31,722	138	17	(29)	126	278	32,127

Consolidated Statements of Cash Flows

(Millions of yen)

	75th fiscal year (April 1, 2021 to March 31, 2022)	76th fiscal year (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	4,986	5,435
Depreciation	507	583
Increase (decrease) in allowance for doubtful accounts	(28)	(11)
Increase (decrease) in provision for warranties for completed construction	1	144
Increase (decrease) in provision for loss on construction contracts	(71)	(140)
Increase (decrease) in provision for bonuses	(351)	(11)
Increase (decrease) in provision for bonuses for directors (and other officers)	(3)	6
Increase (decrease) in retirement benefit liability	97	(143)
Loss (gain) on sale of property, plant and equipment	2	-
Loss on retirement of non-current assets	9	22
Interest and dividend income	(43)	(19)
Interest expenses	5	7
Foreign exchange losses (gains)	(20)	(11)
Loss (gain) on sale of investment securities	(372)	-
Impairment losses	-	4
Decrease (increase) in trade receivables	2,686	(1,314)
Decrease (increase) in costs on construction contracts in progress	227	17
Decrease (increase) in other assets	(279)	156
Increase (decrease) in trade payables	534	(379)
Increase (decrease) in advances received on construction contracts in progress	(1,085)	(172)
Increase (decrease) in accrued consumption taxes	94	(45)
Increase (decrease) in other liabilities	263	(48)
Subtotal	7,162	4,079
Interest and dividends received	43	19
Interest paid	(5)	(7)
Income taxes paid	(2,450)	(1,432)
Net cash provided by (used in) operating activities	4,750	2,659
Cash flows from investing activities		
Purchase of investment securities	(5)	(585)
Proceeds from sale of investment securities	645	-
Purchase of property, plant and equipment	(627)	(1,130)
Proceeds from sale of property, plant and equipment	75	-
Purchase of intangible assets	(273)	(62)
Payments for retirement of non-current assets	-	(15)
Payments of guarantee deposits	(15)	(6)
Proceeds from refund of guarantee deposits	12	12
Other payments	(10)	(0)
Other proceeds	173	0
Net cash provided by (used in) investing activities	(23)	(1,788)
Cash flows from financing activities		
Repayments of long-term borrowings	(278)	-
Repayments of lease obligations	(5)	(5)
Purchase of treasury shares	(0)	(1)
Dividends paid	(1,501)	(2,165)
Net cash provided by (used in) financing activities	(1,785)	(2,171)
Effect of exchange rate change on cash and cash equivalents	60	34
Net increase (decrease) in cash and cash equivalents	3,001	(1,266)
Cash and cash equivalents at beginning of period	17,722	20,723
Cash and cash equivalents at end of period	20,723	19,457

Corporate Overview and Stock Information (As of March 31, 2023)

Corporate Overview

Trade name	NITTOC CONSTRUCTION CO., LTD.
Headquarters	Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan
Established on	December 17, 1947
Capital	¥6,052 million
Stock exchange	Tokyo Stock Exchange Prime Market
Number of employees	1,074 persons

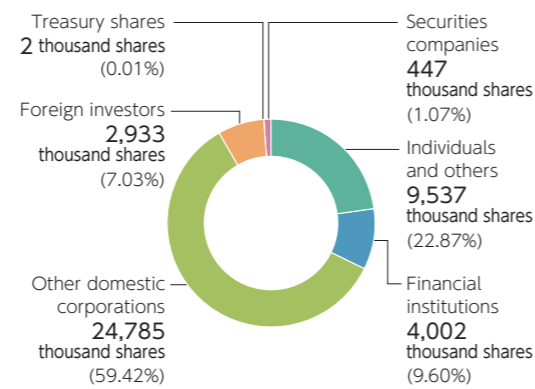
Status of Stock

Total number of authorized shares	50,000,000 shares
Total number of issued shares	41,708,367 shares (including 2,817 treasury shares)
Number of shareholders	13,430 persons

Major shareholders

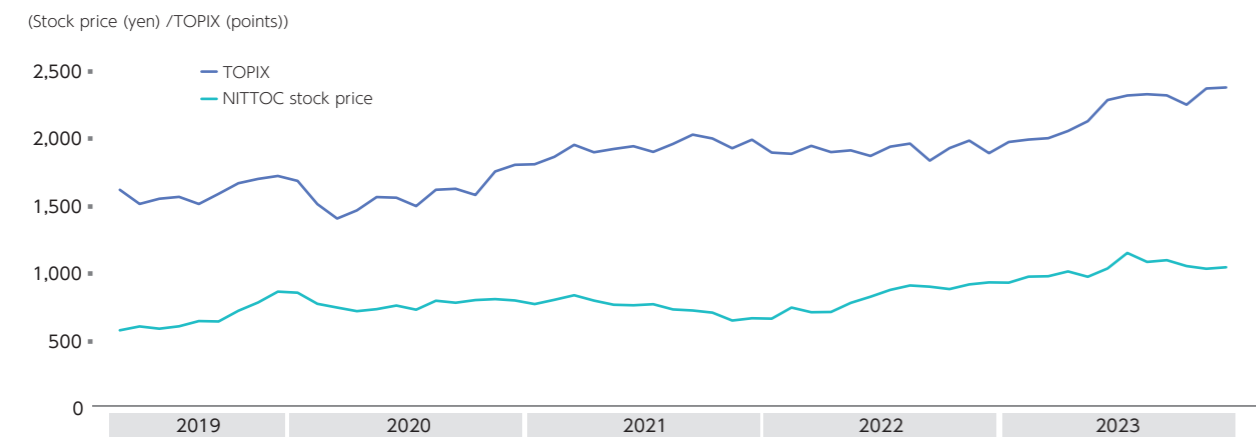
Name	Number of shares held <small>(thousand shares)</small>	Shareholding ratio <small>(%)</small>
AN Holdings Corp.	24,155	57.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,487	5.96
Custody Bank of Japan, Ltd. (Trust Account)	1,334	3.20
NITTOC Employee Shareholding Association	1,276	3.06
NITTOC Shareholding Cooperative Association	447	1.07
BNYM RE BNYMLB RE GPP CLIENT MONEY AND ASSETS AC	400	0.95
Masato Takeuchi	300	0.71
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	188	0.45
THE BANK OF NEW YORK MELLON 140040	153	0.36
Religious Corporation Catholic Society of St. Paul	153	0.36

Number of shares by shareholder



Notes: 1. Shareholding ratio is calculated by deducting treasury shares.
2. The number of shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Custody Bank of Japan, Ltd. (Trust Account) is related to the trust business of the banks.

Stock Chart



Subsidiaries

Midori Industries Co., Ltd	4F, Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	TEL: +81-3-5645-5150
Shimane Earth Engineering Co., Ltd	2F, Suto Bldg., 310-1, Tsuda-cho, Matsue-shi, Shimane 690-0055, Japan	TEL: +81-852-21-7337
Yamaguchi Earth Engineering Co., Ltd	2-3-13, Hirano, Yamaguchi-shi, Yamaguchi 753-0015, Japan	TEL: +81-83-901-1050
Ehime Earth Engineering Co., Ltd.	2F, Taiyo Amayama Bldg., 2-6-12, Amayama, Matsuyama-shi, Ehime 790-0951, Japan	TEL: +81-89-998-8881
Fukui Earth Engineering Co., Ltd.	24-21-2, Ebata-cho, Fukui-shi, Fukui 918-8016, Japan	TEL: +81-776-38-8505
PT. NITTOC CONSTRUCTION INDONESIA	Jakarta Selatan (South Jakarta), Indonesia	TEL: +62-21-2994-1582

Headquarters, Branches, Business Offices, etc.

Headquarters	Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	TEL: +81-3-5645-5041
Sapporo Branch	UD Sapporo Kitaichijo Bldg., 10-1-15, Kitaichijonishi, Chuo-ku, Sapporo-shi, Hokkaido 060-0001, Japan	TEL: +81-11-596-8096
Tohoku Branch	1-18-8, Tomizawaminami, Taihaku-ku, Sendai-shi, Miyagi 982-0036, Japan	TEL: +81-22-243-4439
Tokyo Branch	Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	TEL: +81-3-5645-5100
Hokuriku Branch	1-4-4, Minamidekijima, Chuo-ku, Niigata-shi, Niigata 950-0963, Japan	TEL: +81-25-383-8700
Nagoya Branch	Nagoya Sanzo Bldg., 1-16-6, Sakae, Naka-ku, Nagoya-shi, Aichi 460-0008, Japan	TEL: +81-52-202-3211
Osaka Branch	Sanyo Senko Kawaramachi Bldg., 2-2-7, Kawaramachi, Chuo-ku, Osaka-shi, Osaka 541-0048, Japan	TEL: +81-6-6232-2109
Hiroshima Branch	Wako Inarimachi Bldg., 2-14, Inarimachi, Minami-ku, Hiroshima-shi, Hiroshima 732-0827, Japan	TEL: +81-82-506-2109
Kyushu Branch	Meiji-dori Business Center, 1-3, Shimokawabatamachi, Hakata-ku, Fukuoka-shi, Fukuoka 812-0027, Japan	TEL: +81-92-271-6461
Direct Control Grout Division	Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	TEL: +81-3-5645-5111
Overseas Business Division	Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	TEL: +81-3-5645-5055
Sales Offices	Asahikawa, Hakodate, Doto, Aomori, Morioka, Akita, Yamagata, Fukushima, Gunma, Utsunomiya, Mito, Yokohama, Saitama, Chiba, Nagano, Sado, Joetsu, Toyama, Kanazawa, Fukui, Gifu, Shizuoka, Mie, Keiji, Nawa, Kobe, Tottori, Matsue, Okayama, Yamaguchi, Takamatsu, Matsuyama, Kochi, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa	
Sub-branch Laboratory	Sanriku Tojo	
Equipment Centers, etc.	Chuo (Saitama), Eniwa, Natori, Toyama, Koshoku, Haibara, Tojo, Hiroshima, Tosu, Grout/NITTOC Sashima General Center/NITTOC Hasuda General Center	

