NITTOC CONSTRUCTION CO., LTD.

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NITTOC CONSTRUCTION CO., LTD.

Integrated Report 2025

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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.

Guidelines

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

Period Covered by This Report

April 1, 2024 to March 31, 2025
(The report also includes some activities before and after this period.)

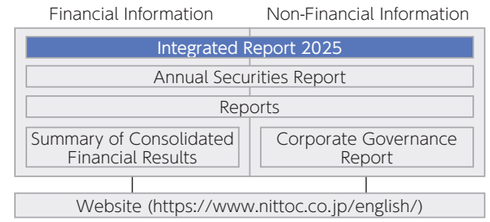
Scope of This Report

NITTOC CONSTRUCTION CO., LTD. and its Group companies

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.

Tool Map



Management Philosophy

Building the everyday world of the future

The sights we see every day around us.
Since 1947, NITTOC Construction has worked on a broad range of construction projects, creating many of the sights we see every day and now take for granted.
By developing reliable technologies while adhering to fair and honest business practices, we are building not just dams, bridges, and tunnels, but the everyday world of the future.
We continue to play an active role in the world around us while taking great pride in our track record to date.

Our Motto

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

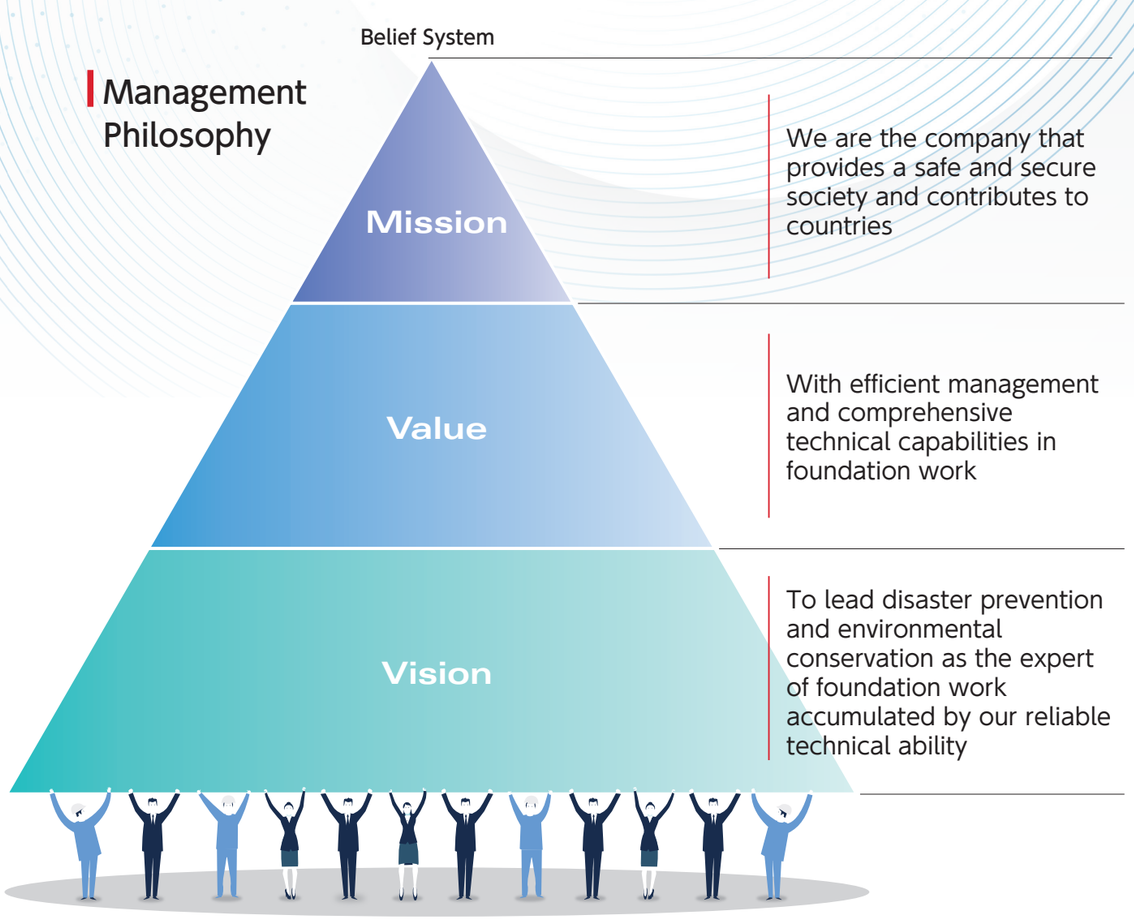
Brand Message

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

Code of Conduct

1 Have pride
2 Be brand-conscious
3 Boldly take on the challenges of tomorrow
4 Approach as a team
5 Emphasize communication

Management Philosophy



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

Beneath this magnificent dam that stores water, another dam has been built to prevent water from leaking.
This technology is the source of our pride when we work, and serves as the source of all the technical services we provide today.

Front cover Nanma Dam

Location Kaminanma-machi, Kanuma City, Tochigi Prefecture
River Nanma River along the Tone River system
Type Concrete face rockfill dam (CFRD)
Embankment/crest length/dam volume
86.5 m/359 m/2.4 million m^3
Catchment area/water surface area
139.3 km^2 (direct: 12.4 km^2, indirect: 126.9 km^2)/
2.1 km^2
Gross reservoir capacity/effective storage capacity
51 million m^3/50 million m^3
Operator Incorporated Administrative Agency Japan Water Agency
Dam body construction work TAISEI CORPORATION
Start of construction 1969
Works in charge Grouting (dam body), slope greening (replacement road)


Downstream side


Upstream side


Grouting work in progress (Riverbed: consolidation grouting)


Grouting work in progress (Inspection gallery: curtain grouting)

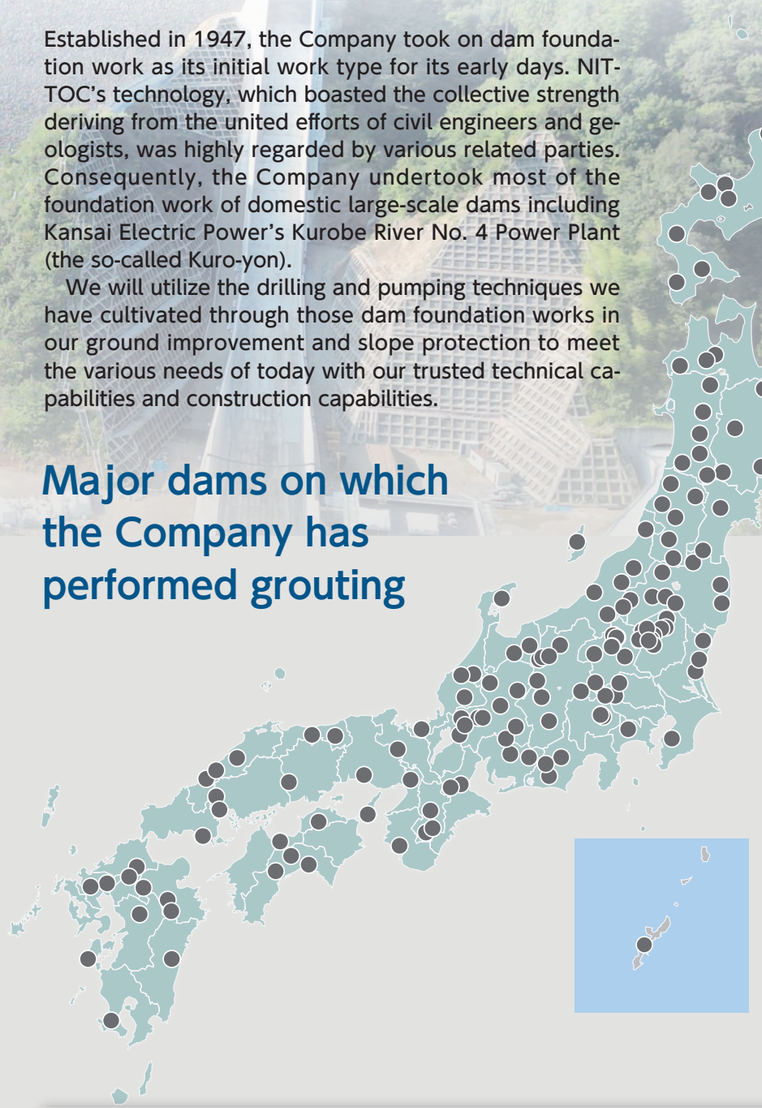
NITTOC carries out grouting for over 80% of large-scale dams* in Japan.

*Dams with heights of 100 meters or more

Established in 1947, the Company took on dam foundation work as its initial work type for its early days. 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 River No. 4 Power Plant (the so-called Kuro-yon).

We will utilize the drilling and pumping techniques we have cultivated through those dam foundation works in our ground improvement and slope protection to meet the various needs of today with our trusted technical capabilities and construction capabilities.

Major dams on which the Company has performed grouting



Construction in progress

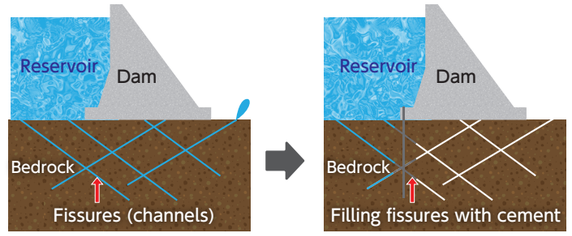
Naruse Dam (Akita Prefecture)
Ukawa Dam (Niigata Prefecture)
Shinmaruyama Dam (Gifu Prefecture)
Uchigatani Dam (Gifu Prefecture)
Asuwagawa Dam (Fukui Prefecture)
Yoshinosegawa Dam (Fukui Prefecture)
Harudo Dam (Kochi Prefecture)
Honmyogawa Dam (Nagasaki Prefecture)

Construction planned

Tobakochi Dam (Mie Prefecture)
Toga Dam (Toyama Prefecture)

What is dam grouting?

Dam grouting is a method in which a cement slurry, also referred to as "cement milk," is injected into the dam foundation bedrock to enhance its impermeability and bolster weak areas.



The are fissures in the bedrock, which would cause the water stored in the reservoir to leak if left untreated.

Injecting cement milk into the bedrock to fill these fissures that could allow water to flow from upstream to downstream enables water to be stored in the reservoir.

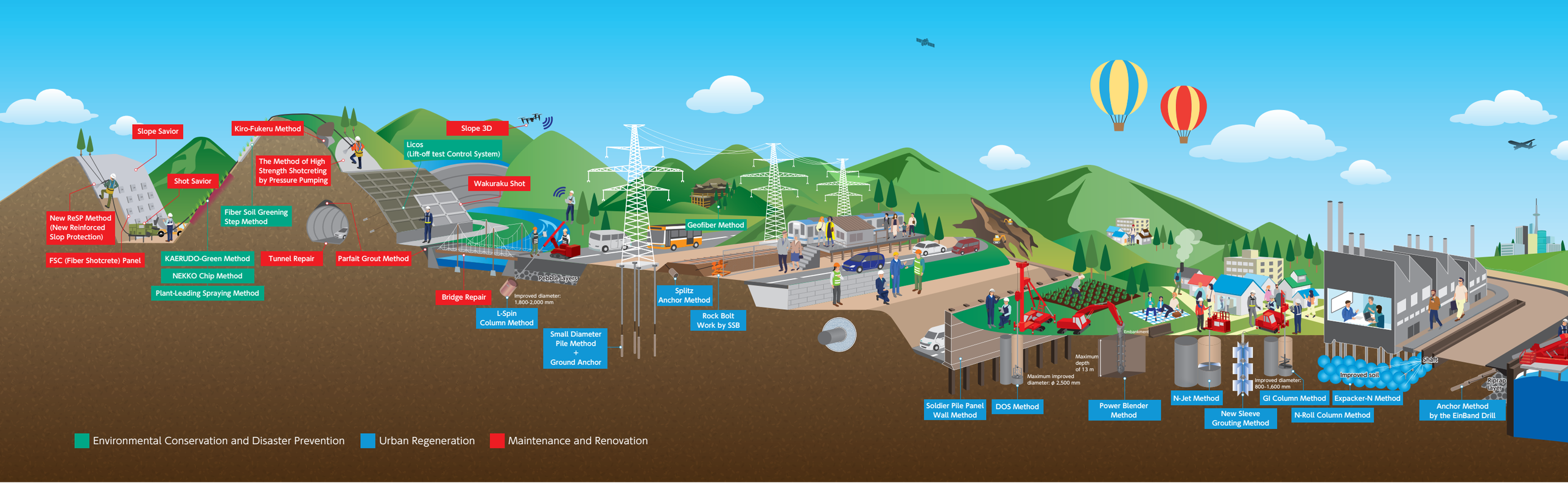
Business Development from Dam Foundation Work

Dams with embankments of 100 m or more comprise 80% of our grouting projects.
Leveraging our technical capabilities, we have expanded into specialized civil engineering fields including slope protection and ground improvement work.
We have also achieved top-class results in Japan in maintenance and repair, urban renewal, and environmental disaster prevention for building national resilience.

A dam is a structure that holds back river water, but it is extremely difficult to store this water with no leakage. The reason for this is that, even in the case of a watertight dam embankment, the supporting bedrock has weak areas such as fissures, fault and fracture zones, high-wind zones, and altered zones. These become channels through which the stored water leaks.

Grouting is a technology in which a cement slurry, also referred to as “cement milk,” is injected into the gaps in dam foundation bedrock to enhance its impermeability and bolster weak areas to ensure the dam functions in a stable manner.

The geotechnical and civil engineers of NITTOC work together to demonstrate their comprehensive capabilities. Through reliable construction by understanding the geology, permeability, and mechanical properties of surrounding bedrock, and by verifying and reviewing overall construction plans, we have earned the trust of our clients. NITTOC develops technology by leveraging the strengths of the types of work from its early days.



Message from the CEO

Based on our strong commitment to sustainable management, I would like to explain how NITTOC will balance sustainable corporate value creation and social value creation by transitioning from ESG materiality (key issues) to integrated value creation materiality. Utilizing our learnings from a harsh business environment, as well as our integrated "Growth, Connection, and Confidence" strategies, we will build a robust growth foundation over the next decade, toward fiscal 2035.

Yasuo Wada
President & Representative Director
NITTOC CONSTRUCTION CO., LTD.

Opening
An opening message to stakeholders

I am Yasuo Wada, President & Representative Director of NITTOC CONSTRUCTION CO., LTD. Allow me to take this opportunity to express my sincere thanks to our shareholders, investors, and all other stakeholders for their consistent support for NITTOC Group management. Last year, we put together an integrated report production team comprising, among others, external specialists and myself, to further our dialogue with shareholders and investors and co-create value with our diverse stakeholders. While the resulting Integrated Report for fiscal 2024 received a certain level of positive feedback from readers, we were also made aware of certain shortcomings in communicating our intentions.

This year, to reinforce our management analysis and the dissemination of information from the viewpoint of shareholders, as in the previous year we again engaged in dialogue with external specialists, and held discussions from various perspectives within the in-house production team. We have again scrutinized and refined the contents of this integrated report, producing simple and appealing structure that aims to enhance readers' understanding to ensure that the initiatives and messages of the NITTOC Group can be conveyed to a broader range of stakeholders.

Commitment to sustainable management and taking on the challenge of integrated value creation

With the recent climate change-induced typhoons and torrential rain damage, as well as heightened earthquake activity that occur in various regions, we are facing an increasingly challenging business environment. Companies are also under pressure to address a host of sustainability issues, including the mitigation of CO_2 emissions, the introduction of natural energy in response to global warming, and the curbing of industrial waste to combat environmental pollution.

Under such circumstances, the NITTOC Group, based on the technology it has cultivated since its founding in 1947, will "continue to be a company needed by society by sincerely providing technology, precisely in the areas that cannot be seen." The corporate motto and brand message we formulated in 2023 express commitment to returning to the NITTOC Group's founding technologies, namely in foundation processing of dams and geological surveys. We also newly introduced the double materiality concept which aims for both corporate value improvements and social contribution. As a company whose businesses are directly linked to sustainability, improving the level of our ESG disclosures and establishing the Sustainability Committee within the Company have been key initiatives to clarifying our significance to society and our creation of economic value.

Integrated value creation through the GCC strategies

Our aim is to create value through the integration of our three strategic axes: Growth, Connection, and Confidence. We have also set ourselves three ambitious medium- to long-term targets and we will work on it as a whole company to achieve—market capitalization of 100.0 billion yen, sales of 100.0 billion yen, and average annual employee salary of 10 million yen. While we will aim to achieve these targets ahead of schedule, we recognize that there are limits to how far we can expand sales under our current structure alone. As such, we will aim for breakthrough increases in scale and revenue through both external growth opportunities—M&As, new businesses, and business partnerships—and organic growth.

As part of our Growth strategy, with a focus on ambidextrous management, we will work to carry forward successful businesses and enhance existing technologies while at the same time entering new domains and concretizing integration with related technologies to explore new pillars of growth.

As for our Connection strategy, we will seek continuous improvements in capital efficiency (ROIC: Return on Invested Capital) through the following: improving the individual skills of engineers, building knowledge, and utilizing them within our organizations; maintaining flexibility through use of our nationwide business sites; building long-term partnerships led by the Nisshinkai partner cooperative company association; and contributing to local communities by participating in disaster recovery activities.

Our Confidence strategy will earn trust from investors and business partners but also as a company within society through the promotion of ESG management and the sophistication of risk management. In terms of recent initiatives, in 2024 we completed the CDP questionnaire for the first time and received the B score for climate change. Moreover, in 2025 we obtained SBT certification after setting a greenhouse gas reduction target higher than previous targets. Our ESG rating has improved because of these initiatives.

Using our conventional ESG materiality (environment, social, and governance) as a foundation for our analysis, we assessed its relationships with six types of capital: intellectual capital, human capital, social and related capital, industrial capital, natural capital, and financial capital. We then developed this ESG materiality into integrated value creation materiality, which comprehensively evaluates both the impact on corporate value and social value.

This enabled us to go beyond solely the ESG perspective to identify key issues from both a corporate value and social value standpoint (double materiality). We also created a value creation framework for the integrated management of resource allocation, KPIs, and disclosure. Moreover, with growing focus on the creation of social impact in addition to shareholder value, we are working with government and academia to conduct health assessments of aging infrastructure and formulating guidelines for preventive maintenance and disaster mitigation measures to prevent any disasters before they occur.

NITTOC creates and protects the daily lives of people who enjoy the convenience of social infrastructure

In January 2024, in line with the renewal of the NITTOC Group's website, the Company posted a new message, "Building the everyday world of the future." While it is our clients who benefit directly from the value we provide, beyond that, our value also extends to the daily lives of people who use social infrastructure. Using the technologies we have accumulated

to date, we protect the lives and assets of these people.

The Noto Peninsula Earthquake that occurred in early 2024 caused severe damage to homes and roads. Due to geographical and topographical constraints, however, recovery and reconstruction is taking time.

To ensure we could give our all and engage in continuous recovery and reconstruction efforts, we recognized the need to create a local living environment. We therefore opened a residential and business site for engineers in the center of Noto Peninsula, and it has been in use since the end of June 2024.

With an environment in place that enables engineers to dedicate themselves to their work in safety and with peace of mind, we will continue to devote our full efforts to recovery and reconstruction.

NITTOC's origins can be traced back to Hokkaido, and for many years we have built close relationships with regional construction companies and local governments. One of our strengths is that through locally rooted management, we can demonstrate speed and flexibility in times of disaster to support the affected region. This broad customer foundation and our contribution to local communities contribute to ESG's S (social) evaluation.

Strengthening competitiveness through technological innovation and human resource development

As a construction company, construction sites are our business offices, and the products and value we provide are in the outputs from these sites. Our main business domains are ground-related and much of what we do is not visible. Customers' ratings of the safety and quality we provide at these sites are ultimately what define our brand. Each of our internal organizations have a shared recognition that they are responsible for ensuring the smooth and steady completion of on-site construction and in turn improving customer ratings.

The utilization of ICT and human capital is particularly important. Following on from our introduction of the technology sales force automation (SFA) system in 2022, in fiscal 2024 we introduced a construction management system across the company to improve operations and deploy ICT in construction and management technologies. This has improved construction efficiency, management precision, and enabled the visualization of ground conditions, and the benefits are beginning to show. In terms of construction technologies, we are making progress with the practical application of automated spraying systems (Slope Savior, etc.), which can be used for slope protection work up to around 20 m above ground, and we plan to deploy these systems nationwide. For the automation and mechanization of elevated slope protection work that exceeds a height of 20 m, we are working with other external partners including startups to develop solutions. In addition to strengthening our three conventional business pillars—slope protection, ground improvement, repair and reinforcement—we are also exploring a fourth business pillar with an eye on future growth.

Decline in operating profit, Analysis revealed that the balance between defensive and offensive abilities is the issue

Following a management crisis in 2008, we formulated our first Medium-Term Management Plan and overcame the crisis through company-wide efforts. We are now in our sixth Medium-Term Management Plan period, and in the approximately 18 years since the first plan began, we have steadily developed a growth trajectory.

On the other hand, we have seen varying year-by-year performance. In the current plan period, profitability declined in fiscal 2023 due to several large-scale unprofitable projects in the ground improvement and structural repair domains. In fiscal 2024, although at the start of the year we had a sufficient order backlog, in the first half of the year, delays in construction progress meant that sales dropped, and although profitability improved, operating profit declined.

In line with these results, in fiscal 2025 (the final year of the current plan), our priority was on progress management in the first half of the year, aiming to both control year-by-year variability and drive sustainable growth.

In fiscal 2025, we are targeting an increase in both sales and profit with net sales of 76.0 billion yen (up 13.1% year on year) and operating profit of 5.0 billion yen (up 35.9%).

To enhance our acquisition of projects, using the rich backlog of orders we secured in the second half of fiscal 2024 as a foundation, we will steadily capture recovery-related demands in Noto Peninsula and demands for disaster prevention and mitigation projects related to the enhancement of national resilience.

In our efforts to strengthen management of revenue and profitability, we will improve profitability by enhancing our on-site preparation and response capabilities and accelerate returns on our investment through synergy with ASO FOAM CRETE Co., Ltd.

We will aim to create a new growth driver by combining our sales network with the Aerated light-weight concrete technology of the company. Through such initiatives, we will streamline management and create a stable sales foundation, and correct any deviations in the progress of the Medium-Term Management Plan.

Head office and branches Protecting profit by mobilizing the knowledge of NITTOC

To stabilize on-site revenue, we are thoroughly engaged in four company-wide key measures: (1) improve safety performance; (2) avoid losses; (3) stabilize productivity through employee retention (improvement of retention rate for younger engineers); and (4) visualize the cost effectiveness of investments.

In business management, we are standardizing the operational cycle—order/contract, construction plan/preparation, construction, and invoicing/collection—and enhancing management accuracy by building a checking structure in key processes.

As the leads in on-site management, construction managers are given authority and resources as the individuals in charge of safety, quality, schedule, and cost, creating environments that enable the site to work independently. The head office is responsible for formulating standards, leading checks in key processes, and collecting and sharing internal knowledge (standard procedures, case studies, successes, and mistakes), and providing horizontal support to branches, sales offices, and construction sites.

Moreover, by linking data on budgets, costs, and progress with SFA systems, we are rebuilding our checking structure (review system, checklists, approval authority) to prevent the emergence of risks from an early stage.

Every month, the Company's executives, including myself, visit each branch to gauge on-site conditions, while every six months branch managers and executives from our Nisshinkai partner association conduct joint on-site patrols. Moreover, through regular meetings with directors of the employees' association, we collect feedback from employees to create comfortable workplace environments. At the same time, using the technology sales force automation (SFA) system we introduced in fiscal 2023, we conduct real-time analyses of data to speed up our decision-making processes. This SFA system is more than just a technology sales support tool. Working with construction departments since fiscal 2024, the system now also functions as a comprehensive DX system for the integrated management of project information, and it is helping to improve the sharing of information and collaboration between departments.

Within the management team, we recognize the importance of looking at corporate value from four perspectives, which are not just profitability (sales and operating profit), but also capital efficiency (ROIC), capital cost (WACC), and risk (safety and security). While theoretically the risk aspect falls under capital cost, we will focus on picking out and understanding risk as a separate category. By communicating this approach to all employees, particularly our younger employees, we are aiming to create a structure in which each individual acts with an awareness of improving corporate value.

In other areas, one of our most important challenges is restoring the depth of our human resources portfolio. In addition to lacking mid-level employees in their 30s to 40s, the retention of younger engineers has also been an ongoing challenge.

As such, we will work in an integrated manner to (1) retain and develop younger employees; (2) reinforce mid-level employees (mid-career hires); and (3) pursue comfortable working environments for all age groups (offsite outsourcing, flexible work systems, childcare and family care support).

Moreover, aiming to promote diverse workstyles, we will strengthen use of remote construction technologies and enhance our back-office functions.

We have identified seven areas of materiality (seven top priorities, see page 15), and rather than addressing them individually, our aim is to

Message from the CEO

link them and maximize benefits through integrated synergy.

Sustainability is at the core of our business vision. At the NITTOC Group, we formulated our Basic Policy on Sustainability in June 2023, and have been integrating the policy into our business management and information disclosure.

In addition to new initiatives, we have reaffirmed that there is a strong affinity between some of our existing businesses and sustainability. For example, as a part of restoration projects following the Kumamoto earthquake in 2016, we engaged in a large-scale restoration project to repair collapsed slopes in Aso region. In a recent inspection in June 2024, we could see significant progress with the greening of the area and a gradual recovery in the landscape.

Overseas, through slope protection work in a tourist area in Indonesia, we have contributed to the conservation of a regional cultural asset and local tourism resources. Construction work on fundamental infrastructure, including ground and slopes, upholds safety and day-to-day living in communities in a seamless manner that blends into everyday life, contributing to both the restoration of nature and the conservation of landscapes.

Examples like this show how our core technologies can simultaneously enhance social value (safety, resilience, and landscapes) and corporate value (confidence and brand).

I believe that ESG management is both a corporate social responsibility and the source of our competitive advantage, in turn forming the foundation for our sustainable growth. Regarding our recent initiatives, first, concerning the environment (E), we have strengthened our response to climate change risks and opportunities.

As a measure of our success in the initiative, following completion of the fiscal 2024 CDP questionnaire, we obtained the B score for climate change. This is a third-party evaluation of the quality of our disclosures and countermeasures, and one of the key evidence that can improve the quality of our dialogue with investors and business partners.

Moreover, in 2025 our greenhouse gas reduction targets were given SBT certification. This confirms that our targets are based on scientific evidence, and in addition to boosting trust in our business management, the certification also helps us to meet certain procurement and bidding requirements.

Both are evidence of the extent to which climate action is central to our management. As our initiatives for social (S), we have formulated the NITTOC Group Human Rights Policy, which conforms to international standards such as the UN Guiding Principles on Business and Human Rights (UNGPs). Based on this policy, we have begun human rights due diligence across the supply chain, including at partner companies, and are moving forward with the identification, assessment, and correction of any risks.

In addition to enhancing the effectiveness of our efforts to promote respect for human rights and enhance the strength of the supply chain, these initiatives are helping to improve relationships of trust with business partners and clients.

[Environment]
The Company's aim is to reduce Scope 1 and 2 greenhouse gas emissions by 42% and Scope 3 greenhouse gas emissions by 25% by the target year fiscal 2030 (compared to fiscal 2023). The Company is also aiming to achieve net-zero Scope 1 and 2 CO_2 emissions by the target year fiscal 2050.

[Social]
The Company took the lead in implementing workstyle reforms ahead of the so-called "2024 Problem" in the construction industry. In addition to aiming for zero occupational accidents as part of our safety measures, we will promote remote construction, automated construction, and productivity improvements.

[Governance]
The Company will strengthen management transparency and resilience through a Board of Directors comprising executives with a diverse range of skills (disclosure of skills matrix) and quarterly meetings of the Risk Management Committee and Compliance Committee.

Creating a chain of challenges for the New Medium-Term Management Plan

Fiscal 2025 is the final year of the Medium-Term Management Plan. Through the prioritization of measures, optimal resource distribution, and enhanced progress monitoring, we will work to improve the probability of achieving our target of 5% growth in operating profit compared to the previous year (fiscal 2024).

We are also promoting the "Near-Future Project for Imagining NITTOC 10 Years from Now." I am leading the project with help from a team of approximately 60 individuals, primarily younger employees. Through the project, we are engaging in cross-organizational examinations of internal challenges that must be addressed (business portfolio, organizations, human resources, operational processes, technological foundations, etc.) to achieve our vision for ten years from now. In addition to sophisticating our existing businesses, we are creating an execution plan that brings together multi-stage growth opportunities from M&As to new business development from the ground up.

Key to NITTOC's growth strategy is the maximization of synergies within the NITTOC Group. In fiscal 2024, we welcomed ASO FOAM CRETE Co., Ltd. (AFC) into the NITTOC Group and have since been promoting collaborations accordingly.

While on the one hand we are working to strengthen our systems using both companies' complementary strengths in the shared ground improvement domain, on the other hand, as an industry leader in the Aerated light-weight concrete domain, AFC can use its technologies and track record to support and complement the NITTOC Group's businesses.

In terms of future collaborative projects, with a focus on initiatives within the NITTOC Group, we will work to improve our project-winning capabilities and profitability by streamlining our technological development, optimizing procurement and construction, and promoting mutual use of sales opportunities.

We will also pursue M&As as necessary to welcome new partners into the NITTOC Group and accelerate achieving our targets for market capitalization, sales, and average annual employee salary. Welcoming AFC into the Group is but the first step, and we will seek to steadily generate synergies with our new partner.

An integrated message to our stakeholders

We are engaged in work that supports the foundations of society with pride precisely in the areas that cannot be seen.

Meanwhile, we are continuing to work with external specialists to examine the relationship between capital efficiency (ROIC) and capital cost (WACC). Moving forward, we will disclose information on ROIC drivers (profit ratio, turnover, invested capital), capital cost assumptions, and value creation mechanisms in major projects in an easy-to-understand manner, and in turn further enhance the quality and quantity of our information to improve market ratings, including PBR.

We will work particularly hard to make NITTOC's hidden value visible by (1) enhancing ROIC disclosure; (2) making our capital allocation policy more transparent (growth investments, M&As, shareholder returns); and (3) clarifying the link between non-financial metrics (safety, human resources, technologies) and financial metrics.

"Our pride comes from what we achieve, precisely in the areas that cannot be seen."—led by our brand message, we will ensure a thorough on-site and data-driven approach, and while creating a culture that celebrates endeavor and learning, we will steadily address social challenges while simultaneously improving corporate value.

Moreover, to "build the everyday world of the future," we will continue providing a safe and secure society and contributing to countries through our reliable technologies.

Further, while carrying forward the sincere commitment to delivering technologies that we have developed in the 78 years since our founding to future generations and continuing to be a company that is fundamental to society as a top priority, we will work alongside our stakeholders to create a sustainable future.

We will also engage in steady efforts to achieve our targets for market capitalization, sales, and average annual employee salary, which will guide us toward fulfilling this mission.

Identification of Materiality

Process for identification of materiality

We used a systematic approach based on international frameworks to identify our materiality. From a large number of candidate issues, we ultimately identified seven top priorities and comprehensively assessed their impact on the six types of capital, our technical strategy, and on ESG. We established an appropriate review system at each stage to ensure a balance of objectivity and strategic thinking.

Steps	Implementation details	Major matters of consideration
1. Issue identification	Comprehensive identification of social issues	Extensive identification based on GRI Standards, SDGs, TCFD, TNFD, etc.
2. Importance assessment	Multi-axis assessment	Integrated assessment of stakeholder opinions
3. Prioritization	Management review	Comprehensive assessment of strategic importance and impact on the six types of capital
4. Integration and approval	Integration into corporate strategies	Board of Directors approval and incorporation into the Medium-Term Management Plan

[Relationship] Parent concept: Management philosophy and vision | child elements: The four steps are in a sequential parent-child relationship | Steps 1, 2, 3, and 4 are a serial process | Subsequent connections: Development of specific assessment criteria from an assessment perspective | Visualization of the final result in a materiality matrix

Assessment perspectives and impact on the six types of capital

In addition to the traditional financial impact, we conducted integrated assessment of the impact on the six capitals of the IIRC Framework (financial, manufactured, intellectual, human, social and relationship, and natural) to clarify the connection with our technical strategy and ESG aspects. In particular, for natural capital, we have introduced quantitative assessments for greening and biodiversity ahead of industry peers.

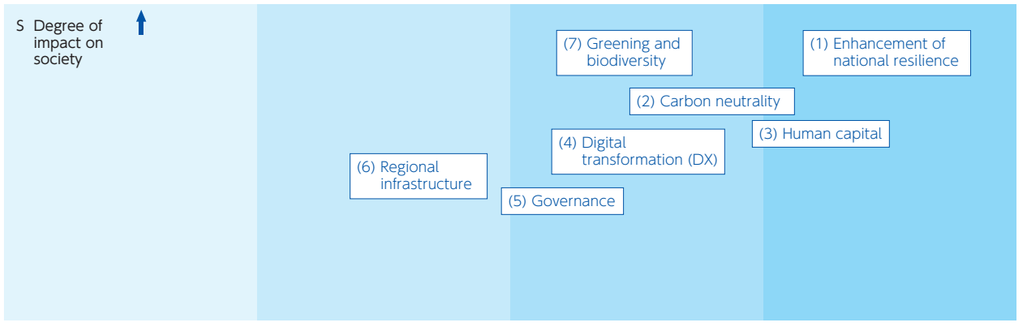
Assessment axis	Assessment details
Impact on society and the environment	Contribution to disaster prevention and mitigation, CO_2 reduction, biodiversity conservation, and regional infrastructure development
Impact on business	Determined based on sales impact, profit margin impact, required investment amount, and risk probability
Impact on six types of capital	Financial (net sales expansion, ROIC improvement, WACC reduction), manufactured (utilization rate improvement), intellectual (patent value), human (productivity), social and relationship (brand value), nature (CO_2 reduction/greening)
Alignment with our technical strategy	Assess linkage with NETIS-registered technologies, i-Construction support, environmentally friendly construction method development, and AI/IoT utilization
Time frame	Assess the degree of impact in three stages: Short term (1-3 years), medium term (3-5 years), and long term (5-10 years: achievement of the SDGs by 2030).

[Relationship] Sibling relationships: The five assessment axes are parallel but interdependent | Society x business: The core of double materiality | Six types of capital: The foundation for integrated thinking | Technical strategy: Differentiating factors | Time frame: Provision of a dynamic perspective | Subsequent connections: This assessment is aggregated into the two axes of the materiality matrix

Materiality matrix

The following materiality matrix is the result of ultimately identifying seven top priorities from the candidate issues. In addition to a two-axis assessment of the degree of impact on society (vertical axis) and the degree of impact on business (horizontal axis), we also comprehensively considered the impact on the six types of capital and alignment with our technical strategy. Based on this two-axis assessment, we will continue to analyze “integrated value creation materiality” with an emphasis on the double materiality perspective that integrates both “social value” and “corporate value.”

Positioning of top priorities



[Relationship] Parent element: Visualization of the results of the assessment process in tables 1 and 2 | Seven materiality: Hierarchical sibling relationships ((1), (2), and (7) are the most important, accounting for 70% of value creation) | Subsequent connections: These seven materiality define specific details, set KPIs, and develop into a management system

Details of identified top priorities

The seven materiality are strategic issues that integrate NITTOC’s competitive advantage and social responsibility. They impact all six types of capital, define the direction of our technical strategy, and form the foundation of ESG management. In particular, through the addition of greening and biodiversity, we will develop new business areas, green infrastructure, and lead the industry in adhering to TNFD. Each materiality is interconnected, forming an integrated value creation mechanism.

No.	Materiality	Initiative details and impact on capital	Related SDGs
1	Enhancement of national resilience	Construction of disaster prevention infrastructure (strengthening of financial, manufactured, and social capital)	
2	Carbon neutrality	Environmental technological innovation (strengthening of natural and intellectual capital)	
7	Greening and biodiversity	Creation of green infrastructure (strengthening of natural and social capital)	
3	Human capital	Skill transfer and productivity innovation (strengthening of human and intellectual capital)	
4	Digital transformation (DX)	Utilization of digital technology (strengthening of intellectual and manufactured capital)	
5	Governance	Ensuring management transparency (management foundation for all types of capital)	
6	Regional infrastructure	Development of regional infrastructure to create a safe society	

[Relationship] Parent element: Implementing the matrix in figure 3 | Seven materiality: While parallel, (1), (2), and (7) represent the core of our business (60% of sales), (3) and (4) serve as the driving force for change, while (5) and (6) are the foundation | Linkage with the six types of capital: Each materiality strengthens multiple types of capital | Linkage with the SDGs: Contributes to 10 of the 17 goals

Identification of Materiality

Targets and KPIs for 2030

KPIs for each materiality have been set in line with our Medium-Term Management Plan (2023-2025) and Long-Term Vision (2035). We quantified the impact on the six types of capital, which has enabled us to measure the progress of our technical strategy. In particular, we have established the industry's first TNFD-compliant indicators for greening and biodiversity, and have introduced an economic value assessment of ecosystem services. We will ramp up our efforts to develop quantitative targets for each target going forward.

Materiality	Major KPIs	Medium to long term target
Enhancement of national resilience	Orders received for disaster prevention and mitigation-related work	Continuous order growth and promotion of technological innovation
Carbon neutrality	Reduction rate of Scope 1 and Scope 2 CO_2 emissions	Gradual reduction and development of environmentally friendly construction methods
Greening and biodiversity	Greening area and conservation of biodiversity	Coexistence with the natural environment and the improvement of ecosystem services
Human capital	Labor productivity improvement rate	Achievement of a rewarding work environment and skill transfer
Digital transformation (DX)	BIM/CIM utilization rate	Maximization of construction efficiency through digital technologies
Governance	Ratio of independent Outside Directors	Establishment of a highly transparent management structure
Co-creation with local communities	Number of cooperation agreements on disaster management signed	Strengthening of sustainable collaboration with local communities through regional infrastructure development

[Relationship] Parent element: Quantification of the details in table 4 | KPIs and targets: Address each materiality one by one

Management structure and ESG integration

Our integrated value creation promotion structure, launched in April 2024, is a four-tiered structure with the Sustainability Committee, which reports directly to the Board of Directors, at its core. In addition to ensuring the effectiveness of materiality, this structure enables comprehensive management using an ESG integration scorecard. In full compliance with the international standards of the GRI, TCFD, TNFD, and SASB, we operate a multi-tiered PDCA cycle consisting of monthly monitoring, quarterly reviews, and annual assessments.

Organization and meeting bodies	Composition	Role and authority	Activities carried out in fiscal 2024
Board of Directors	10 Directors	Final approval of materiality, target setting, progress monitoring	Four deliberations and two target revisions across the year
Sustainability Committee	Nine members	Strategy planning, inter-departmental coordination, and ESG integration management	Held four times quarterly, and approved 12 proposals
Each business department	54 locations, 1,196 persons	On-site execution, data collection, and improvement activities	Daily management, over 200 improvement proposals

[Relationship] Parent element: KPI management implementation structure in table 5 | Four-tier structure: Board of Directors (parent) → Committee → Promotion Office → Business department (child) | Activity frequency: Annual → Quarterly → Monthly → Daily timeline management | ESG integration: Integrated management of three aspects of environmental, social, and governance | Subsequent connections: Verification based on international standards in table 7

Reference guidelines and connection to integrated value creation

When identifying materiality, we comprehensively adopted major international guidelines. In particular, we strengthened our adherence to TNFD (Nature-Related Financial Disclosures). These materiality are connected to our value creation model through each chapter of our integrated report, ultimately enabling the simultaneous creation of corporate and social value.

INPUT
Seven materiality
×
Six types of capital
→
PROCESS
Technical strategy
Business strategy
ESG strategy
→
OUTPUT
Sales growth
Efficiency improvement
Risk reduction
→
OUTCOME
Increased corporate value
Increased social value

Guidelines	Compliance details
GRI Standards	Compliant with standards for materiality identification (GRI 3), expanded disclosure items based on 33 criteria
TCFD recommendations	Disclosure based on 4 criteria and 11 indicators, conducted scenario analysis
TNFD recommendations	Assessed nature-related risks and opportunities, expanded biodiversity indicator disclosure
SASB Standards	Disclosure based on 26 indicators for the construction industry (IF-EN)

[Relationship] Ensuring overall legitimacy: International standards ensure the reliability of the entire process | Four criteria: Complementary relationships (comprehensiveness, integration, climate specialization, industry specialization, and nature specialization) | Connection to value creation: Maximization of integrated value through the flow of INPUT → PROCESS → OUTPUT → OUTCOME | Development to the next chapter: This financial model serves as the quantitative foundation for our integrated value creation model

Connection to the integrated value creation model (financial impact estimation)

The seven materiality generate corporate and social value through three value creation channels in the integrated value creation model. The enhancement of national resilience, carbon neutrality, and greening and biodiversity drive sales growth, human capital and digital transformation (DX) realize efficiency improvements, and governance and co-creation with local communities build a foundation of trust. This integrated approach mutually reinforces all six types of capital, thereby establishing a sustainable value creation mechanism.

Value creation channels	Materiality	Financial KPIs	Implementation time frame	Value creation scale image
Sales growth channel	① Enhancement of national resilience	Sales related to disaster prevention and maintenance and renovation	Short term → medium term → long term	Growth in line with sales growth
	② Carbon neutrality	Environment-related sales	Short term → medium term → long term	Growth in line with sales growth
	⑦ Greening and biodiversity	Green infrastructure sales	Short term → medium term → long term	Growth in line with sales growth
Efficiency improvement channel	③ Human capital	Simultaneous achievement of continuous increase in average employee salary and increase in ROIC	Short term → medium term → long term	Achieve an average annual employee salary of ¥10.0 million while maintaining and increasing ROIC
	④ Digital transformation (DX)	Improve the cost-to sales ratio, excluding labor costs	Short term → medium term → long term	Improve by approximately 0.5% points each fiscal year over the next ten years
Trust-building channel	⑤ Governance	PBR	Short term → medium term → long term	Steady improvement
	⑥ Regional infrastructure development	WACC	Short term → medium term → long term	Gradual reduction
Integrated value creation amount		Shareholder value and market capitalization	Long-term target	Generate over ¥100.0 billion
Social value creation amount		Social benefits amount	Long-term target	Gain a qualitative understanding and promote gradual growth

[Relationship] Continuation from the previous chapter: Management Philosophy → Message from the CEO → Materiality flow leads to value creation | Three channels: Shareholder value of ¥100.0 billion (market capitalization) through the multiplier effect of sales (growth) × efficiency (profitability) × trust (cost of capital) | Integration of six types of capital: All capital types mutually reinforce value creation | Development to the next chapter: This financial model forms the quantitative foundation for the integrated value creation model

Integrated Value Creation Model

GCC integrated strategy framework

NITTOC's value creation is realized through a strategic framework that fully integrates the three strategic pillars of Growth, Connection, and Confidence with the four financial impact perspectives of sales growth, NOPAT margin improvement, invested capital efficiency improvement (IC/S), and WACC reduction. We have clarified our mechanism for improving ROIC by breaking down Connection in particular into NOPAT margin and IC/S. The seven materiality contribute in multiple ways to each strategy and financial perspective, ultimately creating integrated corporate and social value.

Growth
Advance existing businesses + new market cultivation + M&A
Expanding sales

×

Connection
Profitability improvement
Capital efficiency improvement
ROIC improvement

×

Confidence
ESG management
Steady reduction of WACC

[Relationship] Parent concept: Integrated value creation | Three strategies: Reciprocal reinforcement (Growth × Connection × Confidence = Integrated value) | Four perspectives: Turning strategies into financial impact | Connection breakdown: ROIC = NOPAT margin × Ratio of invested capital to net sales (IC/S)

Materiality × four-perspective impact analysis

We evaluated our seven materiality using four financial impact perspectives (sales growth, NOPAT margin, IC/S, WACC) to clarify which strategic axis each measure belongs to and what financial impact it will have. This is a multi-layered structure in which all measures contribute to multiple perspectives, thereby maximizing synergies. Please note that the following merely indicates possibilities, and further analysis is required to determine feasibility.

Materiality	Key strategies	Sales impact	NOPAT margin	IC/S improvement	WACC impact
① Enhancement of national resilience	Growth	Significant increase (Huge market)	Improvement (High added value)	Neutral (Maintain capital investment)	Improvement (Social trust)
② Carbon neutrality	Growth/ Innovation	Steady increase (Environment market)	Improvement (Premium)	Neutral (Maintain capital investment)	Improvement (ESG evaluation)
③ Human capital	Connection	Steady increase (Productivity)	Improvement (Skill improvement)	Efficiency improvement (Small but elite team)	Improvement (Human resource capabilities)
④ Digital transformation (DX)	Connection	Steady increase (Efficiency)	Improvement (Automation)	Efficiency improvement (Equipment efficiency)	Improvement (Progressiveness)
⑤ Governance	Confidence	Steady increase (Gain trust)	Improvement (Risk reduction)	Efficiency improvement (Strengthen systems)	Improvement (Transparency)
⑥ Regional infrastructure development	Confidence	Steady increase (Local engagement)	Improvement (Regional premium)	Neutral (Maintain capital investment)	Improvement (Regional trust)
⑦ Greening and biodiversity	Growth/ Innovation	Steady increase (New market)	Improvement (Differentiation)	Neutral (Maintain capital investment)	Improvement (Environmental assessment)

[Relationship] Parent concept: GCC strategy | Seven materiality: Strategic allocation (three Growth, two Connection, two Confidence materiality) | Contribution to four perspectives: All materiality impact multiple perspectives | Synergies: Multiplier effect of sales × margin × efficiency × trust | Continuation: Move to GCC strategy details

Growth strategy: Advancement of existing businesses + new market cultivation

Our Growth strategy is conducted via two axes: The advancement of existing businesses and the cultivation of new markets. While ensuring stable growth through existing businesses centered on the enhancement of national resilience, we will create new markets through innovation in the environmental and greening fields. We will also conduct additional M&A to boost net sales and simultaneously contribute to all four perspectives.

Measure category	Specific measures	Contribution to sales growth	Contribution to NOPAT	Contribution to IC/S	Contribution to WACC
Advancement of existing businesses	Expand slope protection and ground improvement work	Increase	Improvement	Neutral	Improvement
	Strengthen orders for large projects	Increase	Improvement	Improvement	Neutral
	Expand maintenance and renovation	Increase	Improvement	Neutral	Neutral
Cultivation of new markets	Environmental conservation and disaster prevention business	Increase	Improvement	Neutral	Improvement
	Green infrastructure	Increase	Improvement	Neutral	Improvement
	Overseas/M&A	Significant increase	Improvement	Increase due to goodwill, etc.	Neutral
Growth strategy total		Significant increase	Improvement	Improvement	Improvement

[Relationship] Parent concept: First axis of the GCC strategy | Advancement of existing businesses: Stable foundation (main axis) | New market cultivation: Growth driver (complementary) | Link four perspectives: Improve all perspectives centered on maximizing sales | Continuation: Move to the Connection strategy

Connection strategy: Two components breakdown for ROIC improvement

In the Connection strategy, we manage ROIC by breaking it down into two components (NOPAT margin × capital turnover). We will work to improve the NOPAT margin and increase IC/S efficiency (ratio of invested capital to net sales) through human capital and digital transformation (DX) initiatives. Through this double-faceted approach, we aim to achieve sustainable ROIC improvement.

ROIC components	Key measures	Financial impact		
		NOPAT margin	IC/S	Integration effects
NOPAT margin improvement measures	Skill transfer and development	Significant improvement	Efficiency improvement	Continuous ROIC improvement
	Significant productivity improvement	Notable improvement	Efficiency improvement	
	Promote DX/automation	Improvement	Efficiency improvement	
	Strengthen quality control	Improvement	Neutral	
IC/S improvement measures	Capital investment optimization	Neutral	Efficiency improvement	
	Improvement of the capital efficiency of acquired companies	Neutral	Efficiency improvement	
Connection strategy total		Improvement	Efficiency improvement	

ROIC = NOPAT margin ÷ ratio of invested capital to net sales = Continuous improvement × maintain high level = Extremely high level

[Relationship] Parent concept: Second axis of GCC strategy | ROIC breakdown: Profitability (NOPAT margin) × efficiency (ratio of invested capital to net sales) | Human capital × DX: Both materiality contribute to both elements | Synergies: Multiplication of margin improvement and efficiency improvement | Continuation: Move to the Confidence strategy

Confidence strategy: WACC reduction and ESG value creation

Under the Confidence strategy, we aim to gain stakeholder trust and steadily reduce WACC through the strengthening of governance and co-creation with local communities. At the same time, we will implement ESG management to create large-scale social value and improve PBR. Building up trust serves as the foundation for all of our measures.

Trust-building measures	ESG category	Sales impact	NOPAT impact	IC/S impact	WACC impact
Majority of independent Outside Directors	G (Governance)	Increase	Neutral	Neutral	Improvement
Enhance integrated reports	G (Governance)	Increase	Neutral	Neutral	Improvement
TCFD/TNFD response	E (Environment)	Increase	Improvement	Neutral	Improvement
Conclude numerous cooperation agreements on disaster management	S (Social)	Steady increase	Improvement	Neutral	Improvement
Acquire highest ranking in ESG evaluations	Integrated ESG	Neutral	Neutral	Neutral	Improvement
Confidence strategy total		Steady increase	Improvement	Neutral	Improvement

Social value creation	Quantitative evaluation	Annual value	Cumulative value (long term)
Disaster prevention and mitigation value	Damage reduction amount	Large scale	Large scale
Environmental value	CO_2 reduction value	Large scale	Large scale
Technology transfer value	Human resource development effects	Steady scale	Notable scale
Social value total		Large scale/year	Large scale

[Relationship] Parent concept: Third axis of the GCC strategy | ESG integration: Reciprocal reinforcement of E × S × G | WACC reduction: Turn trust into financial value | Social value: Quantify non-financial value | Circular structure: A virtuous cycle of Trust → Order acquisition → Investment → Trust | Continuation: Move to integration synergies

GCC × four-perspective integration synergy analysis

The integration of three GCC strategies and four financial perspectives creates synergies that go beyond the simple total. Each strategy reinforces the other, multiplying the financial impact. We expect these integration synergies to lead to dramatic expansion of the ROIC spread (ROIC-WACC).

Strategy axis	Sales growth	NOPAT margin	IC/S	WACC	Integrated value
Growth	Primary Increase	Improvement	Neutral	Complementary Improvement	Increase
Connection	Complementary Increase	Improvement	Efficiency improvement	Neutral Neutral	Increase
Confidence	Complementary Steady increase	Improvement	Neutral	Primary Improvement	Increase
Simple total	Increase	Improvement	Efficiency improvement	Improvement	Increase
Synergies effect	Additional increase	Additional improvement	Additional efficiency improvement	Improvement	Increase
Final outcome	Increase	Improvement	Efficiency improvement	Improvement	Increase

[Relationship] Parent-child relationship: Three strategies → Four perspectives → Integrated value | Sibling relationship: Strategies are parallel but mutually reinforcing | Causal relationship: Major impact → Complementary impact → Synergy creation | Multiplier effect: (1 + G) × (1 + C) × (1 + C) - 1 = Total effect | Continuation: Move to the execution roadmap

Integrated value creation execution roadmap

Realize integrated value in stages over the medium- to long-term period of the plan. Phase 1 involves building the foundation, Phase 2 involves accelerating growth, and Phase 3 involves maximizing value. We will manage KPIs from four perspectives in each phase and monitor them on a quarterly basis. We ultimately aim to achieve growth in integrated value for both corporate and social value.

Phase	Term	Key strategies	Key measures	Milestone
Phase 1 Building the foundation	Short-term	Strengthen Connection	• Establish a DX platform • Strengthen human resource development • Improve governance	• Achievement of mid-level ROIC • Steady sales growth • WACC improvement
Phase 2 Accelerating growth	Medium-term	Expand Growth	• Enter into new markets • Execute M&A • Expand overseas	• Achievement of high-level ROIC • Significant sales growth • Creation of significant social value
Phase 3 Maximizing value	Long-term	Integration synergies	• Integrate all strategies • Accelerate value creation • Formulate our next vision	• Maintaining and improving of high-level ROIC • Net sales ¥100.0 billion, ¥150.0 billion • Market capitalization ¥100.0 billion

[Relationship] Timeline: Gradual progression across Phase 1 → 2 → 3 | Key transition: Connection → Growth → Integration | Cumulative effect: Results of each phase form the foundation for the next phase | Management structure: Quarterly monitoring × Annual evaluation

Comprehensive KPI dashboard

A comprehensive KPI management system that integrates the GCC strategies and four perspectives. We visualize the current status, targets, and progress of each indicator, and implement the PDCA cycle monthly, quarterly, and annually. It is used by the Board of Directors as a management dashboard to monitor indicators of particular importance.

Strategy	KPI	Current status	Medium-term targets	Long-term targets	Rate of progress
Growth	Consolidated net sales	Baseline	¥100.0 billion	¥150.0 billion	Favorable
	Sales growth through M&A	¥4.0 billion	¥20.0 billion	¥40.0 billion	
	Ratio of new market sales	Low level	Mid level	High level	In progress
	Ratio of overseas sales	Very small	Small scale	Medium scale	Early stage
Connection	ROIC	Mid level	High level	Record level	Steady progress
	NOPAT margin	Standard level	High level	High level	Steady progress
	IC/S	Efficient: 35%	Temporarily increase to approx. 38% through M&A	Reach the 36% level	Sufficiently control
	Net sales per employee	Baseline	Continuous improvement	Significant improvement due to cumulative effects	Favorable
Confidence	WACC	Standard level	Low level	Low level	In progress
	ESG evaluation	Medium	High	Record high	Favorable
	Ratio of independent Outside Directors	Standard level	High level	Majority	Steady progress
	CO_2 reduction rate	Steady reduction	Significant reduction	Target achievement	Favorable
	Social value creation	Medium scale	Large scale	Large scale	Favorable
Comprehensive indicator: Corporate value		¥50.0-80.0 billion	¥100.0 billion	Over ¥100.0 billion	Steady progress

[Relationship] Hierarchical structure: KPI by strategy → Integrated indicators | Management cycle: Monthly (preliminary) → Quarterly (current state) → Annual (results) | Correlation: Causal chain between each KPI

Technical and Human Resource Strategy

Technical capabilities (technology foundation built on our patent portfolio) × human resource capabilities (organizational capabilities built on specialized talent) × GCC strategy = Integrated value creation (sustainable corporate value growth + social value creation)
Technical capabilities × human resource capabilities × GCC strategy = Improved capital efficiency —optimized capital costs— and improved corporate value spread

Technical and intellectual capital strategy

Strategic areas	Technical strategies	GCC linkage	Key KPI examples	Value creation
Promote digital transformation and improve productivity	Build a digital infrastructure utilizing AI and IoT technologies to promote efficiency across all business processes. Achieve prompt decision-making by strengthening our cloud infrastructure and developing a data analysis platform.	[Growth/Connection] Sales growth rate Continuous growth New customer acquisition rate Continuous expansion	Operational efficiency rate Continuous improvement Digital investment amount Strategic investments	[Growth] Improve productivity and create new businesses through business digitalization [Connection] Improve customer satisfaction through digitalization of customer contact points [Confidence] Strengthen corporate foundations through system robustness [Social value] Promote industrial digital transformation and work style reform
Achieve decarbonization and reduce environmental impact	Develop renewable energy technologies and energy-saving solutions to achieve carbon neutrality. Promote sustainable business operations by introducing environmental impact reduction technology.	[Growth/Confidence] Acquire environmental certification Continuous acquisition	CO_2 reduction rate Continuous reduction Environmental investment amount Strategic investments	[Growth] Create revenue opportunities by entering decarbonized markets [Connection] Improve environmentally conscious assessments and deepen ESG investor relationships [Confidence] Ensure business continuity by proactively adhering to environmental regulations [Social value] Address climate change and develop sustainable social infrastructure
Strengthen quality control and increase competitiveness	Minimize quality risks by introducing high-precision quality control and predictive maintenance systems. Ensure customer trust through automated inspection technology and enhanced traceability.	[Connection] Customer satisfaction Achieve high levels Quality certification International standard compliance	Quality improvement rate Continuous improvement R&D investment amount Strategic investments	[Growth] Boost market share by differentiating through high quality [Connection] Earn customer trust through transparent quality assurance [Confidence] Reduce quality risks with predictive maintenance [Social value] Provide safe and secure infrastructure and implement industrial development
Improve safety and manage risks	Utilize AI safety monitoring systems and preventive maintenance technology to identify and address risks in advance. Ensure a safe business environment by establishing an emergency response system.	[Confidence] Safety indicators Maintain high levels Ensure thorough compliance	Safety investment amount Strategic investments Accident reduction rate Continuous reduction	[Growth] Improve company reputation and orders acquisition through safety performance [Connection] Strengthen trust between employees and partner companies [Confidence] Ensure business continuity through our risk management system [Social value] Reduce work-related accidents and foster a safety culture
Strengthen R&D to create innovation	Promote the development of next-generation construction technologies and smart construction systems, including remote operation, and establish technological superiority through the application of new materials and robotics technology.	[Connection/Growth] Technological development capabilities Continuous investment Number of industry-academia collaborations Continuous expansion	Number of patent applications Continuous growth Ratio of R&D investment Appropriate level relative to sales	[Growth] Create new markets and improve profitability through technological innovation [Connection] Build industry influence through intellectual property [Confidence] Gain a competitive advantage through continuous innovation [Social value] Make advancements in industrial technology and carry out issue-solving innovation
Promote open innovation	Strengthen collaboration with universities and research institutions to make strategic investments in startups. Accelerate innovation through technology consortiums and international collaborative research.	[All GCC integrated] Collaboration effects Contribution to sales growth Joint development Make ongoing efforts	Collaboration effects Improve the ratio of order acquisition Investment effects Appropriate ROI level	[Growth] Leverage external knowledge to improve development efficiency and expand into new fields [Connection] Build an ecosystem through industry-academia-government collaboration [Confidence] Diversify partnerships to spread risk [Social value] Innovation culture, industrial development

Technical capital statistics: Patent portfolio construction | Contribution to capital efficiency | Contribution to corporate value creation

Integrated strategy overview

Based on the technical capabilities and human resource capabilities cultivated since our founding, the Company aim to achieve both sustainable corporate value enhancement and social value creation. Under our technical and intellectual capital strategy, we will promote the improvement of operational efficiency through the promotion of DX, decarbonization through environmental technologies, and the strengthening of our competitiveness through quality improvement. At the same time, through our human resource strategy, we will create innovation and strengthen our organizational capabilities by securing, developing, and leveraging diverse talent.

By organically integrating these two strategies and promoting them in an integrated manner from a GCC (Growth, Connection, and Confidence) perspective, we will strive to simultaneously improve financial indicators such as ROIC and WACC, as well as non-financial value. From a double materiality perspective, we will accelerate the creation of economic and social value and maximize value delivery to all of our stakeholders.

*We refine each strategy's deployment plan, KPI design, risk management, and other aspects through a top-down/bottom-up process to set quantitative targets.

Human capital strategy

Strategic areas	Human resource strategies	GCC linkage	Key KPI examples	Value creation
Recruitment strategy Ramp up acquisition of talented personnel	Secure highly specialized and global talent through the strategic recruitment of new graduates and mid-career personnel. Ramp up the acquisition of talented personnel by promoting diversity and building a talent pool.	[Growth/Connection] Recruitment fulfillment rate Target achievement Ratio of specialized talent Continuous improvement	Recruitment achievement rate Target achievement Recruitment investment amount Strategic investments	[Growth] Grow businesses through top talent acquisition [Connection] Build a diverse talent network and strengthen our recruiting capabilities [Confidence] Stabilize our business foundation through planned acquisition [Social value] Job creation, local economies
Strengthen training Skill improvement Training system	Systematically implement job-level-specific training programs and specialized skill training. Improve capabilities across the entire organization through global training and digital talent development.	[Growth/Confidence] Skill improvement rate Continuous improvement Qualification acquisition support Available to all employees	Training implementation rate Implementation by all employees Education investment amount Strategic investments	[Growth] Improve organizational capabilities and strengthen innovation capabilities through continuous training [Connection] Improve engagement by fostering a learning culture [Confidence] Improve expertise to ensure stable quality and productivity [Social value] Career development support, learning society
Workstyle reform Engagement improvement	Help employees achieve work-life balance by introducing flexible work systems. Promote KENKO Investment for Health and expand remote work to create a comfortable work environment.	[Connection] Employee satisfaction Achieve high levels Turnover rate Maintain low levels	ES index Maintain high levels Health investment amount Strategic investments	[Growth] Improve employee productivity and retention by providing flexible work styles [Connection] Improve satisfaction to foster a sense of unity across the organization [Confidence] Improve workforce quality through KENKO Investment for Health [Social value] Work-life balance, work style reforms
Promote diversity Enhance diversity and inclusion	Promote women's active participation, and encourage the utilization of foreign talent and the recruitment of disabled people. Build an inclusive organizational culture that includes support for the LGBTQ+ community to utilize diversity as a management strength.	[Confidence] Diversity indicators Achieve high levels Inclusion Continuous improvement	Ratio of women in managerial positions Continuous improvement Diversification promotion investment Strategic investments	[Growth] Improve creativity and strengthen market adaptability from various perspectives [Connection] Improve engagement by fostering an inclusive culture [Confidence] Improve corporate and brand value through the promotion of DE&I [Social value] Gender equality, active society
Evaluation system Compensation system Ensure fairness	Establish performance-linked compensation and transparent evaluation criteria. Promote sustainable performance improvement through stock options and long-term incentive plans.	[Connection/Confidence] Compensation competitiveness Ensure market competitiveness Evaluation satisfaction level Achieve high levels	Compensation levels Maintain market competitiveness Investment in personnel Strategic investments	[Growth] Generate high performance through performance-linked compensation [Connection] Strengthen relationships of trust through transparent and fair evaluations [Confidence] Enhance managerial awareness through long-term incentives [Social value] Fair evaluation model, job satisfaction
Developing next-generation leaders	Implement management talent development programs and leadership training. Develop next-generation management through global placements and mentoring programs.	[All GCC integrated] Succession planning Target achievement Promotion rate Make ongoing efforts	Training achievement rate Target achievement Training investment amount Strategic investments	[Growth] Growth foundation based on next-generation management talent [Connection] Cohesive strength owing to the leadership chain [Confidence] Management stability owing to strategic succession planning [Social value] Develop management talent and share practical knowledge

Human capital statistics: Securing specialized talent | Contribution to capital efficiency | Contribution to corporate value creation

Technical capabilities (patent portfolio × contribution to capital efficiency) × human resource capabilities (specialized talent × organizational capabilities) × GCC strategy = Integrated value creation (sustainable corporate value growth + social value creation)

Long-term direction	Net sales	ROIC	WACC	ROIC spread	Market capitalization	Corporate value	Social value
	Grow	Achieve high levels	Optimize	Expand (Improved PBR)	Improve	Improve	Improve

Social Value Calculation Logic

Basic framework for calculating integrated value

In keeping with our philosophy of "providing technology, precisely in the areas that cannot be seen," NITTOC's social value creation is based on a logic for assessing the value of infrastructure that cannot be seen. This lays the foundation for discussions aimed at visualizing impacts that are difficult to quantify. Based on a qualitative logic that comprehensively evaluates value development over the timeframes of (1) short-term direct impact, (2) medium-term ripple effects, and (3) long-term social system transformation, as well as the interactions between the six types of capital of intellectual capital, human capital, social and related capital, industrial capital, natural capital, and financial capital, we first gain a qualitative understanding of the intrinsic value that helps us uphold societal standards, going beyond mere economic value. While difficult to quantify, we believe that the consideration of such mathematical logic will strengthen our efforts to enhance social value. Going forward, we will consider quantifying these values, if possible, while also considering cost-effectiveness and other factors.

Integrated value = Σ [(direct impact × interaction between different types of capital) + (systemic ripple effect × temporal sustainability) + (value passed down to future generations × uncertainty adjustments)]

Value creation categories	Measurement indicators and activity areas	Calculation logic and evaluation methods	Basis and reference standards	Nature of social value
1. National resilience enhancement value (formation of resilience capital)				
Preventive value creation Control of potential risks	**Slope protection and stabilization activities** • Geological risk assessment and prediction • Clarification of collapse mechanisms • Implementation of preventive interventions	Value = Σ (potential vulnerability × intervention effects × duration) • Identification and assessment of geological vulnerability • Degree of stability improvement through intervention • Temporal sustainability of effects • Ability to respond to uncertainty	**Resilience assessment framework** • Basic Plan for National Resilience • Disaster risk assessment indicators • UNDRR's Sendai Framework for Disaster Risk Reduction	**Very high social importance** Passing on safety foundations to future generations
Life security value Ensuring human security	**Minimizing risks to human life** **• Identifying and managing dangerous areas** **• Establishment of early warning systems** **• Securing evacuation routes**	Value = risk reduction rate × impact area × certainty • Life risk probability assessment • Safety improvement through intervention • Foster a sense of psychological security • Community stability	**Human security indicators** • Relationship with the Human Development Index • Application of the concept of security • Compliance with international human rights standards	**Value as a fundamental human right** Ensuring fundamental social safety
Infrastructure sustainability value Intergenerational equity	**Ensuring the sustainability of social infrastructure** **• Technology to extend structure life** **• Preventive maintenance systems** **• Leveling of renewal cost burdens**	Value = life extension effects × intergenerational allocation × sustainability • Optimization of the entire lifecycle • Reducing the burden placed on future generations • Improving the efficiency of renewal investments • Sustainability through technology transfer	**Sustainability assessment criteria** • Intergenerational equity principle • Social discount rate approach • ISO asset management standards	**Transferring value across generations** Ensuring the sustainability of social systems
2. Environmental symbiosis value (harmony with natural capital)				
Climate change mitigation value Contribution to decarbonization	**Promotion of carbon neutrality** • Development of environmentally friendly construction methods • Optimization of construction processes • Creation of sinks through greening	Value = reduction contribution × system effects × adoption potential • Reduction effects through technological innovation • Ripple effects throughout the supply chain • Promotion of social system transformation • Fostering innovation	**Climate change action frameworks** • Alignment with the Paris Agreement goals • Science Based Targets (SBT) • Adhering to the TCFD recommendations	**Environmental value on a global scale** Contribution to climate justice
Ecosystem service value Coexistence with nature	**Conservation and restoration of biodiversity** • Habitat creation through slope greening • Ecological network formation • Nature restoration through native species	Value = ecosystem function × continuity × resilience • Provision of regulating services • Creation of cultural services • Maintenance of supporting services • Sustaining provisioning services	**Natural capital assessment system** • TNFD framework • Ecosystem service assessment • Natural capital protocol	**Avoiding irreversible losses** Maintenance and enhancement of natural capital
Circular society creation value Resource efficiency	**Establishment of a resource recycling system** • Recycling construction by-products • Promotion of regional circulation • Strive to achieve zero waste	Value = resource efficiency × recycling rate × system transformation • Optimization of material flow • Promotion of cascade utilization • Transformation of waste concept • Creation of new value chains	**Circular economy principles** • Circular economy • Resource productivity indicators • Planetary boundaries	**Breaking free from resource constraints** Transition to a new economic system
3. Human capital value (accumulation and passing on of knowledge and skills)				
Job creation and maintenance value Establishment of an economic foundation	**Creation of sustainable employment** • Ensuring stable direct employment • Partner company network • Contribution to local employment	Value = employment quality × stability × ripple effects • Achievement of decent work • Income stability and growth • Multiplier effect on regional economies • Promotion of social inclusion	**Qualitative employment assessment** • ILO decent work • Input-output analysis method • Regional economic circulation analysis	**Contribution to social stability** Provision of a foundation for economic independence
Regional revitalization value Strengthening communities	**Co-creation with local communities** • Collaboration with local businesses • Utilization of local resources • Mutual support systems in the event of a disaster	Value = regional circulation × relational capital × sustainability • Strengthening regional economic circulation • Accumulation of social and related capital • Fostering mutual trust • Improvement of resilience	**Regional value assessment** • Social capital theory • Regional circular and ecological sphere concept • Community assessment indicators	**Enhancement of regional independence** Strengthening social cohesion
Skill transfer value Externalization of tacit knowledge	**Specialized technology transfer system** • Transfer of skilled engineer knowledge • Systematic training programs • Practical skill development	Value = knowledge assets × transfer efficiency × applicability • Visualizing and sharing tacit knowledge • Promotion of organizational learning • Innovation creation capabilities • Maintenance of industrial competitiveness	**Human capital assessment** • Knowledge management theory • Organizational learning model • Skill assessment system	**Ensuring the continuity of industrial infrastructure** Intergenerational transfer of knowledge assets
Health and safety value Well-being	**Working environment innovation** • Fostering a safety culture • Promotion of KENKO Investment for Health • Ensuring psychological safety	Value = health promotion × productivity × sustainability • Elimination of work-related accidents • Extension of healthy lifespans • Creation of job satisfaction • Unleashing creativity	**Well-being indicators** • WHO health definition • Psychological safety theory • KENKO Investment for Health assessment criteria	**Human-centric value creation** Supporting holistic development
4. Innovation value (technological innovation and social change)				
Technological innovation value Knowledge frontiers	**Social implementation of patented technology** • Development and dissemination of proprietary construction methods • Open innovation • Democratization of technology	Value = novelty × adoption × transformational impact • Technological breakthroughs • Acceleration of social implementation • Transformation of industrial structure • Creation of new markets	**Innovation assessment** • Technology maturity level • Social acceptance assessment • Disruptive innovation theory	**Catalysts for industrial transformation** Acceleration of the resolution of social issues
Digital transformation value Productivity revolution	**Promotion of construction DX** • Construction automation systems • Digital twin construction • Data-driven decision-making	Value = efficiency × scalability × depth of transformation • Fundamental process redesign • Advancement of decision-making • New value creation model • Influence on the entire industry	**Digital maturity** • DX promotion indicators • Digital maturity model • i-Construction assessment	**Promotion of industrial transformation** Creation of new competitive advantages
		Integrated social value creation process	**Multidimensional, dynamic, and interactive**	

Components of integrated value creation
Enhancement of national resilience: Fundamental safety and passing down to future generations |
Environmental coexistence: Harmonious development with natural capital
Human capital: Accumulation of knowledge, skills, and well-being |
Innovation: Promotion of social change through technological innovation

[Assumptions and considerations for the assessment framework]

- Time frame: Comprehensively assess value creation across multiple time frames, from short-term effects to long-term system transformation
- Interactions: Focus on the interactions and synergies between the six types of capital and recognize integrated value that goes beyond the simple total of individual effects
- Addressing uncertainty: Assess adaptive management based on future uncertainty and its contribution to enhancing resilience
- Qualitative approach: Emphasize narrative and logical relationships to capture the essence of value that is difficult to quantify
- Stakeholder perspectives: Integrate the value perceptions of diverse stakeholders and focus on the social consensus-building process

Reference frameworks: Integrated Reporting Framework (IIRC) | Task Force on Nature-related Financial Disclosures (TNFD) | Social Return on Investment (SROI) principles | Creating Shared Value (CSV) framework | SDG Impact Assessment guidance

Value Creation Process

The following explains the value creation process based on the development capabilities of the technologies described so far.

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, aging population, and population decline
- Advances in technologies such as AI and the IoT, 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

Financial capital

Total assets ··· ¥56,946 million
Net assets ····· ¥34,567 million
Free cash flows ····¥508 million

Manufactured capital

Sales sites
Domestic ····· 54 sites
Overseas ····· 2 sites
Capital investment ··¥1,386 million

Intellectual capital

Number of patents held ··· 121
Number of patent applications ··20
Number of patent applications for developed technologies····· 764

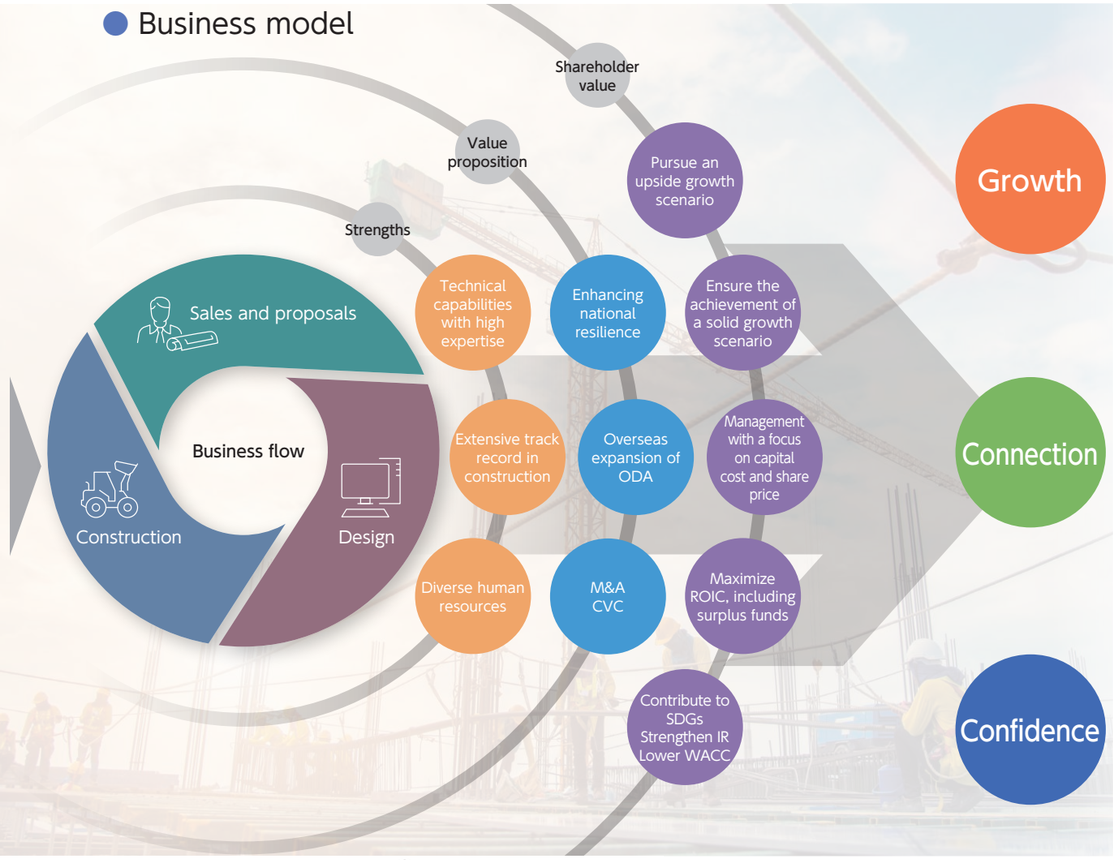
Human capital

Number of employees (consolidated) (Total of 1,097 employees)
First-Class Civil Engineering Managers ····· 686 persons
Second-Class Civil Engineering Managers ····· 638 persons
Professional Engineers and Assistant Professional Engineers ····· 154
Employee construction fields
Civil engineering ····· 49%
Soil and geology ····· 21%
Environment ····· 19%
Agriculture and agricultural engineering ····· 8%
Other ····· 3%

Social and related capital

Number of regular Nisshinkai members (Number of subcontractors) ·· 265
Number of cooperation agreements on disaster management signed (Ministry of Land, Infrastructure, Transport and Tourism national highway offices, local governments, etc.) ····· 39
Business transactions ····· 265 (current fiscal year)

Business model



Key issues (materiality)

Sustainability Management › page 117 to 126

- Environmental conservation
- Local community
- Motivation
- Corporate ethics and Risk management

Governance

Management Philosophy

OUTPUT Fiscal 2024

Slope protection
Net sales
¥30,798 million

Ground improvement
Net sales
¥18,224 million

Maintenance and renovation
Net sales
¥6,982 million

Pile foundation
Net sales
¥4,551 million

Dam grouting
Net sales
¥2,272 million

Pipe-jacking
Net sales
¥3,209 million

Civil engineering
Net sales
¥84 million

OUTCOME

Three-year performance targets (2023 to 2025 target)

Orders received	¥223.7 billion
Net sales	¥218.7 billion
Operating profit	¥16.1 billion
Ordinary profit	¥16.2 billion
Profit	¥10.8 billion

1. Sales targets (fiscal 2025)

① Expansion of ground improvement work
➡ Orders received/net sales of completed construction contracts: ¥23.0 billion (30% or more 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)

2. Performance targets

① Operating profit
➡ 3-year average: ¥5.4 billion or more
② Operating profit margin
➡ 3-year average: 7.4% or more

3. 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

4. Shareholder return goals

① Pay dividends equal to or greater than those paid in the previous fiscal year.

Long-term outlook from 2026 to 2035 based on the current Medium-Term Management Plan

Enhancing national resilience
Maintain and strengthen a top-level position in Japan for ground improvement and slope protection works
Achieve above-market growth in the urban ground improvement sector
Establish a brand among governments, local governments, and society at large

Pursue an upside growth scenario
Pursue above-market growth
Accelerate growth through M&A

Intellectual capital
Maintain a top-level number of patents in Japan in areas that define NITTOC's strengths
CVC investment

Overseas expansion of ODA
Accelerate growth with Japan's top-level technologies

Solid growth scenario
Ensure the improvement of individual profitability by strengthening risk management

Human capital
Improve adaptability to change through individual and organizational efforts

Management with a focus on capital cost and share price
Operate business with a focus on shareholder value, using the income approach

Industrial capital
Strengthen national sales bases, research facilities, and business partner networks

M&A CVC
Promote growth by effectively utilizing surplus cash and deposits. Enhance adaptability to change through CVC investment

Maximize ROIC, including surplus funds
Effectively use surplus funds through capital investment and M&A

Social and related capital
Strengthen business partner networks and enhance the trust of local governments

Contribute to SDGs Strengthen IR Lower WACC
IR strategy targeting SDG impact investors

Natural capital
Develop technologies to protect the environment and reduce environmental impacts

Reflects the present value of 10-year economic value added
Shareholder value

Reinvestment

NITTOC's Management Philosophy and Ability to Deploy Technology

NITTOC's management philosophy and ability to deploy business and capital
DNA of value creation mechanism

Ability to deploy business and capital based on its management philosophy

Ability to deploy business

Since its establishment in 1947, in recognition of its technical capabilities, the Company has been entrusted with a succession of dam foundation projects in Japan. Its civil and geotechnical engineers worked cooperatively to show their comprehensive strengths during the golden age of dam and power plant construction. Based on the favorable evaluation of its technical expertise, NITTOC has expanded its specialized civil engineering business originally focused on disaster prevention and national land preservation to include slope disaster prevention and ground foundation construction.

Ability to deploy capital

After having established an impressive track record in Japan, NITTOC was listed on the First Section of the Tokyo Stock Exchange in 1985. When the market structure was modified in 2022, the Company was listed on the Prime Market of the exchange. The Company was able to grow in the stock market by leveraging all of its human, intellectual, industrial, social and related, and natural capital. In concrete terms, this has been achieved by the Company's development of proprietary technologies in slope and ground reinforcement technology, the filing of over 700 patent applications, the preservation and restoration of cultural and historical assets, the utilization of environmentally friendly materials, and the development of innovative technology to mitigate disaster risk.

DNA of NITTOC

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
Management Philosophy	We are the company that provides a safe and secure society and contributes to countries Expert in foundation work centered on environmental conservation and disaster prevention projects, cultivated through comprehensive technical capabilities in foundation work, efficient management, and reliable technology deployment

Business development

Slope protection work	Ground improvement	Maintenance and renovation
Pile foundation	Dam grouting	Civil engineering

Human capital	Civil and geotechnical engineers work as human resources to cooperatively display their comprehensive capabilities and deliver consistent service from planning to construction and maintenance/renovation
Intellectual capital	By promoting patent applications and constructing a patent portfolio in its core fields of slope, ground improvement, and maintenance and renovation, ensuring we maintain our competitive advantage and contributing significantly to the creation of corporate value
Industrial capital	Nationwide sales network (10 branches, 40 sales offices, sub-branches, equipment centers), construction machinery
Social and related capital	Strong relationships with the national government, municipalities across the country, independent corporations, infrastructure companies, construction firms throughout Japan, and partner companies based on the nationwide network
Natural capital	Energy and resource conservation and environmental preservation (water, biodiversity, greening) Biodiversity preservation through CO_2 reduction
Financial capital	We anticipate achieving ROIC excluding surplus cash and cash equivalents of 15.3%, which is in the top 19.2% of listed companies.*

*As of September 2024, based on the company's planned fiscal year, according to J-Phoenix Research Inc.

Technical strategy direction guidelines

Business strategy direction guidelines

Move toward sustainable growth with all stakeholders and the ability to deploy technology

Ability to deploy technologies derived from the types of work from the Company's early days

Ability to deploy technologies related to the types of work from the Company's early days

NITTOC has earned a reputation for the integrated technical capabilities of its civil and geotechnical engineering teams in dam foundation construction—a type of work from the Company's early days—and it has executed numerous foundation projects domestically and abroad.

Ability to deploy relevant civil engineering technologies

We have capitalized on the technical capabilities cultivated through our work on dam foundations to expand our business into specialized civil engineering work including disaster prevention, slope stabilization, and foundation ground work, and have compiled an impressive record of achievement.

Ability to deploy relevant SDG technologies

In line with the SDGs, NITTOC is also working to develop environmentally friendly materials and innovative technology to mitigate disaster risk.

Technology related to the types of work from the Company's early days: Bedrock grouting technology (dam foundation grouting technology)*

Constructing an additional dam underground to prevent water leakage, thereby contributing to long-term infrastructure development and building national resilience

Bedrock geological survey technical analysis	Development of ground grouting materials and chemicals
Boring	Pumping and injection of grout and chemical solutions for ground reinforcement

*We have been involved in 80% of the dams in Japan with embankments of 100 m or more. This achievement is the top in the industry. The technique of creating a monolith by drilling deep, narrow holes in bedrock and injecting cement milk to fill the cracks is known as bedrock grouting technology. This is among the technologies at which we excel. We have expanded our technology nationwide centered on this technology, and have evolved into a top-class company in specialized civil engineering.

Upgraded relevant civil engineering technologies and equipment

Slope protection and repair	Ground improvement	Pile foundation
Shield propulsion		
Equipment to implement proprietary technologies		
Relevant ICT/AI technologies		

Upgraded relevant SDG technologies

Related to ease of work at worksites (remote construction technology, labor saving, safety improvement)

Energy and resource conservation and environmental preservation (water, biodiversity, greening) Biodiversity preservation through CO_2 reduction

NITTOC's Management Philosophy and Ability to Deploy Technology

NITTOC's management philosophy and ability to deploy business and capital
DNA of value creation mechanism

Ability to deploy business and capital based on its management philosophy

Co-creation → Value provision → Feedback

Customer value creation

Physical value	● Providing the foundations of modern-day society taken for granted every day through specialized civil engineering (specialty construction and special construction) ● Disaster prevention, mitigation, and recovery ● Behind-the-scenes support for safe, comfortable living
Psychological value	● Disaster prevention, mitigation, and provision of psychological safety during disaster recovery ● Trust in NITTOC. Trust from clients and the general public. ● Toward a sustainable future. Contributing to the development of society. When it comes to the ground, consulting NITTOC will result in a solution (brand value)

Move toward sustainable growth with all stakeholders and the ability to deploy technology

Ability to deploy technologies derived from the types of work from the Company's early days

Co-creation → Value provision → Feedback

Value creation for stakeholders

Employees	● Fulfillment = Job satisfaction + ease of work ● Safe and comfortable workplace, career development, salary conditions, and work-life balance
Clients and the general public	● Trust from clients, the public at large, and partner companies underpinned by construction management capability ● Contribution to the development of the business model and value chain of partner companies Construction management capabilities to grow with sustainable growth
Society and the environment	● Providing the foundations of modern-day society taken for granted every day through specialized civil engineering (specialty construction and special construction) ● Disaster prevention, mitigation, and recovery ● Energy and resource conservation, CO_2 emissions reduction, and biodiversity preservation

Physical value

NITTOC offers technologies to safeguard people's lives from physical disasters, such as rockfall and landslide prevention, ground and seismic reinforcement, and countermeasures against liquefaction.

Psychological value

These technologies provide a sense of psychological security and satisfaction to clients and the public at large by helping enable a safe, secure lifestyle.

Society and the environment

NITTOC contributes to overall societal safety and sustainability through rapid restoration work when disaster strikes, as well as the development of new technologies.

Partner companies

NITTOC aims to work together with its partner companies toward mutual technical capability enhancement and growth.

Employees

We provide our employees with a support system that enables them to work comfortably for an extended period. This support encompasses a well-developed training system, welfare programs devised in consideration of living, vacation, life stages, and mental and physical health, and an environment that facilitates participation by and contribution from women.

Growth in customer value provided
↓
Growth in sales and cash flow

Improving resource connectivity
↓
Improving ROIC

Improving reliability
↓
Decline in WACC

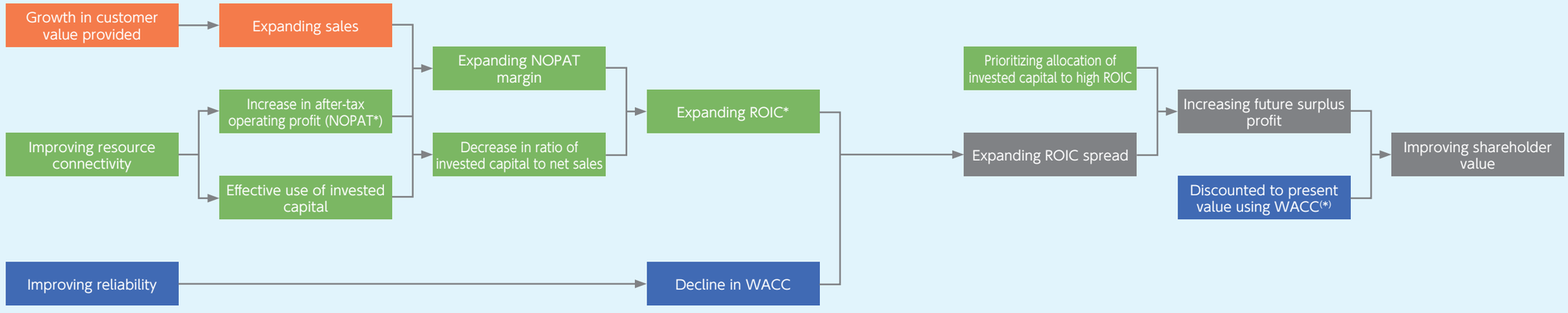
NITTOC's Management Philosophy and Ability to Deploy Technology

Growth in customer value provided
Growth in sales and cash flow

Improving resource connectivity
Increasing profit, effectively using invested capital, and improving ROIC

Improving reliability
Decline in WACC

Sustainable growth of stock value



In this report, we define shareholder value using the formula above. We further break our value creation story down into contributions to the three components of shareholder value: sales growth, ROIC, and WACC, and explain it in an easily understandable, creative manner.

Through such ingenuity, we show our shareholders and other stakeholders that "Our pride comes from what we achieve, precisely in the areas that cannot be seen." We will visualize NITTOC's ability to create sustainable shareholder value.

(*) Calculation formula: ROIC = Return on Invested Capital. An indicator of the profit a company has generated using funds invested in its business activities. The general formula is ROIC = (operating profit x (1 - effective tax rate)) / (shareholders' equity + interest-bearing debt). Operating profit x (1 - effective tax rate) is also referred to as NOPAT (Net Operating Profit after Tax). This represents profit attributable to creditors and shareholders. The denominator may be taken at the beginning or end of the period, or as an average. NITTOC is nearly debt-free and has low interest payments, which is calculated as (operating profit – income taxes) / net assets at the end of the period. WACC: A typical cost of capital calculation, it is a weighted average of the cost of borrowing and equity financing. Abbreviation for "Weighted Average Cost of Capital." There are cases in which the definition excludes assets not actually in use, such as surplus cash and cash equivalents, from invested capital. For the purposes of this report, these items are defined as either business invested capital or lean invested capital.

History from Foundation to the Present

1947-1958

The Early Days

Events

■ The foundation of Yachiyo Shisui Kogyosho

In April 1950, NITTOC's predecessor, Yachiyo Shisui Kogyo-sho 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 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

1957

■ Headquarters relocated to Azabu, Minato-ku, Tokyo

In October 1953, the government formulated its Basic 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 Tokyo.

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

Technological development

We expanded and enhanced the range of services we provide to meet the needs of dam grouting, such as geological survey and measurement, ground improvement, dam headrace tunnel water-proofing, chemical grouting, and dam slope protection (excavation surface spraying, slope collapse protection, seed spraying technology).

Business and resource development

Our geotechnical and civil engineers worked together to demonstrate their comprehensive capabilities.
Building on the success of our dam foundation construction works in Hokkaido, where the Company was founded, we expanded into Tokyo.
We were involved in the construction of Okutadami Dam, said to be one of the most challenging projects of the century.

Value for customers and stakeholders

We provided dam grouting for projects undertaken as part of Japan's national industrial reconstruction policy, such as water utilization for hydroelectric power generation and power source development, as well as flood control to prevent disasters, pushing ahead with construction even during the severe winter season in Hokkaido. We developed business with electric power companies, electric power development companies, and related construction companies. Participating from the survey stage, we analyzed construction data from our own geological surveys, contributing to the verification and review of overall construction plans and earning the trust of our customers.

Growth centered on dam foundation grouting technologies

1959-1971

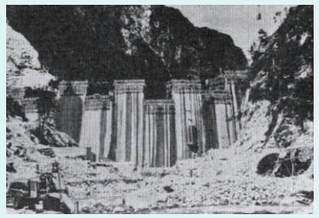
Growth Period

Events

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

The late 1950s and early 1960s, when we expanded into Tokyo, 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.

■ Our foundation date changes to 1947

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. in 1962. Due to this, the date of the Company's foundation became December 17, 1947.

Ginza headquarters building

Technological development

We developed technology for pile foundations, landslide countermeasures, anchor methods, and construction machinery using the NITTOC drilling system, which systematizes technology for dam foundation construction work, chemical grouting, drilling, and pumping. For slopes, we developed greening technology to protect the environment. We also developed technologies such as fiber reinforcement (Geofiber Method). The Kurobe 4th Dam (the so-called Kuro-yon dam) saw the implementation of the latest technology and machinery from around the world. We introduced a centralized control system using an electromagnetic flowmeter and construction methods using urethane polymer grouting material. In addition, we began the development of a steel fiber reinforced concrete spraying method.

Business and resource development

We opened the Osaka Branch and developed nationwide as a civil engineering company with specialized technologies. We expanded into new fields such as slope protection, landslide prevention, and pile foundation work.

Value for customers and stakeholders

We participated in various infrastructure construction projects such as ground improvement, slope protection, landslide countermeasures, structural foundation works, and pile foundation works. In addition to dams, we expanded the scope of our business to include the construction of expressways, general roads, bridges, and tunnels, mountain restoration works, airport construction, nuclear power plant foundation construction, erosion control works, and railway construction, receiving orders from a wide range of government agencies and companies. In dam construction, we captured a large share of foundation construction work for high dams with a dam height of over 100 m.

Growth as a civil engineering company with specialized technologies

History from Foundation to the Present

1972

Transformation Period

Events

■ 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 specialized 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 earned even greater trust from our customers and built up our track record, 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

Technological development

We automated management systems, developed special high performance materials, mechanical agitation, construction management systems, structural repairs, and the NEKKO Chip Method jointly with Kumagai Gumi Co., Ltd. This method contributes to the conservation biodiversity through the use of topsoil, locally generated soil, and wood chips. We also developed the KAERUDO-Green Method, which utilizes forest topsoil and recycled soil for slope greening, jointly with Maeda Corporation. In addition, we integrated our greening technologies to develop the NITTOC Recycled Slope Greening System and developed various support and measurement systems for geological surveys and measurement. We also developed a grouting system and control equipment. In 1990, we jointly developed the Biomodule System, a water purification system using biological treatment and charcoal filtration.

Business and resource development

The Company was listed on the Second Section of the Tokyo Stock Exchange in 1983 and on the First Section of the Tokyo Stock Exchange in 1985. We further increased the number of sales bases across Japan and expanded our business to include construction. In 1987, we established the NITTOC Sashima General Center to conduct hands-on training in construction. We expanded overseas to countries including Malaysia, Nepal, Australia, and Indonesia, and supplied technology to South Korea. We had previously engaged in real estate transactions and the housing and urban development business through NITTOC Real Estate Co., Ltd., which was established in 1985, but we withdrew from the business in 2001. Interest-bearing debt peaked at ¥78.3 billion in 1997, and we returned to our origins.

Value for customers and stakeholders

In addition to the areas in which were involved since our founding, we developed a wide range of infrastructure, including urban development, mining infrastructure, and construction for land readjustment projects. We provided slope protection works and construction works for government agencies and the private sector, taking into consideration the preservation of the landscape environment surrounding cultural buildings such as Kiyomizu-dera Temple.

We also expanded into comprehensive civil engineering, construction, and real estate development.

1980

Public Listing

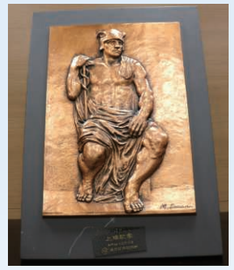
Events

■ Plan for stock listing

It was around 1957, when we moved the Company's headquarters to Tokyo, that we established the public listing of the Company's stock as a management target. Over many years, we implemented various measures to achieve this. For example, in June 1964, we boosted our capital to ¥100 million through an investment from Tokyo Small and Medium Business Investment & Consultation CO., LTD., a government-affiliated financial institution. In March 1965, we went on to relocate the Company's headquarters to Ginza, Chuo-ku. In May 1972, we changed the Company's trade name to NITTOC CONSTRUCTION CO., LTD. as part of an effort to improve our management structure, and vigorously promoted the expansion of our business as a "comprehensive construction company with distinctive strengths in foundation technology."

In this way, we built a business suitable for a listed company. In October 1980, we established the Stock Listing Application Preparation Committee within the Company, and finally began preparations for listing.

On December 19, 1983, the Company's listing on the Second Section of the Tokyo Stock Exchange was approved. Subsequently, on August 20, 1985, it was decided that the Company's shares would be listed on the First Section of the Tokyo Stock Exchange, and trading began on September 2.



A relief at the Second Section of the Tokyo Stock Exchange

■ Establishment of NITTOC Real Estate Co., Ltd. and High-Tech Lease Co., Ltd. as affiliates

In the 1980s, the Japanese real estate market was booming. To take advantage of this opportunity, we established NITTOC Real Estate Co., Ltd. in April 1985 to engage in real estate transactions and the housing and urban development business. In addition, in October of the same year, we established Hi-Tech Lease Co., Ltd. to engage in the leasing business.

Technological development

- **1980:** Jointly developed the Mat Soil Greening Method
  Developed the HAMAN Method for building foundation construction
- **1986:** Jointly developed a maintenance jack for diagnosing existing anchors (joint venture)
- **1987:** Developed an automated grout injection system for the automation of dam grouting work
  Jointly developed high-viscosity NH Grout
- **1991:** Jointly developed the HYSC (Hybrid-Steel Pipe and Soil Cement-Pile) Method, a soil-cement composite pile method
- **1992:** Concluded a transfer agreement for the Geofiber Method and began research, development, and practical application
- **1995:** Jointly developed the Soldier Pile Panel Wall Method, a retaining wall construction method that combines main piles and concrete panels
- **March 2000:** Obtained technical review certification for the Clean Jet Method
  June 2000: Concluded a technology export contract with a South Korean company for the Clean Jet Method

Business and resource development

- **December 1980:** Increased capital to ¥850 million yen
- **April 1981:** Increased capital to ¥900 million yen
- **March 1982:** Established the Engineering Division
- **December 1983:** Established the Construction Department at the headquarters
  December 1983: Increased capital to ¥1,485 million yen
  December 1983: Listed on the Second Section of the Tokyo Stock Exchange
- **June 1985:** Completed construction of a new headquarters office building (Ginza Showa-dori Building)
  September 1985: Listed on the First Section of the Tokyo Stock Exchange
- **February 1990:** Established the Civil Engineering Division
  March 1990: Established the Development Business Department
  May 1990: Increased capital to ¥7,295 million yen
- **April 1992:** Relocated the Engineering Division Saitama Laboratory to Shobu-cho, Minamisaitama District, Saitama (currently Shobu-cho, Kuki City)
- **December 1994:** Completed construction of the Sapporo Branch Building and commenced operations
- **April 1997:** Began activities to acquire ISO 9000 series certification
- **July 1998:** The Tokyo Branch obtained ISO 9002 certification
- **March 1999:** The Direct Control Grout Division obtained ISO 9002 certification
- **March 2000:** The Engineering Division obtained ISO 14001 certification
  December 2000: The Osaka Branch obtained ISO 9001 certification

Value for customers and stakeholders

- **January 1980:** Dispatched engineers to provide guidance on geological surveys for the construction of the Tenom Pangi power plant in Malaysia
  October 1980: Executed ground improvement work for the main civil engineering expansion works at Takahama Nuclear Power Plant, The Kansai Electric Power Company
- **March 1981:** Executed the Ministry of Construction Otsuka No. 1 Sea Wall Disaster Recovery Project and the Nigo Hanryo Irrigation Canal Bridge Substructure Project
  April 1981: Executed construction work for Hokuriku Electric Power Company's Masuizumi Line (underground line)
- **January 1982:** Constructed a new pipeline in the vicinity of the Tokyo Electric Power Company Nishikasai Offshore No. 292
- **June 1983:** Provided technical guidance on foundation work at Cheow Lan Dam, Thailand
- **March 1984:** Commenced construction of the PLN Indonesia Power's new Cirata Hydroelectric Power Station
- **March 1987:** Constructed a new roller coaster at Yomiuri Land
- **July 1988:** Completed construction of the PLN Indonesia Power Cirata Hydroelectric Power Station
- **December 1990:** Completed the grouting work for the reservoir at the Tokyo Electric Power Company Imaichi Kamiike Kuriyama Dam
- **September 1992:** Completed construction at Omori for the Higashi-Meihan Expressway
  November 1992: Completed foundation construction work for the Asari Dam, Hokkaido
- **December 1993:** Completed foundation construction work for the Chubu Electric Power Company Kamiosu Dam
- **August 1995:** Completed foundation construction work for the main part of the Ministry of Construction Miyagase Dam
- **March 1997:** Completed construction for the Ishiki Land Readjustment Project in Kagoshima City, Kagoshima
- **March 2000:** Restored slopes at Kiyomizu-dera Temple and Odoi using the Geofiber Method

Business Expansion as a Comprehensive Construction Company

History from Foundation to the Present

2001-2007

Period of Turmoil

Events

■ Liquidation of NITTOC Real Estate Co., Ltd.
On March 31, 2001, we liquidated NITTOC Real Estate Co., Ltd., a consolidated subsidiary. NITTOC Real Estate 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 state of the real estate market after the collapse of Japan's economic bubble, we determined that the rehabilitation of the business on its own was unlikely, and thus decided to liquidate it.

Signing a Geofiber Method technology licensing agreement with Hong Kong Construction (Civil Engineering) Co., Ltd.
This photograph was taken at the reception party after the signing ceremony

■ Inappropriate accounting treatment at High-Tech Lease Co., Ltd.
In June 2007, the use of improper accounting treatment was discovered at High-Tech Lease Co., Ltd., which was engaged in the leasing business. Hi-Tech Lease Co., Ltd. had used inappropriate accounting treatment relating to the overstatement of assets amounting to approximately ¥1 billion in prior years. In response to this, the Company faced a major crisis, being called upon to provide explanations to the Financial Services Agency, the Tokyo Stock Exchange, financial institutions, and others, as well as seeing a further increase in liabilities resulting from the accounting treatment.

■ Management crisis
A third-party committee was also organized to clarify the events concerning the inappropriate accounting treatment of High-Tech Lease Co., Ltd. The third-party committee's investigative report was disclosed in June 2007. The Annual General Meeting of Shareholders held in the same month could not be concluded, and in an unprecedented move, an adjourned General Meeting of Shareholders was held and concluded in July. Also in July, the Company completed the submission of corrections to its securities reports for the past five fiscal years, and in August, the submission of an improvement report to the Tokyo Stock Exchange. As the Company continued to implement measures to prevent the recurrence of such an event, it was able to escape the risk of delisting.

Technological development

- **2001:** Developed the Clean Jet Method, a high-pressure jet mixing ground improvement method
  Jointly developed small-bore steel pipe pile foundations
- **2002:** Jointly developed the Splitz Anchor Method, an enlarged-diameter anchor
- **2003:** Jointly developed the NEKKO Chip Method, a slope greening method that uses topsoil, locally generated soil, and wood chips
  Jointly developed the KAERUDO-Green Method, which utilizes forest topsoil and recycled soil for slope greening
- **2004:** Jointly developed Multi CO-MIX, a system enabling the arbitrary adjustment of cement milk composition for dam grouting
  Jointly developed the Expacker-N Method, a liquefaction countermeasure injection method for large-capacity, rapid construction
  Developed Slope Doctor, a system for diagnosing the deterioration of sprayed slopes
  Developed the Re-Born Pile Method for removing existing piles
  February 2004: The Geofiber Method received the Forestry Agency Commissioner's Award
  July 2004: The NEKKO Chip Method received the Notable Technology Award
- **2005:** Jointly developed the In-Cap Method for the seismic reinforcement of bridge foundations
- **2006:** Developed the Native Seed Revegetation Method, mixing topsoil with vegetation base material
  Developed the Parfait Grout Method, a cavity-filling technology using flexible grout

Business and resource development

- **March 2001:** Liquidated NITTOC Real Estate Co., Ltd.
  September 2001: The Hiroshima Branch and the Nagoya Branch (in October) obtained ISO 9001 certification
  March 2001: Signed a Geofiber Method technology licensing agreement with Hong Kong Construction (Civil Engineering) Co., Ltd.
- **March 2002:** Headquarters and 9 branches obtained ISO 9001 certification
  November 2002: Liquidated Japan Public Engineering Co., Ltd.
- **March 2003:** Both the Nagano Branch and Shikoku Branch obtained ISO 9001 certification, completing companywide integration
- **May 2004:** Reversed ¥6,880 million of legal capital surplus to cover the deficit
  October 2004: Established Shimane Earth Engineering Co., Ltd. as a subsidiary
- **February 2006:** Issued ¥2,500 million in preferred stock through third-party allotment to Goldman Sachs International (all shares were converted to common stock in the following month)
  May 2006: Reversed ¥496 million of legal capital surplus to cover the deficit
- **June 2007:** An internal investigation report and an external investigation committee were established in response to the improper accounting treatment at the subsidiary High-Tech Lease Co., Ltd.
  November 2007: Formed a business alliance with Fudo Tetra Corporation

Value for customers and stakeholders

- **March 2003:** Completed construction of Fujinomiya Daiichi Tunnel, Second Tomei Expressway
  September 2003: Completed repair work on the Katsuiwa Tunnel
- **August 2004:** Completed construction work for the main body of Koyama Dam, Ibaraki Prefectural Government Okitagawa General Development Project
- **July 2005:** Completed construction of the Shintoyohashi Bridge substructure relating to the Nitta 3-chome district
- **2006:** Completed construction of the bridge substructure for the Azuma Line No. 2 (P3 and P4) prefectural forest road
- **2007:** Completed foundation construction work for Tsunaki River Dam, Yamagata Prefecture

Withdrawal from the Real Estate Business and Management Crisis

2008

Toward a Period of Stable Growth

Events

■ 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.

■ Tender offer by AN Holdings Corp.
In November 2013, AN Holdings Corp., a wholly-owned subsidiary of Aso Corporation, purchased shares of the Company from Fudo Tetra Corporation and became the leading stockholder, with a shareholding ratio of 23.65%. In August 2012, the previous year, Phoenix Capital Partners Investment Partnership had already sold its shares of the Company on the market.
AN Holdings Corp. went on to conduct a tender offer for the Company's shares in and around 2018, and its shareholding ratio ultimately reached 57.91%. As a result, the Company became a subsidiary of AN Holdings Corp. In addition, as AN Holdings Corp. was a wholly owned company of Aso Corporation, the Company effectively became a subsidiary of Aso Corporation.

■ Made ASO FOAM CRETE a subsidiary
We conducted a tender offer on December 8, 2024, and welcomed ASO FOAM CRETE Co., Ltd. into NITTOC Group in February 2025. We will utilize our sales network to raise the profile of their aerated light-weight concrete construction, while aiming to expand sales and profit by strengthening both their sales and construction capabilities through the application of our construction expertise.

Technological development

- **2008:** Developed the HiSP Method for pumping and spraying mortar over long distances in high places
- **2009:** Developed the Kiro-Fukeru Method long-distance mortar pumping and spraying technology
  Developed the New ReSP Method for repairing and reinforcing deteriorated sprayed slopes
  Jointly developed "Ultrafine Cement," a cement-based injection material
- **2012:** Developed MX Grout, a slag-based suspension-type soil grouting material
  Introduced the N-Jet Method, a high-pressure jet agitation method
- **2014:** Jointly developed the WinBLADE Method, a soil mixing and improvement method for underground expansion blades
  Jointly developed FSC Panel, a spray-applied pressure-receiving plate method, with the Railway Technical Research Institute
- **2020:** Developed Slope Savior, a labor-saving technology for slope spraying
- **2021:** Developed Shot Savior, an automation and labor-saving technology for spraying plants
- **2023:** Jointly developed the N. Roll Column Method, a mechanical agitation method combined with high-pressure injection, together with Japan Foundation Engineering Co., Ltd.
  Developed the Grout Producer, an automatic injection control system with displacement suppression
  Jointly developed the Small Diameter TEP Pile Method, which makes it possible to construct piles in narrow spaces

Business and resource development

- **March 2008:** Closed our research laboratories in Tsukuba and Abiko
- **March 2009:** Liquidated the subsidiary High-Tech Lease Co., Ltd.
- **September 2012:** Opened a representative office in Jakarta
- **December 2015:** Relocated the headquarters to Higashi-Nihonbashi, Chuo-ku, Tokyo
- **March 2016:** Established PT. NITTOC CONSTRUCTION INDONESIA
- **April 2017:** Completed the removal of existing piles in an integrated operation in works related to the Kesennuma City Earthquake Recovery Project
  December 2017: Celebrated the Company's 70th anniversary
- **October 2018:** Opened Hasuda General Center
- **October 2021:** Established Fukui Earth Engineering Co., Ltd. as a subsidiary
- **April 2022:** Transferred to the Prime Market of the Tokyo Stock Exchange
- **January 2023:** Completed construction of Minamiboso PDC
- **February 2024:** Made ASO FOAM CRETE Co., Ltd. a subsidiary

Value for customers and stakeholders

- **2008:** Completed foundation construction work for the Tohoku Regional Development Bureau Nagai Dam
- **May 2011:** Fudo Bridge, constructed by the Company, received the Tanaka Award from the Japan Society of Civil Engineers
- **May 2013:** Completed blanket grouting and other works for the construction of Kyogoku Dam as part of the main civil engineering works for the construction of Kyogoku Power Station
- **January 2014:** Completed construction of disaster public housing infrastructure project No. 2 in Iboishi district, Shiogama City
  December 2014: Completed construction work for the Kiyomizu-dera Temple main hall environmental protection project (disaster recovery)
- **May 2016:** Completed construction to expand unit 2 of Matsuura Thermal Power Plant
- **January 2017:** Completed eastern construction works on Aigawa Bridge (substructure) of Shin-Meishin Expressway
  March 2017: Completed Grouting methods for cutoff of water in the Hokusatsu Tunnel Izumi Construction Area of Hokusatsu Odan Road
- **March 2018:** Completed construction of a frozen soil barrier wall at Fukushima Daiichi Nuclear Power Station
- **October 2019:** Completed slope protection work in the Aso Ohashi area
  December 2019: Completed Phase 1 works in Otsuchi-cho Namiita District, Kirikiri District, Akahama District, Ando District, and Komakura-Shinmatsu District, etc.
- **December 2020:** Completed foundation reinforcement work for Senbon Dam
- **March 2021:** Preservation works for the Jouyama-Yokoanagun archeological site

**Withdrawal from the Construction Business to Focus on Specialized Civil Engineering
Shifted Management Emphasis to Shareholder Returns and Return on Invested Capital (ROIC) with an Investment Fund as our Major Shareholder**

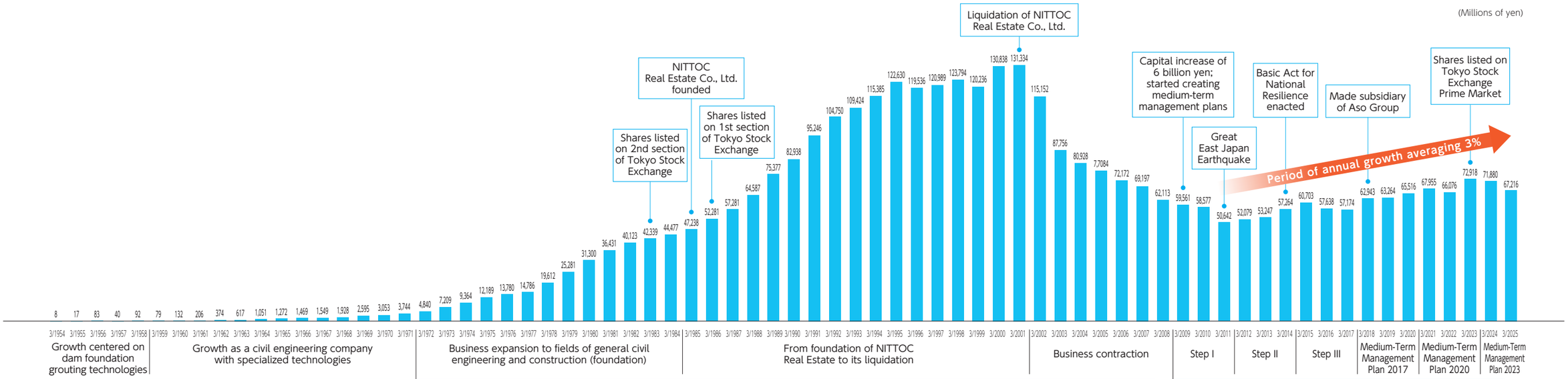
Looking Back on Medium-Term Management Plans So Far

Medium-Term Management Plan	Medium-Term Management Plan [Step I] Creation of a Newborn NITTOC FY2008 to FY2010	Medium-Term Management Plan [Step II] Establishment of Stable Management Foundations FY2011 to FY2013	Medium-Term Management Plan [Step III] Challenge for Growth FY2014 to FY2016	Medium-Term Management Plan 2017 Next Challenge Stage I FY2017 to FY2019	Medium-Term Management Plan 2020 Next Challenge Stage II FY2020 to FY2022	Medium-Term Management Plan 2023 Next Challenge Stage III FY2023 to FY2025
Positioning and Policies	As the final stage of business structure reform, this plan boldly took on the challenges of a harsh market environment to stake out the Company's survival by reviewing its business strategies, fundamentally reforming its corporate culture, and creating a "Newborn NITTOC."	This plan aimed to transition from the "Creation of a Newborn NITTOC" (rebirth) to a growth strategy by leveraging the Company's strengths to the maximum extent possible and building a stable business foundation backed by solid profitability in the rapidly-changing construction market.	This plan covered a period for establishing a business strategy and organization focused on securing efficient earnings and adapting to future changes in the construction market.	[Next Challenge] This plan covered a transitional period during which infrastructure in Japan will shift from the phase of new construction to that of maintenance and renewal, a period in which growth foundations toward a new era are to be established.	This plan covered a period for growth through efforts to secure and develop human capital and improve productivity.	This plan covered a period for establishing a business strategy and organization focused on securing efficient earnings and adapting to future changes in the construction market.
Strategy	① Secure market share through technological capabilities in foundation work → Maintain sales of around ¥59.0 billion in a shrinking market, with foundation work as our focus Complete the withdrawal from non-core businesses ② Strengthen organizational capabilities to achieve efficient management and ensure compliance with laws and regulations → Implement a multifaceted enhancement of organizational capabilities while thoroughly complying with laws and regulations, aiming to steadily increase profit in the face of a downward trend in sales by reducing any drain on profit	(1) Increase market share by strengthening repair and disaster-prevention technologies in foundation work • Establish and develop the market for slope repair technology • Strengthen the seismic resistance technology used in existing substructures • Conserve biodiversity and implement environmentally friendly greening (2) Expand business domains • Expand work for the private sector • Expand overseas (3) Promote differentiation through a stronger core (vertical reinforcement) • Improve spec-in capabilities and direct construction capabilities for unique construction methods • Expand and lock in local bedrock customers • Improve direct construction capabilities, foster superior subcontractors, and secure superior machinery	(1) Business • Secure earnings: Focus on productivity and profit • Adapt to market changes: Accumulate disaster prevention, maintenance, and repair technologies, and develop markets • Advance into new fields: Build overseas bases (2) Human resources and organization • Revise personnel compensation system: Raise the overall standard of human resources • Construct on-site support system: Reduce disasters and quality defects • Review training programs: Develop engineers • Improve workplace environments: Be a company where employees find it rewarding to work (3) Other • Relocate the headquarters with the aim of integrating and streamlining headquarters functions	Efficiently secure profits by raising customers' confidence with our "outstanding technology" and "quality construction," which are well-adapted to the changing construction market	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, 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	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 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.
Targets	• Ordinary profit margin: 2.5% or higher • Equity ratio: Improve by 10.0 percentage points or more • D/E ratio: 0.6 or less (*D/E ratio = interest-bearing debt ÷ shareholders' equity)	(1) Sales targets • Market leader in slope protection work • Increase orders received for ground improvement work by 10% (2) Financial targets • Equity ratio of 35% or higher (3) Other targets • Operating profit margin of 3.0% or higher • Maintain dividends	(1) Sales targets • Market leader in slope protection work • Increase orders received for ground improvement work by 20% • Strengthened sales in the repair field • Expanded into overseas projects (2) Financial targets • Equity ratio of 45% or higher (3) Other targets • Operating profit margin of 3.5% or higher • Achieve a dividend payout ratio of 30% or higher during the plan period	(1) Sales targets • Aim to be a market leader in slope protection work (Ranked second in the industry in fiscal 2016) (*Net sales) • Increase orders received for ground improvement work by 60% (*Orders received) • Expand slope repair work (*Orders received) • Strengthen overseas projects (Aim to complete ¥1.0 billion in construction contracts by fiscal 2019) (2) Performance targets • Operating profit of ¥3.0 billion or more and ordinary profit margin of 5.0% or higher (3) Financial targets • Equity ratio of 50% or higher (49.0% in fiscal 2016) • Secure ROE of 9.0% or higher • Maintain positive cash flow (4) Shareholder return goals • Dividend payout ratio of 30% or higher and total return ratio of 50% or higher (Total over 3 years) *Total return ratio (cash dividends and the purchase of treasury shares)	(1) Sales targets (fiscal 2022) ① Increase number of ground improvement projects (Net sales of completed construction contracts: ¥20.0 billion) ② Increase number of slope repair projects (Net sales of completed construction contracts: ¥10.0 billion) (2) Performance targets ① Operating profit (3-year average): ¥4.4 billion or more ② Operating profit margin (3-year average): 6.0% or more (3) Financial indicators (fiscal 2022) ① Equity ratio: 52% or higher ② Positive cash flow (4) Shareholder return goals ① Dividend payout ratio: 40% or higher	(1) 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) (2) Performance targets ① Operating profit (3-year average): ¥5.4 billion or more (3) Financial indicators (fiscal 2025) ① PBR: 1.3 or greater ② ROIC: 10% or higher (4) Shareholder return goals Pay dividends equal to or greater than those paid in the previous fiscal year.
Results	• Ordinary profit margin: 3.0% • Equity ratio: 17.2 → 29.2% (Improved by 12.0 percentage points) • D/E ratio: 0.6 > 0.3 (*D/E ratio = interest-bearing debt ÷ shareholders' equity)	• Sales Market leader in slope protection work Increase of 10% in orders received for ground improvement work • Financial Equity ratio of 35% or higher → 39.9% • Other Operating profit margin of 3.0% or higher → 5.3% • Maintained dividends during the plan period	(1) Sales targets • Among market leaders in slope protection work • Increase orders received for ground improvement work by 20% • Strengthened sales in the repair field • Expanded into overseas projects (2) Financial targets • Equity ratio: 45% or higher → 49.0% in fiscal 2016 (3) Other targets • Operating profit margin of 3.5% or higher → 6.3% in fiscal 2016 • Achieve a dividend payout ratio of 30% or higher during the plan period → 30.9% in fiscal 2016	Key measures, targets, and results (1) Target total orders received for the expansion of ground improvement work: ¥20.0 billion Actual orders received: ¥16.5 billion Although we did not achieve the numerical target due to the need to improve and develop new construction methods, we established a foundation for expansion. (2) Target total orders received for the expansion of slope repairs: ¥4.0 billion Actual orders received: ¥7.6 billion After testing, the development of new methods led to an expansion in sales (3) We achieved operating profit of ¥4.9 billion, an ordinary profit margin of 7.4%, an equity ratio of at least 50%, ROE of 12% or higher, and a dividend payout ratio of 40% or more in total over three years (4) We strengthened the education and training of engineers, reviewed various training systems, and created a skill map. (5) We improved the workplace environment by establishing a management method for improving the mental and physical health of employees and the prevention of overwork, as well as controlling overtime work.	(1) Sales targets (fiscal 2022) ① Increase number of ground improvement projects (Net sales of completed construction contracts: ¥20.0 billion) → Fiscal 2022: ¥21.7 billion ② Increase number of slope repair projects (Net sales of completed construction contracts: ¥10.0 billion) → Fiscal 2022: ¥11.2 billion (2) Performance targets ① Operating profit (3-year average): ¥4.4 billion or more → 3-year average during the plan period: ¥5.11 billion ② Operating profit margin (3-year average): 6.0% or more → 3-year average during the plan period: 7.4% (3) Financial indicators (fiscal 2022) ① Equity ratio (52% or higher)→ 60.3% in fiscal 2022 ② Cash flow (positive operating cash flow)→ + ¥2.66 billion in fiscal 2022 (4) Shareholder return goals ① Dividend payout ratio (40% or higher)→ 53.2% in fiscal 2022	Orders received reached ¥77,861 million (up 5.4% year on year) due to securing large-scale construction projects and disaster recovery and reconstruction work following the 2024 Noto Peninsula Earthquake. However, net sales amounted to ¥67,216 million (down 6.5% year on year), impacted by insufficient net sales in the first half due to fewer ongoing projects contributing to the current period and delays in commencing recovery and reconstruction work for the 2024 Noto Peninsula Earthquake, and as a result, operating profit was ¥3,679 million (down 15.5% year on year), ordinary profit was ¥3,764 million (down 14.4% year on year), and profit attributable to owners of parent was ¥2,408 million (down 21.4% year on year). Dividends were set at ¥48 per share, with a PBR of 1.46 (as of November 11, 2025).
Evaluation — Qualitative Evaluation	We achieved all of our sales, financial and other targets, and can conclude that implementation was completed as planned. The foundation for the next management plan was established, which led to the realization of stable 3% growth thereafter.	We achieved all of our sales, financial and other targets, and can conclude that implementation was completed as planned. A structure was established that enabled us to achieve steady growth in both sales and profit over a three-year period.	We achieved all of our sales, financial and other targets, and can conclude that implementation was completed as planned. We solidified our growth in both sales and profit.	Although the expansion of orders received for ground improvement work fell short of the target, the sum of round improvement and slope repair works reached ¥24.1 billion compared with the target value of ¥24.0 billion. The qualitative targets of strengthening education and training for engineers and improving workplace environments were also achieved as planned. As a result, in the fiscal year ended March 31, 2020, the final year of the plan, the Company posted record-high net sales of ¥65,516 million and operating profit of ¥4,903 million. The cost of sales ratio improved to 81.2%, and profitability also improved. We can conclude that the initial objectives were achieved in terms of strengthening technical capabilities and establishing a revenue base for the coming era of infrastructure repair and renewal.	In addition to the budget for building national resilience, the volume of public works projects remained at a high level during the plan period 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, 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.	Following the first year, the second year also fell short of the target values (average) set in the performance targets for the Medium-Term Management Plan. Although orders received increased year on year, net sales decreased year on year. In the final year of the Medium-Term Management Plan, while continuing to take on challenges in new projects, we aim to achieve the Medium-Term Management Plan targets by increasing project management capabilities in order to improve profit margins in new projects.

Stable and Solid Sales Growth, Securing of Profit Margins, and Strong Financial Position

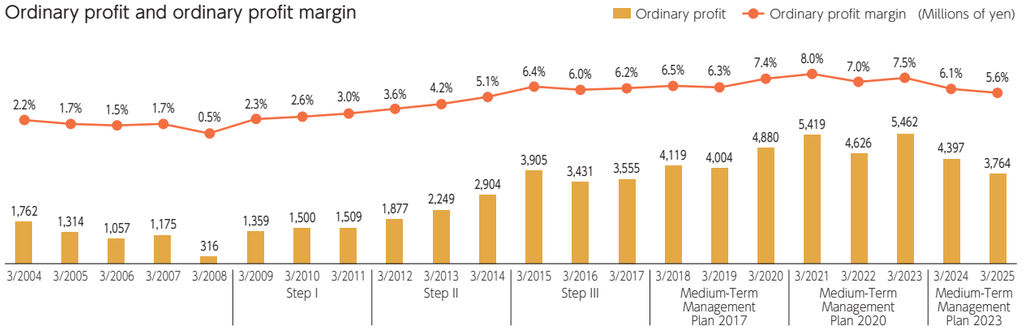
Net sales have grown at a steady pace of 3% annually since 2011 (after the Great East Japan Earthquake) in response to the government policy to enhance national resilience. Profit margins have been improving over a long term. Interest-bearing debt has dropped significantly and the Company has built a strong financial position with no debts.

Historical net sales since founding

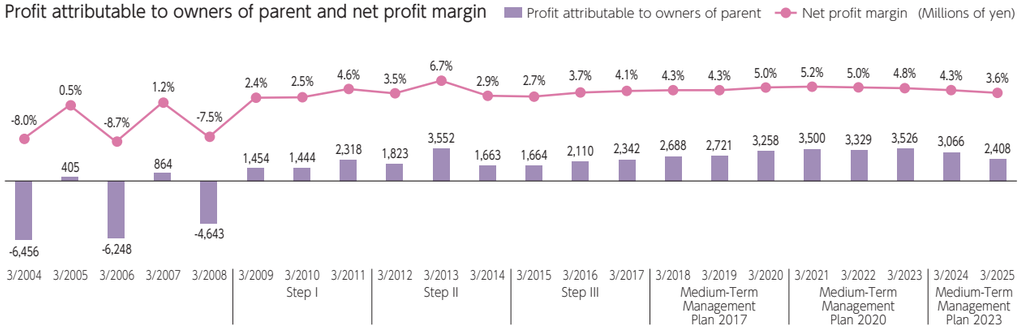


Historical profits and balance sheet items over past two decades

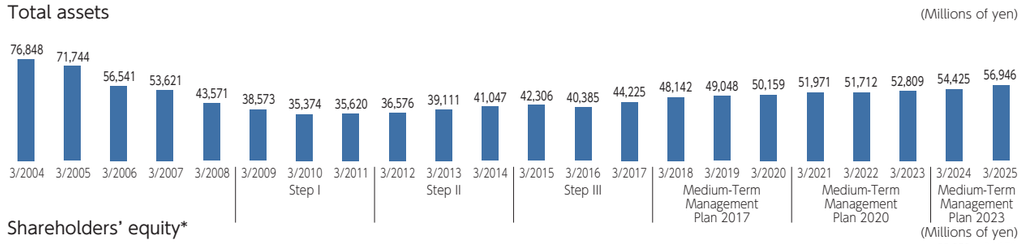
Ordinary profit and ordinary profit margin



Profit attributable to owners of parent and net profit margin

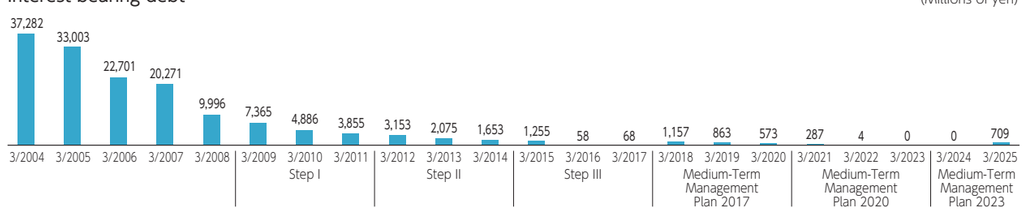


Total assets



Shareholders' equity*

Interest-bearing debt



*Shareholders' equity calculated using the formula, "net assets - non-controlling interests"

Medium-Term Management Plan 2023 (Fiscal 2023 to Fiscal 2025)

We will strengthen the foundation for long-term growth based on the premise that the National Resilience Policy will continue for the next 10 years.

Business strategy

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. 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's uniqueness" 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	● 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
Response to the external environment	● 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

1. Securing and developing human capital
   - Securing employees for hiring, diverse working styles, improvement of workplace environment and compensation, training of employees and subcontractors
2. Improving productivity
   - Expansion of ground improvement and structural repair, stable orders for large projects, construction leveling, and mechanization
3. Strengthening safety, health, and quality management
   - Enhancement of temporary equipment plans, sincere construction, risk hedging in advance, multifaceted patrols
4. Promotion of sustainability management
   - Development and promotion of environmental impact reduction technology, control of greenhouse gases, ESG policy and its implementation
5. Taking on challenges in new fields
   - Promotion of research and development of new construction methods, expansion of business domains, forming alliances with local companies

Management goals and target indicators

1 Sales targets (fiscal 2025)

- ❶ Expansion of ground improvement work → Orders received and net sales of completed construction contracts: **¥23.0** billion (more than 30% of total)
- ❷ Expansion of private sector orders → Orders received: **¥23.0** billion (more than 30% of total)
- ❸ Expansion of structural repair work → Orders received: **¥10.0** billion
- ❹ Construction leveling → Construction volume in the first half: **50**% of total (¥37.0 billion)

2 Performance indicators

- ❶ Operating profit → Three-year average: **¥5.4** billion or more
- ❷ Operating profit margin → Three-year average: **7.4**% or more

3 Financial indicators (fiscal 2025)

- ❶ PBR (share price/net assets per share) → **1.3** times or more
- ❷ ROIC (operating profit after tax (operating profit x (1 - effective tax rate)) / invested capital (interest-bearing debt + net assets)) → **10**% or more
- ❸ EBITDA (operating profit + depreciation) → Three-year average: **¥6.1** billion

4 Shareholder return goals

- ❶ Pay dividends equal to or greater than those paid in the previous fiscal year.

Performance plan

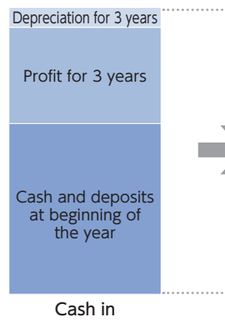
(Billions of yen)

Consolidated	2017 to 2019 results	2020 to 2022 results	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

Cash in

Item	Amount (billions of yen)
Depreciation for 3 years	2.2
Profit for 3 years	10.8
Cash and deposits at beginning of the year	19.5
Total	32.5



Cash out

Item	Amount (billions of yen)
M&A	6.0
Dividends	6.1
Fund management	2.5
Machinery and equipment, etc.	3.5
Operating funds	10.0
Future investments	4.4
Total	32.5

Promotion of sustainability management

E Environment

- **Biodiversity**: Conservation activities through business, achievement of society where humans and nature coexist
- **Climate change**: Development of contributing construction methods, energy conservation, and use of renewable energy
- **Pollution and resources**: Control of industrial waste and pollutants
- **Ensuring water security**: Reduction of water used in construction, proper drainage

S Social

- **Occupational safety and health**: Improvement of safety and health environment, noise control
- **Human rights and labor standards**: Respect for the human rights of all supply chain companies
- **Stakeholders**: Achieving a strong reputation among all stakeholders

G Governance

- **Corporate ethics and corruption prevention**: Risk reduction by instilling a culture of ethics through education and internal controls
- **Risk management**: Establishment of a Compliance Committee and Risk Management Committee chaired by the President, and improvement and guidance to major risks

Contribution to sales growth
Increase the feasibility of the upside growth scenario to secure the solid growth scenario

Contribution to ROIC improvement
Thoroughly implement pre-planning in areas to be strengthened to reduce factors that could worsen profitability due to rework and miscalculations. Enhance overall ROIC by making capital investments based on ROIC improvement analysis.

Contribution to WACC reduction
Improving revenue stability in areas to be strengthened. Strengthening contribution to SDGs. Reflecting long-term shareholder value in the share price by strengthening IR. Reducing stock price volatility.

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.

Today, our business is centered on specialized civil engineering work such as slope protection and ground improvement.

● Slope protection work (fiscal 2024)

Ranking	Company name	Net sales (Millions of yen)	YoY
1	RAITO KOGYO	31,304	1.2%
2	NITTOC	29,933	(2.9)%
3	Toko Geotech	8,432	(11.0)%
4	IBIDEN GREENTEC	8,171	(7.0)%
5	SHIMIZU CORPORATION	6,537	(51.4)%

NO.2 industry share in slope protection work

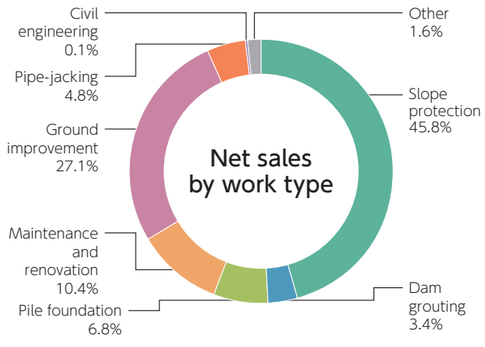
*Non-consolidated net sales from the September 2025 issue of Nikkei Construction

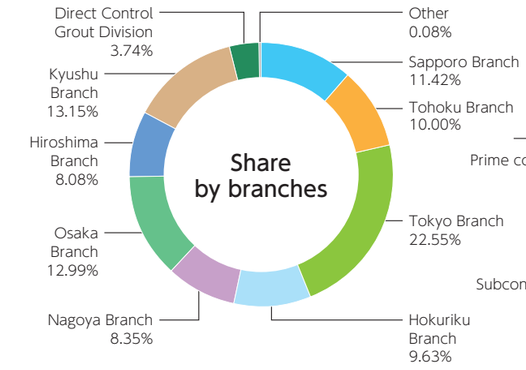
● Ground improvement work (fiscal 2024)

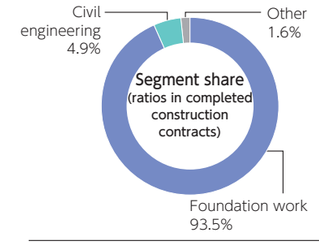
Ranking	Company name	Net sales (Millions of yen)	YoY
1	RAITO KOGYO	43,362	0.9%
2	Fudo Tetra	36,820	(4.4)%
3	NITTOC	16,968	(18.0)%
4	Onoda Chemico	13,901	(15.5)%
5	Chemical Grouting	12,015	2.0%

NO.3 industry share in ground improvement work

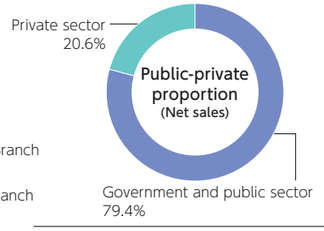
*Non-consolidated net sales from the September 2025 issue of Nikkei Construction



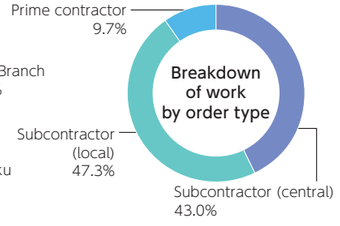




Foundation work such as slope protection and ground improvement work accounts for over 90% of the total work of the Company.



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 electric power companies and railway operators.



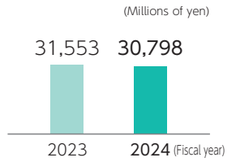
As a foundation work specialist, a large share of the orders we receive is slope protection and ground improvement works subcontracted from central and local general contractors. This work makes up almost 90% of all orders we receive.

Overview by type of work

Slope protection

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.

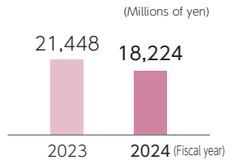
Net sales (Millions of yen)



Ground improvement

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.

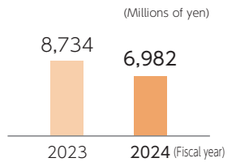
Net sales (Millions of yen)



Maintenance and renovation

We provide high-quality diagnostic, renovation, and reinforcement technologies for all types of civil engineering structures such as slope structures, as well as tunnels, bridges, and water utilization facilities, with the aim of extending their service lives.

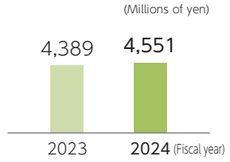
Net sales (Millions of yen)



Pile foundation

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.

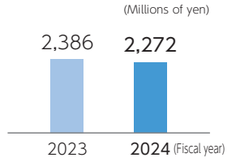
Net sales (Millions of yen)



Dam grouting

We have been engaging in dam foundation grouting work as the initial work type for our early days, and have worked on the grouting for over 80% of Japan's dams with heights of 100 meters or more. This achievement is the top in the industry.

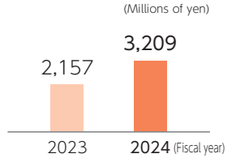
Net sales (Millions of yen)



Pipe-jacking

NITTOC has developed various shield propulsion technologies to build infrastructure utilizing underground space. We provide comprehensive solutions ranging from large-diameter shield construction to pipeline installation for undergrounding power and telephone lines.

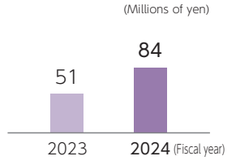
Net sales (Millions of yen)



Civil engineering

We handle the full range of civil engineering work for tunnels, bridges, and land development.

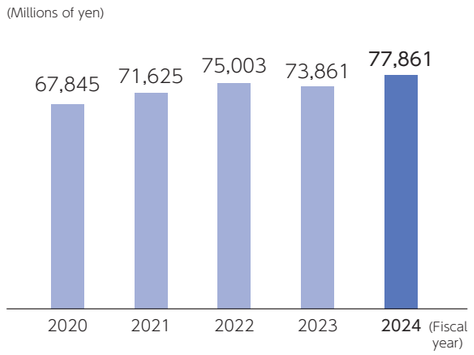
Net sales (Millions of yen)



Financial and Non-Financial Highlights

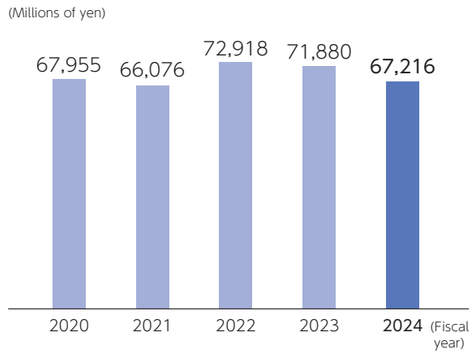
Orders received (consolidated)

¥77,861 million



Net sales (consolidated)

¥67,216 million

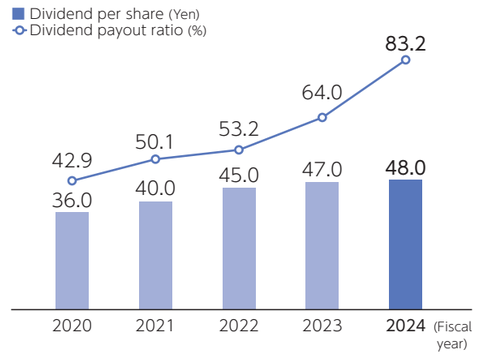


Dividend per share

¥48.0

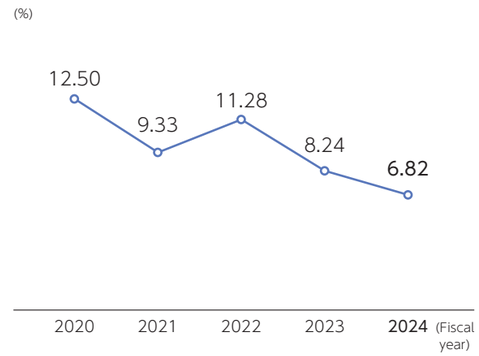
Dividend payout ratio

83.2%



ROIC

6.82%

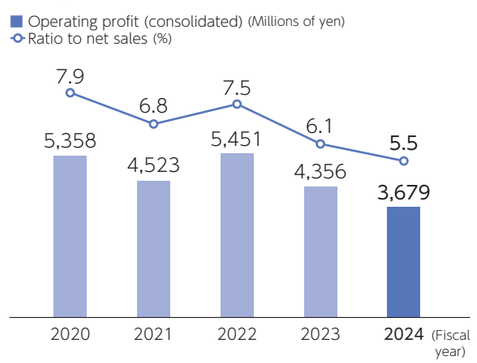


Operating profit (consolidated)

¥3,679 million

Ratio to net sales

5.5%

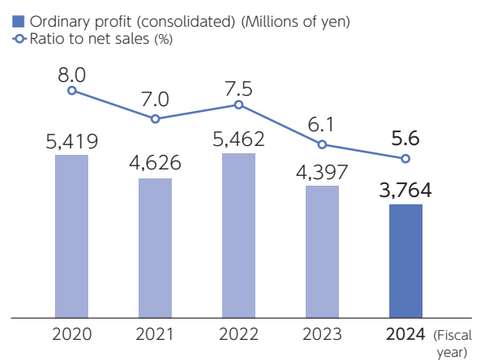


Ordinary profit (consolidated)

¥3,764 million

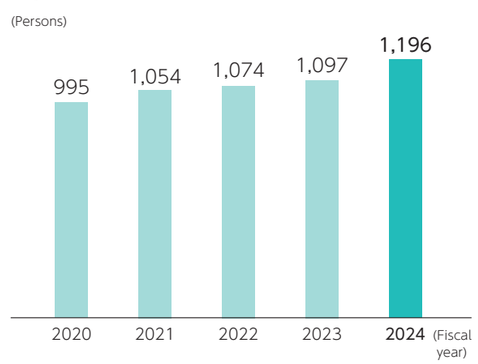
Ratio to net sales

5.6%



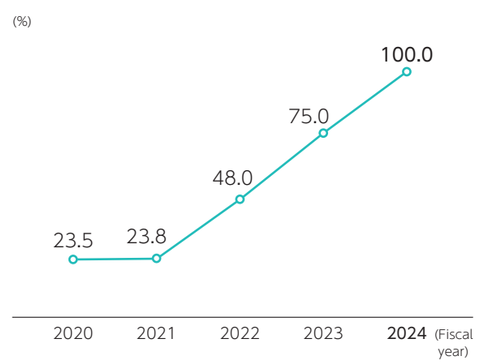
Number of employees

1,196



Childcare leave acquisition rate

100%

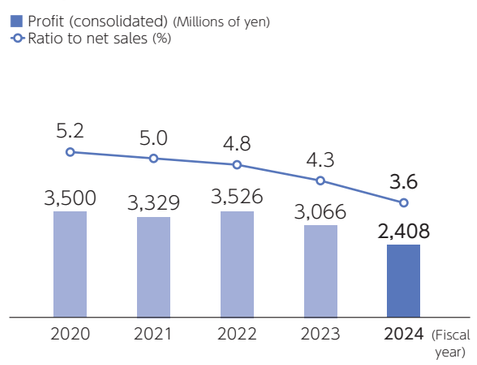


Profit (consolidated)

¥2,408 million

Ratio to net sales

3.6%

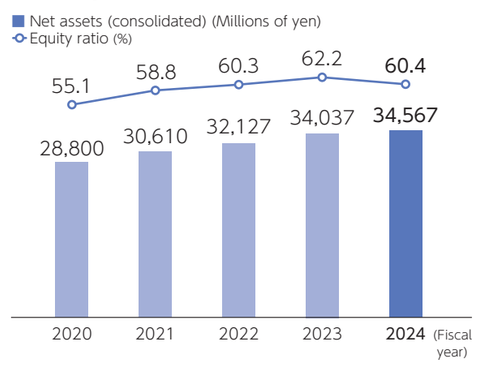


Net assets (consolidated)

¥34,567 million

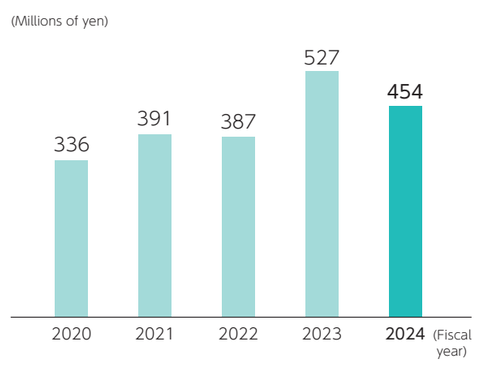
Equity ratio

60.4%



Research and development expenses

¥454 million

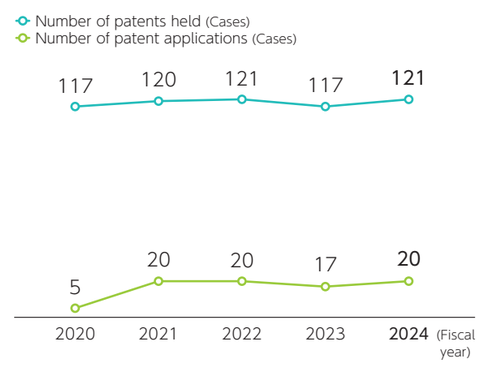


Number of patents held

121

Number of patent applications

20



Intellectual Capital

To date Building on the drilling (boring) and pumping (pressure pumping) technologies developed through our dam grouting technology, which has been the type of work we have been engaged in since our early days, we have expanded into slope protection and ground improvement work, while also developing environmentally conscious construction techniques.

NITTOC has built a strong track record based on its exceptional technical expertise in foundation and ground improvement fields and its ability to develop innovative proprietary construction methods.

The dam foundation grouting technology, which has been the type of work we have been engaged in since our early days, is a signature technology of NITTOC. In Japan, we have worked on approximately 80% of large-scale dams with heights of 100 meters or more. We hold a dominant market share in dam foundation grouting and take great pride in the significant role this technology has played in Japan's infrastructure development.

(1) Main construction methods and their characteristics

1) Dam foundation grouting method
This is a technology that strengthens the ground by injecting materials at high pressure into rock fissures and weak areas underground. This method significantly enhances ground stability and reduces water leakage from the ground, thereby reinforcing the dam's foundation ground. As the type of work we have been engaged in since our early days, this technique has been widely used in large-scale dam construction works in Japan and is highly regarded for its excellence.

2) Ground improvement work
NITTOC provides optimal ground improvement technologies tailored to the conditions and characteristics of the ground. In addition to earthquake countermeasures such as improving seismic resistance and preventing liquefaction, it also plays a crucial role as an auxiliary method for water stoppage and earth retention, while serving as a foundation for structures and heavy loads. We possess advanced expertise throughout the entire process, from selecting the most suitable construction methods and improvement materials based on the purpose of ground improvement and site conditions, to construction. This ensures precise ground reinforcement and enhanced safety.

3) Slope protection work
Much of Japan's infrastructure, including roads and railways, is adjacent to slopes, making it essential to mitigate the risks of slope failures and landslides. NITTOC enhances slope safety by implementing grid-frame structures (slope frames) using mortar and concrete spraying, installing independent pressure plates, and combining them with ground anchors and rebar insertion work (rock bolts) in slope protection works. We hold the top market share in Japan in the slope protection field and have a strong construction track record, including extensive experience in disaster recovery works. In recent years, the automation and remote operation of spraying methods has advanced, leading to improved working conditions, enhanced construction efficiency, and increased construction safety.

4) Environmental conservation and disaster prevention work
Technology that combines environmental conservation and disaster prevention is another important strength of NITTOC. Since the 1960s, long before the SDGs were advocated, we had already been working on construction methods that contribute to environmental conservation, proactively paving the way for a sustainable society. For example, the Geofiber Method is an environmentally friendly method that does not use cement, which emits a large amount of CO_2 during the manufacturing process. This technology uses sand and continuous fibers to protect slopes, providing the same level of slope protection as slope-frame works using mortar or concrete spraying. This technology exemplifies NITTOC's commitment to balancing environmental conservation with civil engineering.

In slope greening projects, vegetation techniques that minimize the impact on ecosystems are utilized, ensuring harmony with the natural environment while also reducing disaster risks. In addition, we have developed "recycled greening construction methods (4 methods)," which reduces waste by effectively reusing felled roots and topsoil, which would otherwise be discarded, as vegetation base materials after processing them at local plants. Through these initiatives, we aim to realize a circular and sustainable society.

(2) NITTOC's strengths

1) Diverse technologies and comprehensive capabilities
We have a wide range of specialized civil engineering technologies, from dam foundation grouting works to ground improvement, slope protection works, and environmental conservation and disaster prevention works. A key strength of our company lies in our comprehensive approach, which combines geological survey technology with construction technology. We have a fully integrated system that allows us to identify challenges and issues, propose appropriate solutions, and execute construction seamlessly. This capability enables us to effectively handle complex ground conditions and demanding project requirements with precision.

2) R&D structure and technological innovation
We are actively engaged in developing new technologies, introducing remote construction, automation, and labor-saving technologies to enhance efficiency and precision at construction sites. In particular, through the digital transformation (DX) of site management systems, we are streamlining data integration between construction sites and back-office operations. Through these initiatives, we are actively promoting diverse work styles (work style reforms).

3) Awareness of sustainable environmental conservation
NITTOC has been developing environment-conscious technologies since the 1960s. In order to realize a sustainable society, we are proactively contributing to daily environmental protection in addition to responding to natural disasters.

4) Technology visualization and explanation skills
Much of our construction works are conducted underground, where visual inspection of construction results is often challenging. To address this, we have developed technologies that visualize construction outcomes, enabling us to provide easy-to-understand explanations to our clients.

(3) Topics

Practical application of remote operation system for construction machinery through cross-industry collaboration
Through a three-way collaboration between ARAV Inc. (a startup originating from The University of Tokyo), WOWOW Entertainment, Inc. (possessing broadcasting technology), and NITTOC, we have practically applied a system enabling remote operation of construction machinery. We have successfully remotely operated construction machinery in Fuji City, located 1,000 km away from Saga City, in real-time. Remote operation was achieved using 4K high-definition video, utilizing WOWOW's low-latency video transmission technology refined through overseas sports broadcasting.

Future outlook Drive the development of construction methods that are conscious of the environment, repair and reinforcement, safety and security, and high productivity under the Japan's policy of building national resilience.

In the future, we aim to achieve corporate growth that balances technological innovation and environmental protection by strengthening our intellectual capital.

(1) Strengthening of R&D investment
We have a policy of continuing to invest actively in R&D and accelerating the introduction and development of leading-edge technologies. In particular, we aim to improve work efficiency and quality at construction sites by strengthening automation and labor-saving initiatives that utilize artificial intelligence (AI) and Internet of Things (IoT) technologies. For example, real-time data analysis using AI makes it possible to immediately judge the situation at the site and optimize the construction process. In addition, enhancing construction management and technical sales systems as part of digital transformation (DX) efforts will enable real-time situation analysis, significantly improve efficiency and strengthen our competitiveness.

(2) Sophistication of geological survey technology and construction technology
In order to further strengthen the twin pillars of geological survey technology and construction technology, we will actively introduce the latest technologies such as remote sensing and drones to build a framework for ground visualization and precise analysis. This will enable more detailed and accurate geological surveys than ever before, improving the accuracy of problem solving. In construction technology, we are advancing research and development of eco-friendly improvement materials and recycled materials, promoting sustainable construction methods. This technology is expected not only to respond to social needs in construction on soft ground, but also to create innovative market opportunities.

(3) Utilization of intellectual property and expansion of patent portfolio
We will actively promote the development of new construction methods and materials related to ground improvement and environmental protection, aiming to obtain more patents based on existing patented technologies. We will strive to differentiate ourselves from other companies by actively applying for patents in Japan and overseas and by vigorously protecting and utilizing intellectual property.

(4) Evolution of environmental technologies and contribution to SDGs
We will promote technological development toward the realization of a carbon-neutral society, based on our achievements in environmental preservation construction methods, which we have worked on since the 1960s. Specifically, we will strengthen technological development aimed at reducing CO_2 emissions, as well as recycling and sustainable construction methods that minimize waste generation. In addition, we will promote business strategies based on the Sustainable Development Goals (SDGs), not only to enhance our responsiveness to natural disasters, but also to expand our social contribution to environmental conservation. We will continue to strive to be a leading company with environmentally conscious technical capabilities.

(5) Fostering engineers and strengthening human capital
Securing and training excellent engineers who will support technological innovation is the key to future corporate growth. We will foster the next generation of leaders by enriching training programs aimed at improving the skills of engineers. In addition, we are strengthening collaboration with external research institutions and universities, establishing a system to actively incorporate the latest technologies and knowledge through joint research. This initiative enhances on-site technical capabilities, enabling engineers to approach projects with higher expertise, ultimately leading to long-term technological advancement and sustainable growth.

Contribution to sales growth By further strengthening our technological strengths in ground improvement and slope protection, which are our foundational strengths, we will achieve growth that exceeds the market in these fields as a leading player in Japan.

Contribution to ROIC improvement We will conduct R&D activities with a long-term perspective, carefully considering cost-effectiveness while maintaining awareness of the relationship between ROIC and WACC.

Contribution to WACC reduction We will highlight tangible SDG achievements both domestically and internationally and strengthen investor relations efforts with a focus on ESG-conscious investors, including impact investors. By doing so, we aim to reduce WACC.

Human Capital

To date As a construction expert, improve knowledge and technology by taking on various specialized construction works.

Our human capital is built on our unique position, providing strengths that set us apart from other companies. As a construction expert, while undertaking projects from prime contractors, we are required to maintain close collaboration with various stakeholders, including clients, design consultants, prime contractors, and partner companies. In construction management, we play a key role in efficiently coordinating these relationships.

(1) Achievements and strengths of human capital

1) Fostering foundation work specialists
We have continued to train engineers with expertise in foundation work. Foundation work serves as the backbone of many construction projects and plays a crucial role in enhancing national resilience. However, due to its nature of being performed underground and out of sight, it lacks the visibility and prominence often associated with more noticeable aspects of construction. "Our pride comes from what we achieve, precisely in the areas that cannot be seen."— Our brand message defines our approach to construction. Through our deep expertise and extensive experience in this specialized field, we have earned the trust of our clients.

2) Excellent construction management capability
We cooperate with all stakeholders in the construction management of each project, and engineers with specialized knowledge of geology and construction ensure smooth project operations. NITTOC's employees strive at all times to be recognized by clients as professionals with the ability to smoothly execute complex projects and with exceptional construction management skills.

3) Accumulation of expertise and challenges
NITTOC has accumulated technical expertise through many years of experience in dam foundation grouting, slope protection measures, and other works in the environmental conservation and disaster prevention field. In addition, in the fields of urban ground improvement and repair and reinforcement, we recognize the need to accumulate new expertise. To address this, we are leveraging information tools such as our sales force automation (SFA) system to facilitate knowledge sharing and implementation and ensure that individual expertise is systematically shared across the organization.

4) Work style reform and utilization of diverse human resources
We are working on work style reform aimed at creating a workplace environment where employees can make the most of their abilities and a workplace where diverse human resources can play active roles. In addition to actively recruiting female engineers and enhancing childcare and nursing care systems, we are developing technologies and environments that respond to the next generation of work styles while exploring various ways of working, including back office support for on-site operations and development of construction methods that utilize remote construction technology. Through these initiatives, we aim to strengthen the foundation for sustainable growth.

Future outlook Amid a decline in the working population, strengthen individual technological skills and team capabilities by systematically fostering the development of engineers.

(1) Fostering next-generation leaders and passing on technologies
We will foster the development of specialists in foundation work, while at the same time developing the next generation of leaders. By engaging engineers with on-site construction management experience in project management, we will work to develop professionals with leadership skills that are in demand across the industry. In addition, by utilizing digital information tools such as our sales force automation (SFA) system to share previously individualized expertise across the organization, we will facilitate knowledge transfer and technological enhancement. We believe that these initiatives are essential for building a flexible structure that can respond to any project, whether in Japan or overseas.

(2) Work style reform and diversity promotion
We will continue to facilitate work style reform and develop a workplace environment in which diverse human resources can play active roles. We will continue our long-standing efforts in recruiting and developing female engineers, while also leveraging the knowledge and experience of senior employees retained through extended retirement programs. By doing so, we aim to foster an organization that prioritizes diversity. In addition, by introducing remote operation technology, we will strengthen a system that enables technical support from locations outside the construction site, fostering greater flexibility in workstyles. We aim to create an organization where each employee can choose the optimal workstyle while maintaining a strong focus on productivity improvement and corporate value enhancement.

Contribution of human capital to the creation of shareholder value

Contribution to sales growth	Contribution to ROIC improvement	Contribution to WACC reduction
Pursue sales growth by strengthening responsiveness to change, and strengthen project acquisition through proactive proposals	Improve profitability of individual projects through improved productivity and risk management	Increase the trust of all stakeholders in NITTOC employees Responsiveness to change and contribution to SDGs

Industrial Capital

To date Maintain prompt response capabilities and win customer trust by establishing bases nationwide

We have established a solid relationship of trust with our business partners, developed nationwide bases, and achieved efficient facility operation and technological innovation.

(1) Achievements and strengths of industrial capital

1) Relationship of trust and cooperative framework with business partners
Based on the strong foundation of trust we have built with numerous clients and contracting parties over many years, we have consistently ensured smooth project execution by maintaining a comprehensive understanding of the entire project and implementing optimal construction management, despite being a specialized construction company. This relationship of trust has played a significant role in the success of our projects.

2) Nationwide development of bases and flexible response capabilities
We operate a network of sales bases mainly consisting of branches and sales offices as well as technological development bases across Japan. In addition, with two additional overseas locations, we have established a framework that enables wide-reaching and rapid business development. Furthermore, we have established a flexible system that allows us to adapt to the unique characteristics and needs of each region, enabling us to deliver swift and efficient construction services. Each branch and sales office operates in close contact with the local community and provides customized services according to the needs of each site, thereby improving customer satisfaction.

3) Capital investment and commitment to technological innovation
We are committed to introducing the latest technologies and optimizing the efficient use of machinery, and we make investments of an appropriate scale every year. This investment is part of our commitment to technological innovation, aimed at enhancing technical capabilities and strengthening construction capabilities. By ensuring the optimal use of machinery, we have achieved cost reductions and improved construction efficiency. Through capital investment and technological innovation, we have always been at the forefront of technology, maintaining our competitiveness both at home and abroad.

4) Efficiency enhancement and expertise sharing through information implementation
We utilize digital information tools, such as our sales force automation (SFA) system, to drive information implementation. By doing so, we aim to share knowledge and expertise gained from construction projects across the organization, preventing knowledge from becoming dependent on individual experience. In addition, we are aiming to minimize non-performing assets by ensuring the efficient utilization of invested capital.

Future outlook Further strengthen our foundation

Going forward, we will work to strengthen our industrial capital, aiming for sustainable growth and the creation of new market opportunities.

(1) Strengthening competitiveness through capital investment and technological innovation
We will continue to actively make capital investments to support technological innovation, and aim to improve construction efficiency and quality. By introducing new facilities that incorporate cutting-edge technologies such as AI and IoT, we aim to automate, streamline, and enable remote operations of business processes at construction sites, in order to reduce costs and overcome labor shortages. In addition, by strengthening the efficient operation of machinery, we will increase construction efficiency and quality, thereby increasing project precision. By doing so, we will further solidify the trust of our customers and further enhance our technical capabilities and competitiveness.

(2) Utilization and expansion of nationwide and overseas bases
We will leverage our nationwide sales network in Japan and two overseas sales locations to enhance services tailored to the unique characteristics of each region. Internationally, we aim to expand our business in the emerging Southeast Asian markets, where infrastructure demand is rising, by strengthening our flexible response capabilities to meet customer needs in specialized civil engineering fields that other companies have yet to enter.

(3) Strengthening partnerships and cooperative framework
Building on our long-standing relationship of trust with our customers and business partners, we aim to build a stronger cooperative framework with them going forward. By actively participating in national projects, we aim to drive growth through securing large-scale contracts. In addition, we will deepen cooperation with partner companies in Japan and overseas, and aim to raise the level of the industry as a whole through the sharing of technology and expertise.

Contribution of industrial capital to the creation of shareholder value

Contribution to sales growth	Contribution to ROIC improvement	Contribution to WACC reduction
We will strengthen our industrial foundation to provide consistent value-added services nationwide, contributing to enhancing national resilience as a driver of growth. Furthermore, we will leverage these strengths to accelerate our global expansion.	We will continuously optimize capital investment with a strong focus on ROIC. We will conduct ROIC-WACC analysis training for top management, enabling them to analyze and define the optimal approach for long-term capital investment.	We will provide optimal solutions tailored to client needs in combination with machinery and equipment, contributing to SDG initiatives, supportive work environments, and construction site safety.

Natural Capital

To date Since the 1960s, long before the term SDGs existed, we have been introducing advanced technologies with a strong focus on environmental conservation.

Our strengths and track record in natural capital are built on a deep consideration for environmental conservation since our early days and construction techniques that are designed to harmonize with nature. Our experience in foundation work and dam construction, which involves working in close interaction with nature, has fostered a strong awareness of environmental conservation. This commitment has enabled us to take a leadership role in building a sustainable society.

(1) Achievements and strengths of natural capital

1) Construction technology that considers harmony between the natural environment and human society

Since its founding, NITTOC has been engaged in dam works that are deeply connected to the natural environment, always striving for harmony with nature. This awareness of nature is evident in our high market share in domestic dam construction, demonstrating our ability to balance environmental considerations with safety assurance.

2) Initiatives toward a decarbonized society

We have developed unique, environmentally friendly construction methods aimed at reducing CO_2 emissions during the construction process. With extensive track record of construction, the Geofiber Method is a slope protection technology that constructs continuous fiber-reinforced soil using sand and continuous fibers. Because of its ability to fully green slopes and its eco-friendly approach, which does not use cement, this method is widely used for disaster prevention on slopes requiring environmental and landscape considerations, as well as for the disaster prevention and restoration of slopes at cultural and historic sites.

In addition, we are actively developing low-carbon materials as alternatives to concrete and cement, which are known for their high CO_2 emissions. We are also working on developing construction methods that utilize these materials, aiming for their practical application in our projects.

3) Conservation of biodiversity

We have positioned the conservation of biodiversity as a priority issue, and are working to achieve its sustainable use through our construction business. Greening methods developed by NITTOC such as the Native Seed Revegetation Method, the NEKKO Chip Method and KAERUDO-Green Method make it possible to use surface soil containing seeds of plants native to the site as vegetation base materials. We contribute to the conservation of ecosystems by conducting greening with local plants without introducing external seeds.

4) Promotion of waste reduction and recycling

We are working to reduce waste and promote the use of recycled materials at construction sites.

The New ReSP Method developed by NITTOC is capable of repairing and reinforcing aging sprayed slopes without removing the existing sprayed mortar, thereby significantly reducing industrial wastes generated at the site.

In addition, 30% of the organic fibers used in this method is made from recycled materials, demonstrating our commitment to actively improving and refining existing construction methods. Through these efforts, we continue to advance environmental impact reduction initiatives.

We will continue to actively contribute to the conservation of natural capital and the realization of a sustainable society through these initiatives.

Future outlook Addressing environmental issues in the specialized civil engineering field

We aim to further preserve natural capital and realize a sustainable society by driving innovation in environmental technologies. Based on business activities premised on harmony with nature, the following key initiatives will be essential for maintaining leadership in environmental conservation both domestically and internationally.

(1) Further development of environmental preservation construction methods

We will build on our existing environmentally conscious technologies, such as the Geofiber Method and NEKKO Chip Method, to further advance concrete-free construction technologies. We aim to significantly reduce CO_2 emissions and develop new construction methods to contribute to the realization of a carbon-neutral society. Environmental preservation construction methods align with the global movement toward a decarbonized society and are expected to enhance our competitive advantage both domestically and internationally.

(2) Innovations in disaster prevention and prevention technologies for natural disasters

As natural disasters increase worldwide due to the effects of climate change, we will further advance the evolution of disaster prevention technology. We will enhance our preventive maintenance technology to further ensure ground stability by utilizing past construction data and insights on disaster risks. We believe that such innovations in preventive maintenance technology will protect the safety of local communities and further strengthen social trust.

(3) Enhancement of biodiversity conservation and nature restoration technologies

As a leading company in biodiversity conservation within the construction industry, we are also committed to developing technologies that enhance the resilience of natural environments. In particular, we will promote the development of reforestation technologies to restore ecosystems after construction and new construction methods that facilitate natural recovery, contributing to the realization of a society where people and nature coexist. This initiative goes beyond mere environmental conservation, aiming to sustain a sustainable environment for future generations.

(4) Technological innovation for building a circular society

We will further advance the development of recycling technologies and circular construction methods, actively contributing to the creation of a circular society. We will strengthen efforts to reduce waste at construction sites and increase the use of recycled materials, promoting the efficient use of resources. By doing so, we will minimize waste generation and efficiently utilize resources while realizing construction with a reduced environmental impact. Efforts to realize a circular society will enhance our corporate value and lead directly to the establishment of a sustainable business model.

(5) Global expansion and establishment of international leadership in environmental technology

We will actively expand technologies that are conscious of natural capital not only in Japan but also in overseas markets. The intensification of natural disasters caused by climate change is spreading throughout the world. It is expected that our technologies will be recognized as an advanced model that balances environmental protection and infrastructure development.

(6) Technological innovation for climate change adaptation and contribution to carbon neutrality

Technological innovation to address climate change is one of the top priorities also in our future strategy. By strengthening the adoption of energy-saving technologies and renewable energy, we will strive to reduce CO_2 emissions throughout the entire construction process, working towards the realization of a carbon-neutral society.

Contribution to the creation of shareholder value through natural capital

Contribution to sales growth
We enhance our competitive advantage by balancing environmental protection and infrastructure development through the development of sustainable construction methods and environmentally conscious technologies.

Contribution to ROIC improvement
The introduction of environmentally friendly construction methods contributes to cost savings (through reduced CO_2 emissions, energy conservation, and use of recycled materials) and risk mitigation (by strengthening disaster prevention and environmental conservation technologies). These efforts improve operational efficiency and maximize returns on invested capital.

Contribution to WACC reduction
Our initiatives related to natural capital are expected to drive sales growth and enhance ROIC through higher value-added services. Furthermore, by enhancing credibility and improving evaluations of environmental conservation and sustainable business operations—which significantly contribute to lowering WACC—we can expect reduced capital costs from the perspective of ESG (Environmental, Social, and Governance) investors and financial institutions.

Social and Related Capital

To date Strong networks with local communities and partner companies

(1) Achievements and strengths of social and related capital

1) Relationship with local communities

We actively engage in regional infrastructure development and disaster recovery through our nationwide network of bases. We also contribute to regional disaster prevention by focusing on repairing aging infrastructure and environmental preservation activities. In addition, in the event of a natural disaster, we take swift recovery measures, contributing to ensuring the safety of local communities.

2) Inter-company networks and partnerships

We collaborate with approximately 700 partner companies nationwide and work to enhance technical capabilities and safety through the Nittoc Construction Partnership Association (Nisshinkai). We collaborate with industry peers through technical partnerships to jointly develop new technologies for ground improvement and slope protection work. Additionally, we conduct research on landslide countermeasures and other matters utilizing AI technology in collaboration with universities and research institutes. We also collaborate with companies from different industries to implement BIM/CIM and drone technology and enhance operational efficiency. Furthermore, we actively participate in joint projects with JICA and major construction companies, contributing to the development of sustainable social capital.

Future outlook Strengthening social and related capital and contributing to enhancing national resilience

(1) Relationship with local communities

As a company that provides a safe and secure society and contributes to countries, we will continue to strengthen our ties with local communities. Specifically, we will focus on the three areas of environmental conservation and disaster prevention, maintenance and renovation, and urban regeneration, and contribute to regional infrastructure development and rapid restoration work in the event of disasters. We will also promote construction methods that help reduce CO_2 emissions and utilize renewable energy, contributing to the realization of a decarbonized society.

(2) Inter-company networks and partnerships

We are expanding our operations into private-sector projects and the repair and reinforcement sector, anticipating the long-term decline in public construction work and the growing demand for maintenance and repair work. In addition to strengthening collaboration with other construction companies, we are building new partnerships with IT and AI-related companies to advance the adoption of BIM/CIM and facilitate AI-driven research and development. In overseas development, we will strengthen global partnerships by establishing joint ventures and expanding technological partnerships with local companies in Southeast Asia.

(3) Relationship with investors and stakeholders

We will strive to foster stronger relationships with all stakeholders and actively promote ESG management. We are committed to developing environmental impact reduction technology, utilizing diverse talent, and strengthening corporate governance, while regularly disclosing our progress and achievements in these areas. In addition, we practice highly transparent management by enhancing information disclosure at financial results briefings. In terms of shareholder returns, we will maintain a stable dividend policy and work to increase shareholder value.

Contribution of social and related capital to the creation of shareholder value

Contribution to sales growth	Contribution to ROIC improvement	Contribution to WACC reduction
Strengthening relationships with local communities and partner companies will drive order growth and new market entry, contributing to sales growth.	Improve efficiency through local engagement and corporate collaboration, and contribute to improving ROIC through stable management.	Enhance stability through social trust and corporate collaboration, and contribute to lowering WACC through transparent management.

Overseas Expansion by Utilizing Five Types of Capital

To date Capital strength in Japan and initiatives for local employees to play active roles

We are engaged in infrastructure development, disaster prevention, ground improvement and other foundation works in South Asia and Southeast Asia, including Indonesia, the Philippines, and Vietnam.

In Indonesia, we have established PT. NITTOC CONSTRUCTION INDONESIA, a subsidiary specializing in specialized construction projects. A representative office has been established in the Philippines.

Business development and market background in major countries and regions

(1) Indonesia

The country has a population of about 280 million and continues to enjoy high economic growth. However, issues such as traffic congestion in urban areas and the development of sewerage systems to improve sanitation environments remain unresolved. We contribute to infrastructure development through ground improvement and slope protection works.

(2) The Philippines

We contribute to enhancing regional safety and improving comfortable living environments by addressing the high risk of natural disasters through ground improvement work, slope stabilization measures, and disaster recovery support.

Future outlook Expand frontiers of global growth

(1) Perspective of sales growth

1) Historical growth

We have actively expanded our overseas business over the past few years. In 2016, we established PT. NITTOC CONSTRUCTION INDONESIA (PT. NCI) in Indonesia to enter the local infrastructure construction market, and began receiving orders for specialized local works (slope protection, ground improvement, etc.).

2) Future growth and prospects

We will continue to pursue a strategy to increase orders for infrastructure construction projects in Southeast Asia, including Indonesia. In particular, the market is expected to grow against the backdrop of Indonesia's high economic growth and underdeveloped infrastructure. As a result, sales are expected to increase.

(2) Perspective of relationship with other companies and society

1) Relationship with other companies

We are strengthening partnerships with local construction companies and businesses. This allows us to build trust and a strong track record locally, expanding our opportunities for securing projects. When securing specialized construction projects in Indonesia, collaboration with local companies is essential to comply with local regulations and technical requirements.

2) Relationship with society

We place great importance on social responsibility in doing business in Indonesia and other Southeast Asian regions. By building strong relationships with local communities, we gain support from the regional society. We also aim to create employment opportunities for local workers and contribute to the regional economy.

Contribution of overseas development to the creation of shareholder value

Contribution to sales growth	Contribution to ROIC improvement	Contribution to WACC reduction
Pursuing global growth beyond Japan's growth barriers	Achieving high ROIC overseas as in Japan	Contribute to lowering WACC by expanding the earnings base, and thoroughly implement global risk management

Financial Capital

Review of shareholder value KPI (1)

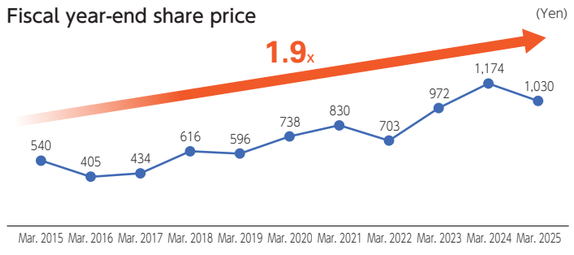
Provided shareholders with “visible value” over the past 10 years

Over the past 10 years, during which we have achieved an annual growth rate of just under 2%, NITTOC has significantly contributed to the expansion of financial capital by delivering returns to our shareholders. TSR* has recorded a cumulative return of 425.5%, with an average annual return of 16.5% per year.

These realized returns are supported by solid performance, including a 1.5x increase in EPS over 10 years, a 5.3x rise in dividends per share, and a dividend yield exceeding 4% since the fiscal year ended March 31, 2017. By “continuing to be a company needed by society by sincerely providing technology, precisely in the areas that cannot be seen,” we have created “visible value” for our shareholders.

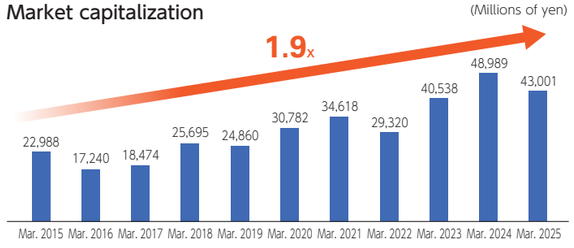
Share price

Over the past 10 years
1.9x increase



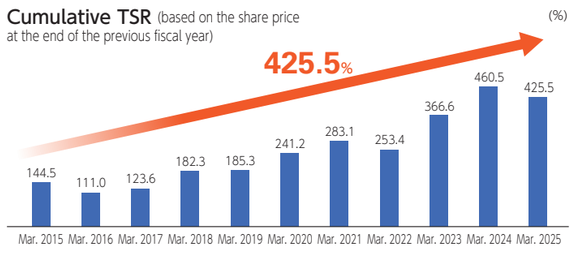
Market capitalization

Over the past 10 years
1.9x increase



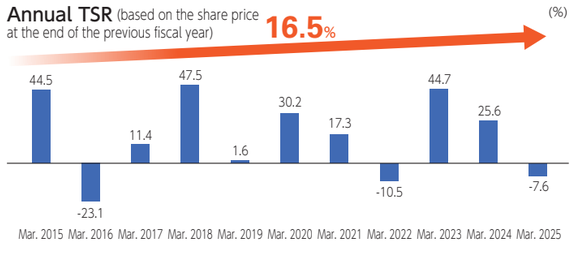
10-year cumulative TSR

Over the past 10 years
425.5%



10-year average TSR

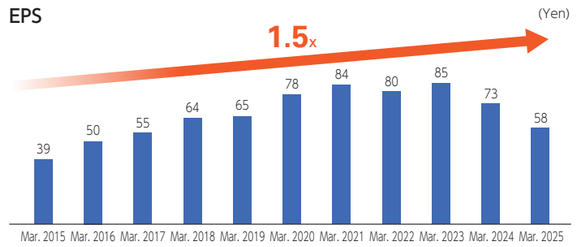
Over the past 10 years
16.5%



*TSR stands for Total Shareholder Return, which is the ratio obtained by dividing the income from stock investment (dividends and capital gains) by the amount of investment (stock price). It is calculated by adding the annual dividend yield to the return based on the year-end stock price.

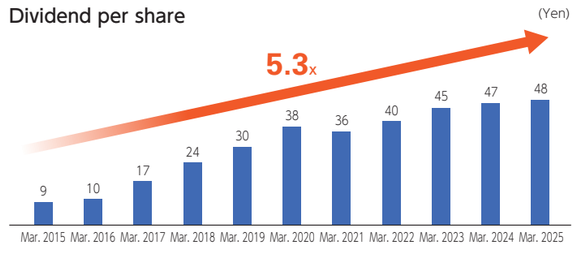
EPS

Over the past 10 years, EPS increased
1.5x



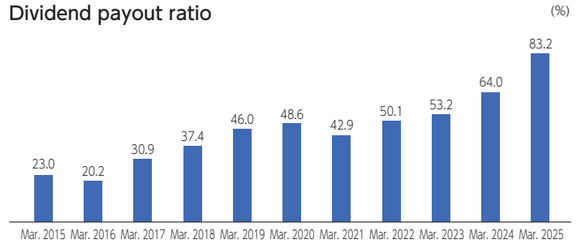
Dividends

Over the past 10 years, increased
5.3x



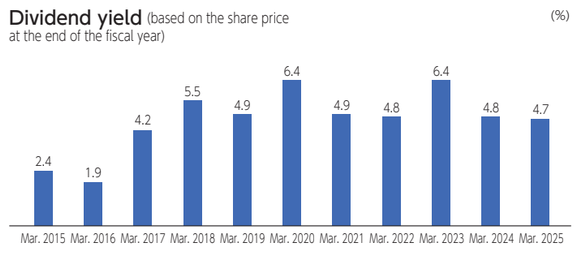
Dividend payout ratio

Since 2019 Maintained over
40%



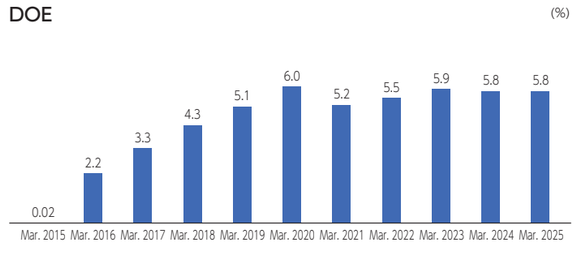
Dividend yield

Since the fiscal year ended March 31, 2017 Maintained over
4%



DOE

Since the fiscal year ended March 31, 2019 Maintained over
5%



*DOE (Dividend on Equity Ratio) is an indicator that shows how much of a company’s shareholders’ equity is returned to investors as dividends.

Financial Capital

Review of shareholder value KPI (2)

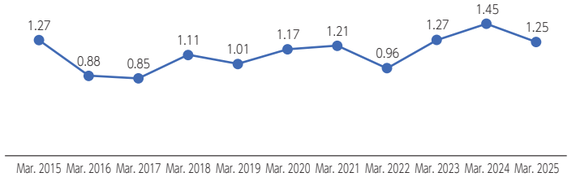
Market valuation indicators are improving

Driven by the rise in stock prices, market valuations such as PBR and PER have shown an improving trend over the long term. ROE and ROIC, which serve as the basis for these indicators, have consistently averaged over 10%.

PBR

PBR is improving

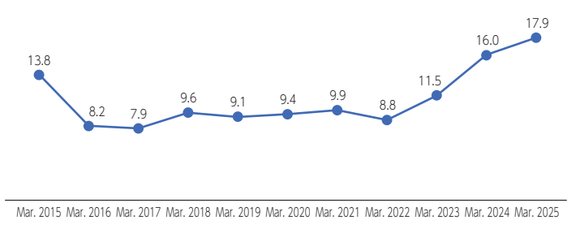
PBR (Times)



PER

PER is improving as well

PER (%)



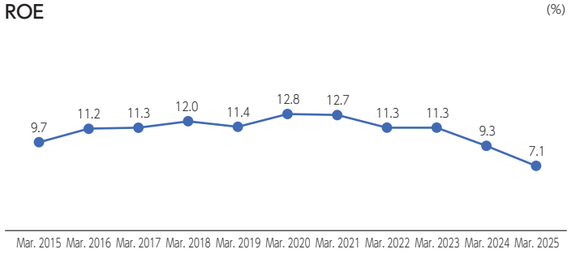
ROE

Over the past 10 years, ROE has averaged

11.0%

We consider it a level that significantly exceeds the cost of shareholders' equity.

ROE (%)



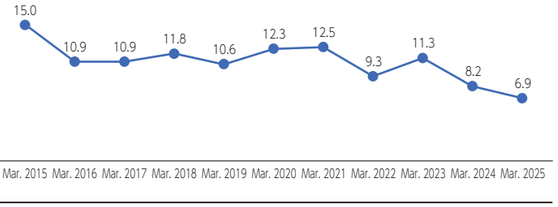
ROIC

Over the past 10 years, ROIC has averaged

10.4%

We consider it a level that significantly exceeds the weighted average cost of capital.

ROIC* (%)



*Operating profit after tax / (book value of shareholders' equity at the end of the fiscal year + interest-bearing debt at the end of the fiscal year)

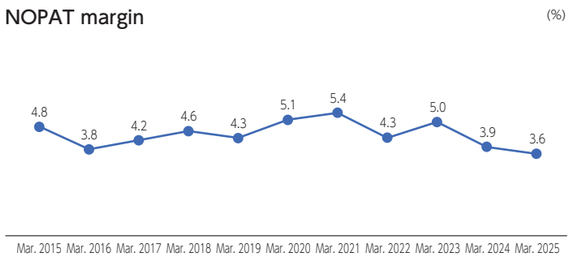
We recognize that the surplus funds to be the source of future M&A to be ¥14.0 billion. If we define the concept of "Lean ROIC" to be the absence of these funds, it would be 16.9%. We recognize that swiftly investing surplus funds into businesses that are capable of achieving high future ROIC is crucial for long-term share-holder value growth.

NOPAT margin

Over the past 10 years, the NOPAT margin has averaged

4.4%

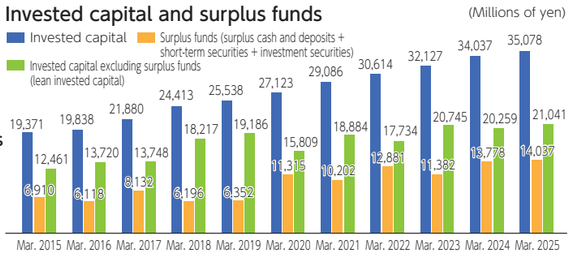
NOPAT margin (%)



Invested capital

Invested capital increased from ¥19.4 billion to ¥35.1 billion. However, we recognize that there are surplus funds of about ¥14.0 billion that have not been invested in businesses.

Invested capital and surplus funds (Millions of yen)

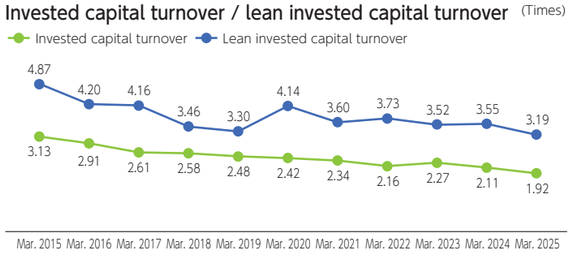


Invested capital turnover

Invested capital turnover decreased from 3 times to 2 times.

The lean invested capital turnover excluding surplus funds was 3.5 times.

Invested capital turnover / lean invested capital turnover (Times)

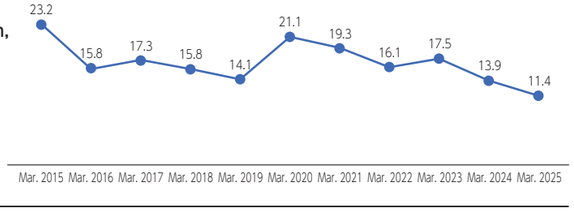


Lean ROIC

Over the past 10 years, the lean invested capital (profit margin), based on invested capital that is lean, has averaged

16.9%

Lean ROIC* (%)



*Operating profit after tax / (book value of shareholders' equity at the end of the fiscal year + interest-bearing debt at the end of the fiscal year - surplus funds at the end of the fiscal year)
Surplus funds = surplus cash and deposits + investment securities, surplus cash and deposits = cash and deposits - necessary liquidity on hand

Financial Capital

Practicing management with a focus on capital cost and share price - Framework for analysis -

Past analysis shows that NITTOC has provided relatively high returns to shareholders. To further enhance deeper dialogue with investors, we are working on understanding the current situation and disclosing our improvement plans using a framework based on return on capital and capital cost.

Practicing management with a focus on capital cost and share price

In the practice of management with a focus on capital cost and share price, we are working on analysis and value creation management methods that utilize return on capital and capital cost. To this end, we will undertake initiatives based on the following perspectives.

- We will accurately assess capital cost and return on capital, and analyze and evaluate their details and market valuations at the Board of Directors meetings.
- The management team will take the lead in ensuring the appropriate allocation of management resources with a strong awareness of capital cost and return on capital.
- We will take fundamental measures to achieve a return on capital that continuously exceeds capital cost and achieve sustainable growth.

1 Accurate understanding
Accurately understand capital cost and return on capital

2 Analysis of market valuation
Analyze and evaluate the current status of capital cost, return on capital, and market valuation at the Board of Directors meetings.

3 Formulation and disclosure of improvement plans
Formulate and disclose improvement plans, continuously updating initiatives through dialogue with investors.

In cooperation with external analysts, we will strive to accurately understand these metrics using ROE, cost of shareholders' equity, ROIC and weighted average cost of capital (WACC), analyze market valuations, and formulate and disclose improvement plans.

Description of the concept to be used

Specifically, the analysis is conducted using the following concepts and frameworks. To analyze from a more diverse perspective, we define the conventional ROIC as "Financed ROIC" and an adjusted ROIC that excludes the impact of assets not used for business—focusing solely on the capital actively used in business—as "Business ROIC" (which follows the same definition as Lean ROIC). We utilize these two ROIC concepts in our analysis. In collaboration with external analysts, NITTOC's WACC and COE were estimated to be 6.33%.

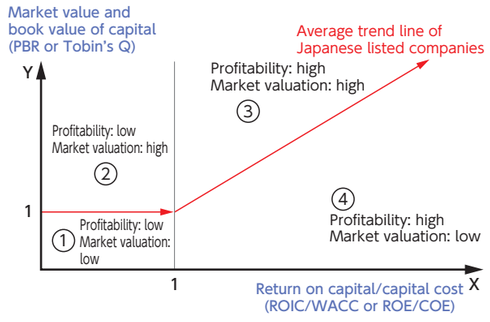
Return on capital		Capital cost	
Concept	Definition	Concept	Definition
ROE (Return on Equity)	Profit / shareholders' equity	COE (Cost of Equity)	β × risk premium + risk-free rate
Financed ROIC (Return on Invested Capital)	Operating profit after tax / (shareholders' equity + interest-bearing debt)	COD (Cost of Debt)	Interest expense × (1 - effective tax rate) / interest-bearing debt
Business ROIC	Operating profit after tax / (shareholders' equity + interest-bearing debt - non-business assets)	WACC (Weighted Average Cost of Capital)	COD × (D / (E + D)) + COE × (E / (E + D)) E: Market capitalization D: Interest-bearing debt

β = An index of correlation with the Japanese economy = Estimated by factors including the slope of the linear regression formula of five-year daily returns for TOPIX and NITTOC's share prices. Risk premium = 5-6% (Japanese average)
When differentiating based on market capitalization, the levels of β and risk premium require various theoretical and statistical estimations, expert advice, and information from financial data providers.

Return on capital/capital cost and market-to-book ratios, such as PBR, are estimated to have the relationship indicated by the red line in the graph below. By estimating the average trend line of the Japanese market and plotting NITTOC's figures, we can understand our market valuation position. As shown in the graph below, the positioning is classified into ① to ④, and we believe that it is important to engage in dialogue with investors based on the interpretation of each evaluation. Furthermore, the concept of Tobin's Q* is also analyzed to assess the ratio of market value to the book value of invested capital.

*Tobin's Q: A concept introduced by economist James Tobin, used to explain corporate investment behavior.

Framework for analysis for practicing management with a focus on capital cost and share price



Axis		X axis = profitability: return on capital/capital cost = ROE/COE or ROIC/WACC			
		Low (less than 1)		High (1 or higher)	
Y axis = market valuation: PBR or Tobin's Q	High (1 or higher)	②	The current profitability is lower than the cost of capital, but it is expected to improve in the future.	③	The current profitability is higher than the cost of capital, and it is expected that the scale will grow or the profitability will improve in the future.
	Low (less than 1)	①	The current profitability is lower than the cost of capital, and it is expected that the scale will shrink or profitability will worsen in the future.	④	The current profitability is higher than the cost of capital, but it is expected that the scale will shrink or profitability will worsen in the future.

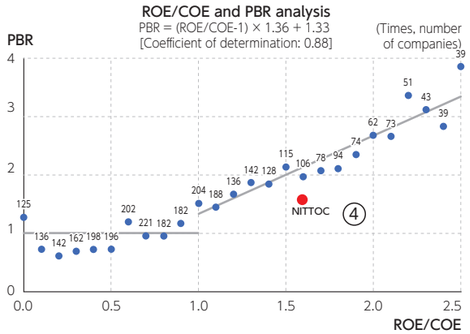
Financial Capital

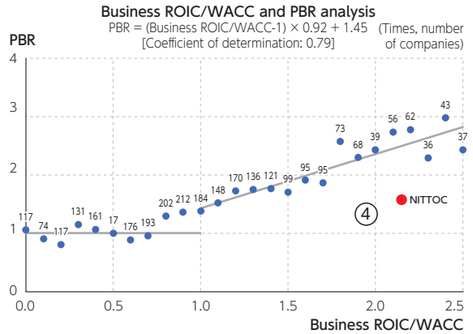
Practicing management with a focus on capital cost and share price - Analysis results and improvement measures -

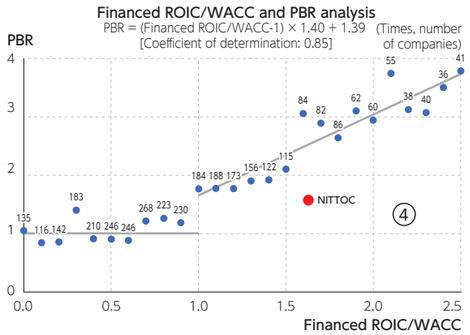
Analysis results for practicing management with a focus on capital cost and share price

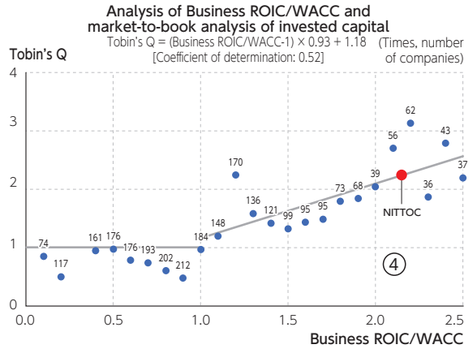
The results of analysis based on the framework shown in the previous section are presented in the diagram below. Numerical values used in the analysis are described in the databook. According to this analysis, NITTOC is highly profitable but its market valuation is low. It can be understood that the current profitability is higher than the cost of capital, but the market expects a future decline in scale or deterioration in profitability. The analysis is based on data as of September 29, 2025. The regression analysis is based on data for the past five years from that point in time.

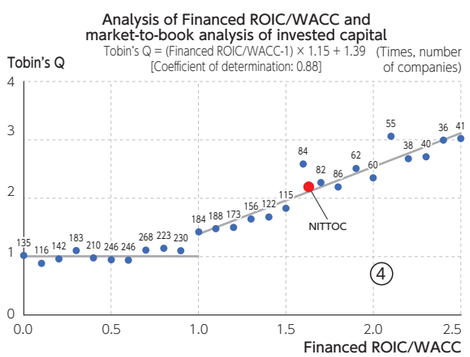
According to this analysis, NITTOC is highly profitable but its market valuation is low (as in ④ in the previous page).











Analysis results for practicing management with a focus on capital cost and share price

The table below shows the estimated share price of NITTOC based on the regression formula shown on the previous page. Calculations were made using data available on September 29, 2025.

The analysis suggests that if valued at the market average level, it is possible to estimate a price of ¥1,958. Although this is only a reference value, there is a large gap between this price and the share price of NITTOC as of the end of September. We recognize that disclosures, investor relations activities, and initiatives with investors, with an awareness of this gap, should be considered as part of improvement measures. To be valued on par with the market, it is essential to build greater shareholder confidence in the future growth potential of the Company's value.

As of the end of the previous fiscal year	Book value of capital	As of the end of the previous fiscal year	Shareholders' equity	¥1 million	34,371
			Business invested capital		26,613
			Financed invested capital		35,078
			Non-business assets + appraisable assets		12,974
As of the end of the previous quarter		As of the end of the previous quarter	Shareholders' equity	¥1 million	33,680
			Business invested capital		25,146
			Financed invested capital		34,333
			Non-business assets		13,682
NITTOC's plan for the current fiscal year	Profit	NITTOC's plan for the current fiscal year	Profit for the current fiscal year	¥1 million	3,350
			NITTOC's operating profit plan for the current fiscal year		5,000
			Estimated NOPAT		3,450
	Return on capital	NITTOC's plan for the current fiscal year	ROE	%	9.7
			Business ROIC		13.0
			Financed ROIC		9.8
Closing price on September 29, 2025	Market value of capital	Closing price on September 29, 2025	Market capitalization	¥1 million	53,012
			Market value of business invested capital = business invested capital - shareholders' equity + market capitalization - non-business assets-appraisable assets		32,280
			Market value of capital raised (financed invested capital - shareholders' equity + market capitalization)		53,719
	Share price	Closing price on September 29, 2025		Yen	1,269
	Market-to-book ratio of capital	Closing price on September 29, 2025	PBR	Times	1.57
			Market-to-book ratio of business invested capital		1.22
			Market-to-book ratio of financed invested capital		1.56
Estimate	Capital cost	JPR estimate	COE	%	6.1
			WACC		6.0
Estimate	Return on capital/ capital cost	JPR estimate	ROE/COE	Times	1.60
			Business ROIC/WACC		2.15
			Financed ROIC/WACC		1.63
Estimate	Estimate of market-to-book ratio of capital	Estimate based on ROE/COE and PBR	Estimated PBR ❶	Times	2.14
		Estimate based on business ROIC invested capital/WACC and PBR	Estimated PBR ❷		2.50
		Estimate based on financed ROIC invested capital/WACC and PBR	Estimated PBR ❸		2.27
		Estimate based on business ROIC invested capital/WACC and market-to-book ratio of business invested capital	Market-to-book ratio of business invested capital		2.24
		Estimate based on financed ROIC invested capital/WACC and market-to-book ratio of financed invested capital	Market-to-book ratio of financed invested capital		2.18
Estimate	Estimated market capitalization			Millions of yen	81,783
	Share price estimate			Yen	1,958

Source: J-Phoenix Research Inc.

Technological Development Capabilities Underpinned by the Number of Patents: The Source of NITTOC's Power to Create Value

Building a portfolio of patents in core fields

By promoting patent applications and constructing a patent portfolio in our core fields of slope protection, ground improvement, and maintenance and renovation, we maintain our competitive advantage and contribute significantly to the creation of corporate value.

Patent field

Slope protection

- Ground anchors
- Stabilization of slopes and sloping land
- Wall and embankment construction
- Revetment of dikes, dams, waterways and similar structures

Ground improvement

- Ground strengthening through the application of solidifying or gap-filling material into the ground
- Products containing hydraulic cement other than calcium sulfate

Creation of corporate value through the construction of a patent portfolio

Patents relating to slope protection, environmental conservation and disaster prevention

- Slope stabilization technology
- Greening using recycled materials
- Cement-free slope protection
- Robotic slope spraying
- Spray plant automation

Labor and personnel savings, CO_2 emissions reduction, resource savings, ICT utilization, productivity improvement, safety enhancement, greater ease of work

Patents relating to ground improvement, maintenance and renovation

- Technological countermeasures for soft ground and liquefaction
- Grouting material
- Cavity-filling technology
- Long-distance pumping technology

Labor and personnel savings, CO_2 emissions reduction, resource savings, ICT utilization, productivity improvement, safety enhancement, greater ease of work

Sales growth

Adding physical and psychological value to environmental conservation, disaster prevention, urban renewal, and the enhancement of national resilience to achieve rock-solid growth

ROIC improvement

Expanding profit margin by enhancing added value

Reducing costs by saving on labor, energy, and resources, and implementing ICT

Decreasing the ratio of invested capital to net sales through business expansion

WACC reduction

Improving financial stability through greater scale

Contributing to the SDGs

Improving ease of working

Major patent applications and related technologies

IPC	E02D5/80	E02B3/12	C04B28/02	E02D3/12	E02D17/20	E02D17/18
International Patent Classification (IPC)	Ground anchors	Revetment of dikes, dams, waterways and similar structures	Products containing hydraulic cement other than calcium sulfate	Ground strengthening through the application of solidifying or gap-filling material into the ground	Stabilization of slopes and sloping land	Wall and embankment construction
Company A	66	8	11	211	262	11
NITTOC	**133**	**23**	**16**	**171**	**179**	**38**
Company B	4	0	0	21	22	1
Company C	4	8	0	0	48	0
Company D	42	27	139	169	52	70
Main technologies based on patents	• Anchors for the seismic reinforcement of dams • Licos • Aki-Mos • Load Releaser	• High-Grade Soil • Flood slope protection, greening • Water barrier structures for disposal sites	• Parfait Grout Method • Kiro-Fukeru Method	• New Sleeve Grouting Method • Expacker-N Method • N-Roll Column Method • Ultrafine Cement • CDM-EXCEED • Dynamic injection into bedrock • Grouting management system	• New ReSP Method • The Method of High Strength Shotcreting by Pressure Pumping • Geofiber Method • Shotcrete Pressure Receiving Plate Method FSC Panel • NEKKO Chip Method • Kiro-Fukeru Method • JeSP Method • Slope Savior • Shot Savior	• Geofiber Method

- The above data is as of September 2025.
- The figures represent the number of patent applications and therefore include applications for which the registration period has already expired and those for which patents have not been registered.
- Some IPCs (International Patent Classifications) are established more than once per patent application, so the same patent application may be counted in more than one IPC.

Contribution to sales growth

The intellectual property that supports our technologies in ground improvement and slope protection are managed as an easy-to-understand KPI in the form of the number of patents, and contribute to future sales growth

Contribution to ROIC improvement

Improvement in profit margin through measures such as increasing added value, saving resources, saving energy, saving labor, and reducing CO_2 emissions, as well as reduction in the ratio of invested capital to net sales contribute to ROIC improvement

Contribution to WACC reduction

Measures such as saving resources, saving energy, saving labor, reducing CO_2 emissions, and addressing biodiversity contribute to the SDGs and contribute to lowering WACC

In the following pages, we present projects and technology based on these patents and explain in detail how NITTOC contributes to building countries and achieving the SDGs. This contribution is the foundation upon which we create shareholder value.

Providing a Safe and Secure Society and Contributing to Countries

We would like to express our heartfelt sympathy to all those affected by these disasters, together with their families.

We pray that the lives of the people in the affected areas will return to peace as soon as possible.

Kamaishi District Slope Disaster Prevention Project

Kamaishi City, Iwate Prefecture

The project was a recovery project for the Sanriku Jukan Expressway, which suffered a slope deformation due to the torrential rain caused by Typhoon Hagibis in October 2019. As the ground anchor is oblique to the slope, we installed an unevenness adjustment pedestal and improved the efficiency of machine installation using the SGZAs drilling machine guidance system.

Client

Ministry of Land, Infrastructure, Transport and Tourism
Tohoku Regional Development Bureau
Minamisanriku Coastal National Highway Office

2024 Restoration Project Near Atsugi-side Entrance of Shin-Zenba Tunnel on National Route 246 (Part 5)

Isehara City, Kanagawa Prefecture

A slope failure occurred near the Shin-Zenba Tunnel on National Route 246 due to heavy rains caused by Typhoon Shanshan in August 2024. We performed emergency restoration work, including the installation of temporary barriers, emergency slope protection, and tree felling.

Photo: Yokohama National Highway Office

Client

Yokohama National Highway Office, Kanto Regional Development Bureau

Yoshino Area No. 2 Disaster-related Emergency Mountain Restoration Project

Atsuma-cho, Yufutsu District, Hokkaido

The project was a restoration project after a large landslide caused by the Hokkaido Eastern Iburi Earthquake, which occurred in September 2018. The upper part was covered with concrete, and the lower part was covered with vegetation.

Now, six years after the completion of the project in 2019, the scenery is returning to how it was before the earthquake.

Client

Hokkaido Iburi General Promotion Bureau

Emergency Restoration Project Following Kamaishi Expressway Slope Failure (Between Miyamori Interchange and Tono Interchange)

Tono City, Iwate Prefecture

A slope failure occurred between the Miyamori Interchange and Tono Interchange on the Kamaishi Expressway due to heavy rain on August 30, 2024. We carried out emergency restoration work using mortar spraying.

Photo: Minamisanriku Coastal National Highway Office

Client

Tohoku Regional Development Bureau
Minamisanriku Coastal National Highway Office

Slope Disaster Recovery Project at the Wakimoto Castle Ruins Historical Site

Oga City, Akita Prefecture

At the historical Wakimoto Castle Ruins site in Akita Prefecture, the back slope of Sugawara Shrine collapsed due to heavy rain that began on July 14, 2023. To restore the ruins of the castle, built hundreds of years ago, without damaging the landscape, we implemented slope protection works using the Geofiber Method.

Client

Oga City Hall

Orderer

KANPU Co., Ltd.

Restoration Project on the Kuma River After Damage Due to Heavy Rain in Kyushu in July 2020

Kumamoto Prefecture

Record-breaking heavy rain occurred in early July 2020, mainly in Kyushu, due to the lingering of the seasonal rain front. In the Kuma River basin in Kumamoto Prefecture, bridges were washed away and seawalls and retaining walls on roads were damaged in various places. However, Soldier Pile Panel Wall Method used by the Company from 2015 to 2019 had retained its function. Since fiscal 2021, work has been undertaken to restore some of the damaged retaining walls using Soldier Pile Panel Wall Method, with restoration and reconstruction work currently under way.

Client

Ministry of Land, Infrastructure, Transport and Tourism
Kyushu Regional Development Bureau
Yashiro Reconstruction Office

NITTOC × SUSTAINABLE DEVELOPMENT GOALS

NITTOC contributes to achieving the Sustainable Development Goals (SDGs). Based on our management philosophy of a company that provides a safe and secure society and contributes to countries through comprehensive technical capabilities in foundation work and efficient management, we are engaged in addressing social issues using our proprietary technologies.

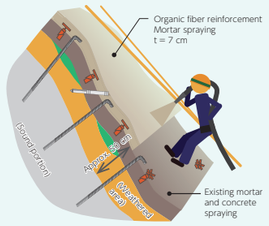
Developing and maintaining social infrastructure

Spreading technology to improve the functions of social infrastructure and extending its lifespan

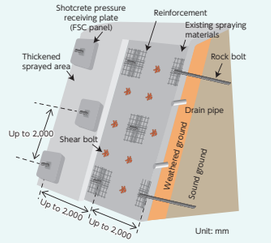
Soundness evaluation and countermeasures for slope structures

● Frame Doctor Method

● New ReSP Method



● Shotcrete Pressure Receiving Plate Method (FSC Panel)



Disaster recovery

Creating a society where people can continue to live in safety and security

Conserving biodiversity and reducing CO_2 emissions

Contributing to a carbon-free society and promoting sustainable and environment-conscious technologies

• Utilization of surface soil	Recycled greening
• CO_2 reduction	Geofiber Method, New ReSP Method, New Sleeve Grouting Method, NINJA Panel
• Hydroelectric power generation	Dam grouting and foundation construction work
• Power transmission lines	Small Diameter TEP Pile Method

Eco-BC Fiber

Eco-BC Fiber, the organic fiber used in the New ReSP Method and the Shotcrete Pressure Receiving Plate Method (FSC Panel), is made from 30% recycled materials.

Building sustainable foundations

Responding to the shortage of construction workers and work-style reform through the development of next-generation technologies utilizing ICT

• ICT utilization	Utilization of 3D slope models, Grout Conductor, etc.
• Labor and personnel savings	Slope Savior and Shot Savior
• AI utilization	Crack detection

Slope Savior

KAERUDO-Green Method

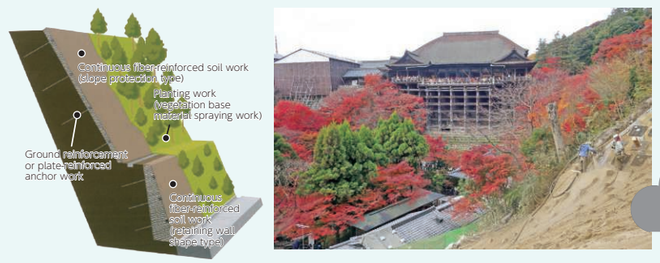
In the site development work on Yonaguni Island ordered by the Okinawa Defense Bureau, the following issues were encountered in the context of efforts to conserve the precious ecosystem and natural environment of the island.

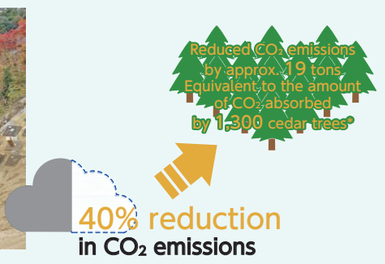
- No plants or soil could be brought onto the island
- Soil removed during site development (topsoil) should be reused
- Construction waste materials could not be taken off the island
- Red clay could not be spilled into the sea
- The construction had to be capable of withstanding severe weather conditions such as typhoons

The KAERUDO-Green Method was adopted because it enables the use of a relatively large amount of topsoil as a growth base material and has high erosion resistance. Another major reason for the adoption was the high proportional mixture of seeds resulting from the use of a large amount of topsoil, which enables relatively early greening.

Geofiber Method

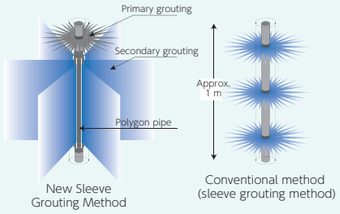
The Geofiber Method is used to protect slopes in place of concrete spaying. Because the soil is reinforced with fibers and sand, it does not require the use of cement, which emits a large amount of CO_2. As a result, it is possible to reduce CO_2 emissions by 40% compared with concrete spaying, which creates a cement structure. Since the Geofiber Method is also a greening method, it can actually be expected to lead to the absorption of CO_2 through vegetation.

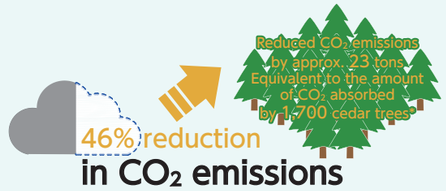




New Sleeve Grouting Method

The New Sleeve Grouting Method is a ground grouting method that enables a long penetrative grouting section by using a polygon pipe, a new type of grouting pipe. High-speed injection is possible with a grouting section for secondary injection that is approximately 10 times longer than that available using conventional technology. In addition, the number of injection holes can be reduced because the method can be applied to a wide grouting section. As a result, it is possible to reduce the amount of fuel and materials used, resulting in a 46% reduction in CO_2 emissions compared with conventional technology.





*This conversion is based on the estimate that a cedar tree (50 years old, around 20-30 m in height) absorbs about 14 kg of carbon dioxide annually. Ministry of the Environment / Forestry Agency "Green Sink Measures for Global Warming Countermeasures"

List of Construction Methods and Materials

New Technologies

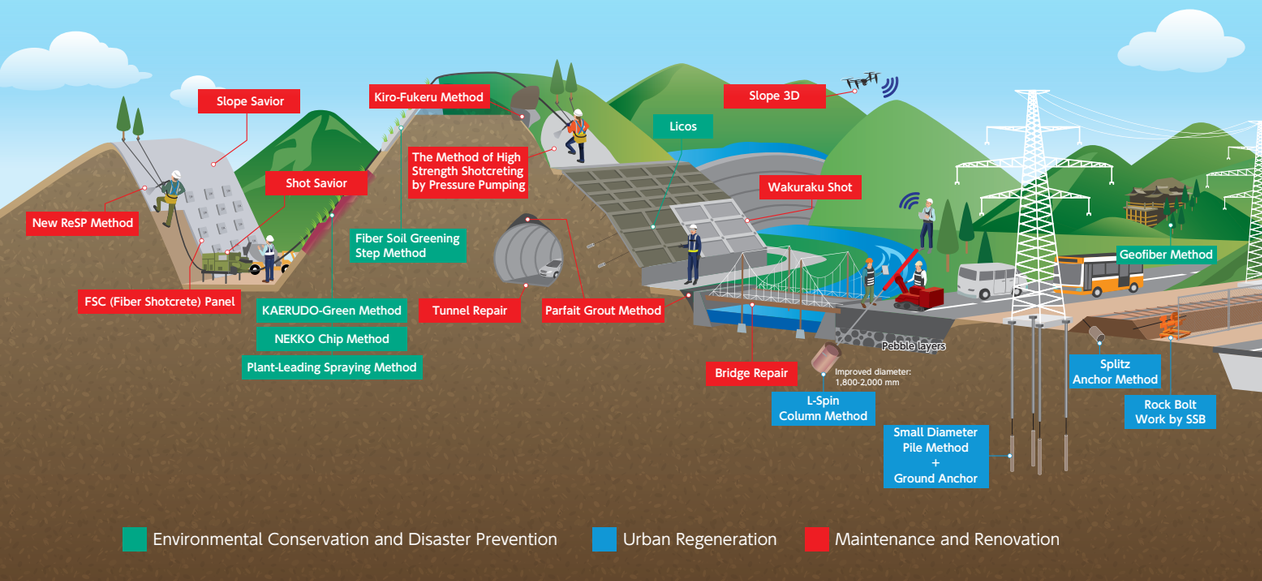
JET-Track.Nav (Tranavi)	Technology that utilizes ICT for jet grouting work
N-Roll Column Method	Ground improvement method combining high-pressure jet mixing with mechanical mixing
SGZAs	Drilling machine guidance system
Drill Compass	Drilling machine guidance system
DLAMS	Drilling machine measurement system
Wakuraku Shot	Technology that mechanizes the spraying work of frame spraying
JeSP Method	Method using resin spraying to prolong the life of existing sprayed slopes
GeOrchestra	3D sharing system for anchor construction information

ICT Utilization and Mechanization

ISD Grouting	Grouting management system that enables real-time, remote confirmation of injection status, schedules, and daily reports
Slope Savior	Labor-saving technology using specialized spray attachments for sprayed slopes
Shot Savior	Spray plant automation and labor-saving technology
Slope 3D	Technology that creates a three-dimensional model of the slope surface from drone photographs

Slope Technology

Geofiber Method	Method that protects slopes and the environment through ground reinforcement using sand and fiber
KAERUDO-Green Method	Greening method that enables the recycling of a wide range of soil from forest topsoil to dehydrated cake
NEKKO Chip Method	Greening method that refines wood chips from harvested trees and soil generated on-site into base materials for greening
Plant-Leading Spraying Method	Greening method that uses un-decomposed wood chips from felled trees as a base material for greening
New ReSP Method	Method for renewing deteriorated sprayed slopes without replacing them
Shotcrete Pressure Receiving Plate Method (FSC Panel)	Method for reinforcing slopes by combining shotcrete pressure-receiving plates and ground reinforcement work
EGN Anchor Method	Ground reinforcement method suitable for embankment ground
NINJA panel	Pressure receiving plate for rock bolts made from 100% recycled plastic
N-Mat	Vegetation mat that functions to prevent soil erosion



Ground Anchor Technology

EinBand Drill	One of the largest double-pipe drilling machines in Japan, capable of drilling to a depth of 130 m
SSB (Short Span Boring)	One of the smallest double-bore drilling machines in Japan that is capable of drilling holes with a width of 1.5 m
Splitz Anchor Method	Enlarged diameter anchor method that enables anchoring to soft ground
DSS Ground Survey Technology	Technology to measure ground conditions in real-time from various data during drilling
Licos	Ground anchor testing and tension management system
Aki-Mos	Anchor tension monitoring system that can be attached to existing anchors

Long-Distance Pumping Technology

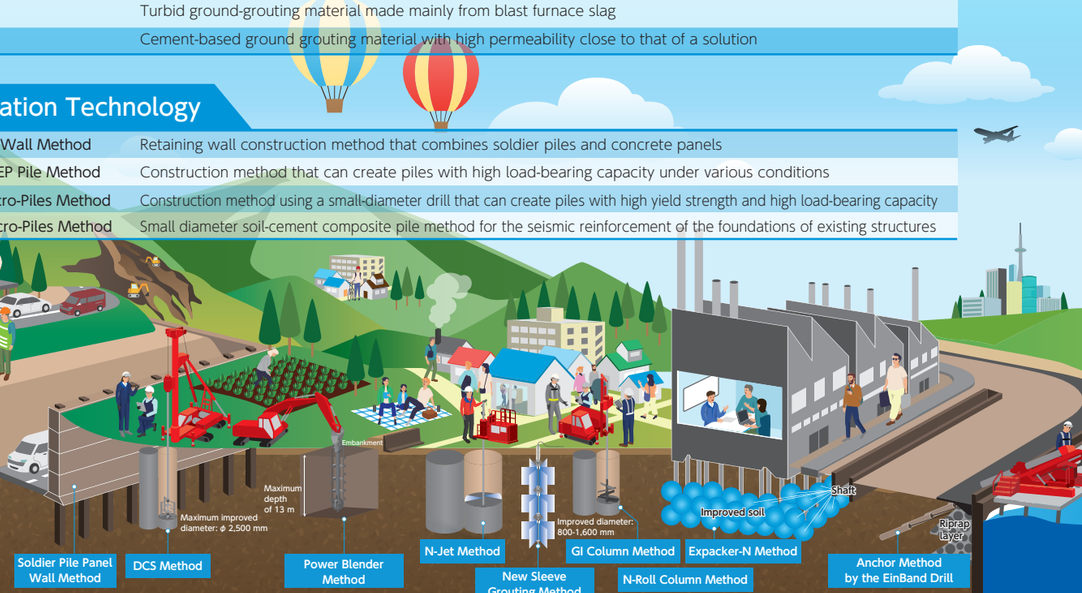
Parfait Grout Method	Cavity filling method where anti-washout flexible grout is injected under automatic control
Kiro-Fukeru Method	Method that enables mortar spraying at 18N/mm² or more over a long distance (1 km) under pressure
The Method of High Strength Shotcreting by Pressure Pumping	Method that enables mortar spraying in high places and over long distances using a combined air pumping system

Ground Improvement Technology

CDM-EXCEED Method	Φ 1,600 mm × 2 axis large-diameter low-displacement deep-layer mixing method
Hy Glanz Drill	Large bore drilling machine with twin head specifications (rotary percussion and rotary)
GI Column Method	Mechanical mixing method that can be applied even in narrow areas
N-Roll Column Method	Ground improvement method combining high-pressure jet mixing with mechanical mixing
Smart Column Method	Mechanical mixing method for liquefaction countermeasure with improved vertical accuracy
Power Blender Method	Middle-depth layer mixing method using a trencher-type mixing machine
WinBLADE Method	Improved ground mixing method using underground expansion blades, enabling horizontal and oblique construction
DCS Method	Deep-layer mixing method with opposite direction mixing for hard ground
N-Jet Method	High-pressure injection mixing method enabling selection of improved diameters
SUPERJET Method	High-pressure injection mixing method for creating high-quality, large-diameter piles at high speed
MJS Method	High-pressure injection mixing method using a specialized porous pipe
New Sleeve Grouting Method	Chemical grouting method for high-speed, high-quality ground improvement over a long penetrative grouting section
Expacker-N Method	Liquefaction countermeasure injection method that enables large-capacity, rapid construction
Grout Conductor	Chemical grouting control and monitoring equipment
Grout Producer	Automatic injection control system with displacement suppression
MX Grout	Turbid ground-grouting material made mainly from blast furnace slag
Ultrafine Cement	Cement-based ground grouting material with high permeability close to that of a solution

Pile Foundation Technology

Soldier Pile Panel Wall Method	Retaining wall construction method that combines soldier piles and concrete panels
Small Diameter TEP Pile Method	Construction method that can create piles with high load-bearing capacity under various conditions
High Capacity Micro-Piles Method	Construction method using a small-diameter drill that can create piles with high yield strength and high load-bearing capacity
High-Standard Micro-Piles Method	Small diameter soil-cement composite pile method for the seismic reinforcement of the foundations of existing structures



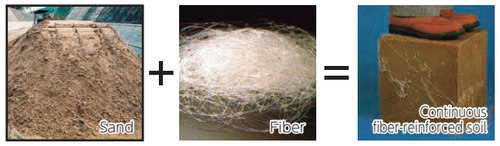
Slope Technology

Chosen as a "Fiscal 2016 Runner-up Recommended Technology" (by the New Technology Utilization System Review Meeting, Ministry of Land, Infrastructure, Transport and Tourism)

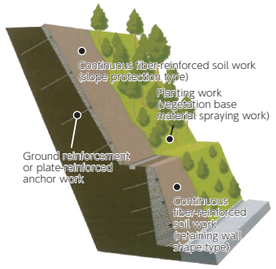
NNTD No.0370 Construction Technology Review and Certification

Environment-Friendly Slope Protection — Geofiber Method

- Serves to decrease CO_2 emissions as a substitute method for sprayed slope frames.
- Forms forest on slopes by enabling full-space greening.
- Has an abundant record of slope greening (More than 3,700 projects in Japan and approximately 150 overseas)



↑ Sand from the left-side nozzle and polyester continuous fiber from the right-side nozzle are injected by jet water to form continuous fiber-reinforced soil.




During the work (Kiyomizu-dera Temple, Kyoto)

←On-site surface shear testing machine

NETIS No.KT-220042-A

This equipment controls the quality of the Geofiber Method on site. It eliminates the need to transport samples to a specialized laboratory for testing, thus improving economic efficiency, shortening the process, and enhancing the quality of the Geofiber Method.

Recycling of Surplus Soil and Natural Environment-Friendly Restoration of Vegetation

NNTD No.0369

Surface Soil-Based Growth Foundation for Plants — KAERUDO-Green Method

- Utilizes surface soil of forests economically.
- Recycles a wide variety of soils such as excavated soil, dredged soil, and dehydrated cake.

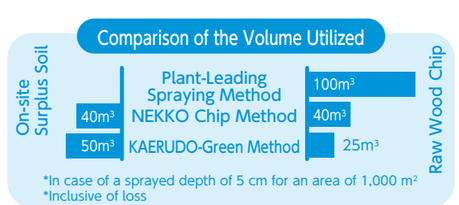
Using Surface Soil and Raw Chip Material — NEKKO Chip Method

- Uses of primarily fragmented raw chip material.
- Constructs at high speeds using a specialized machine.
- Enables greening via the natural intrusion of plants on the foundation that excels in erosion resistance.


Status of greenery when using the NEKKO Chip Method

Growth Foundation for Plants Mainly Consisting of Raw Chip Material — Plant-Leading Spraying Method

- Uses chip material derived from the secondarily processed fragments of felled trees, without being converted into compost.
- Enables greening via the natural intrusion of plants on the foundation that excels in erosion resistance.

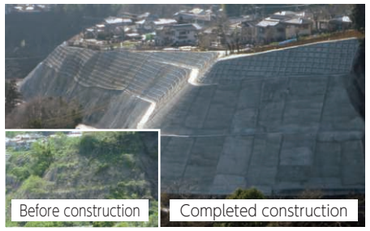


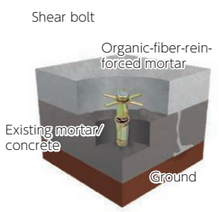
Received the Inventive Idea & Development Technology Award at the 18th National Land Technology Development Award

NNTD No.1084

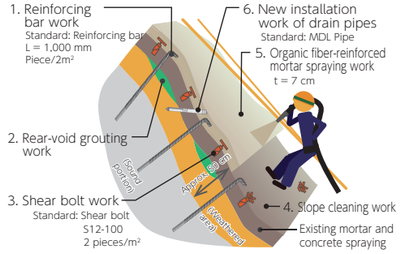
Repair/Reinforcement of Aged Shotcrete Slopes — New-ReSP Method

- Keeps existing mortar shotcrete without shaving off existing shotcrete, contributing to reducing the volume of industrial waste, the construction period and the size of the safety equipment.
- Sprays organic-fiber-reinforced mortar shotcrete that excels in tenacity.
- Adheres the former and new shotcrete surfaces with shear bolts.

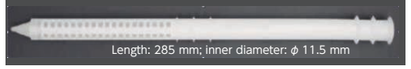





Eco-BC Fiber



MDL Pipe NETIS No.KT-220124-A



NETIS No.KT-200077-A

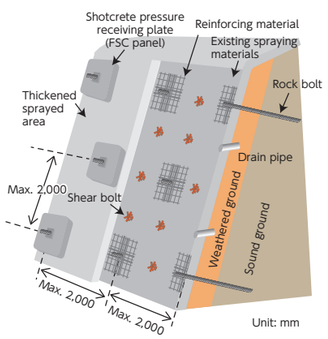
Reinforcing Slopes with Shotcrete Pressure Receiving Plates and Rock Bolts — Shotcrete Pressure-Receiving Plate Method (FSC Panel)

- Pressure-receiving plates are formed by combining fiber-reinforced mortar shotcrete and the reinforcing material
- As the pressure-receiving plates are formed by shotcrete spraying, unevenness adjustment is no longer necessary.
- The layout space in between rock bolts is extendable up to 2 m


Installation of reinforcing material


Spraying of fiber-reinforced mortar

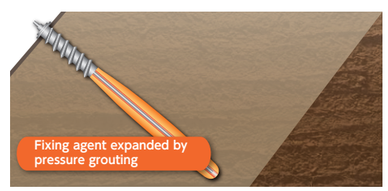

Completion of work



*The technology was jointly developed with the Railway Technical Research Institute

Ground Reinforcement Method Suited for Embankment Ground — EGN Anchor Method

This is a ground reinforcement method that expands the fixing agent using pressure grouting, achieving more than twice the pull-out resistance in sandy soil ground and more than 1.5 times the pull-out resistance in viscous soil ground compared to the conventional reinforcing bar insertion method.



- Expansion of the fixing agent and pressure dehydration effects using pressure grouting provide high pull-out resistance.
- Dedicated grouting materials with a pressure dehydration resistance function maintains fluidity and allows expansion of the fixing agent.
- Reduces construction period by reducing the number of castings and shortening the length of reinforcing materials.

NETIS No.TH-140015-VR

Plastic Pressure Receiving Plate for Rock Bolts — NINJA Panel

- Uses completely recycled plastic as material.
- Improves operating safety and construction efficiency on slopes due to light weight.
- Available for full-surface greening.
- ϕ 634 mm and ϕ 911 mm models are added to the lineup.

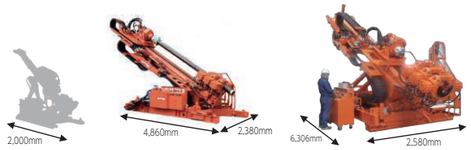
Vegetation Mat that Prevents Soil Erosion — N-Mat

- This mat containing seeds and fertilizer can be applied to ordinary embankments, as well as to cut slopes, which have appropriate grain size distribution and good physical and chemical characteristics.
- Natural landscape is restored early because its use allows seed design primarily with indigenous plants.
- The mat also can be applied without seeds to accelerate the natural intrusion of plants.

Ground Anchor Technology

Japan's Largest-Class Double-Tube Drill Machine — EinBand Drill

- Rotary percussion drill that enables deep drilling (130 m).
- Achieves high-precision drilling on hard rocks and boulders with large diameter (maximum drilling diameter ϕ 318 mm*) and long casing (3.0 m*) (*for Drill-II model).
- Improved safety with wire emergency stop device



Ordinary drill machine | **EinBand Drill** | **EinBand Drill II**

Enables construction with width of only 1.5 m

Enables construction during railway operation

Japan's Smallest-Class Double-Tube Drill Machine — SSB (Short Span Boring)

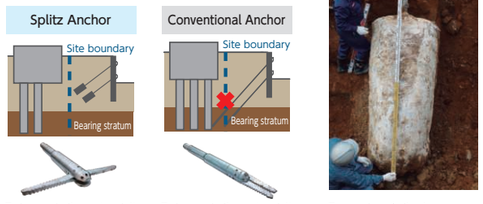
- The ultra-compact double tube drill machine enables drilling at narrow spaces.
- Width for construction work (1.5 m) less than half of a conventional lightweight drill machine.
- Drilling bores of ϕ 165mm in diameter, which was impossible with lightweight drill machines.

NNTD No.0371

Enlarged-Diameter-Type Anchor Firmly Fixable on Soft Ground — Splitz Anchor Method

- Achieves high pull-out resistance using a large-diameter anchor.
- Offers an adjustable anchor length via high fixation even on soft ground.
- Lineup includes withdrawn-type enlarged-diameter bit.

Application example: In case of a close site boundary

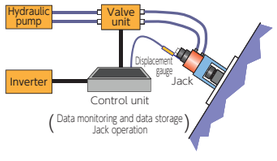


Enlarged-diameter bit (expanded) | Enlarged-diameter bit (withdrawn)

Example of digging up an existing anchor

Ground Anchor Testing and Tension Control System — Licos

- Displays and automatically stores data on load and displacement magnitude in real-time.
- Tightens and firmly fixes several anchors simultaneously.
- Performs labor-saving via automatic control of jack operation.



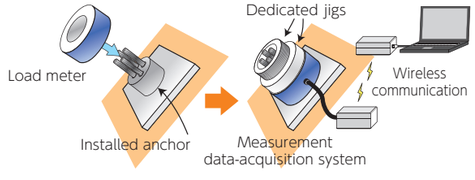
Simultaneous tensioning of multiple anchors

Well Logging System Using a Drilling Bore — DSS Ground Survey Technology

- Collects and records various data while bores are drilled and sectionalizes the ground on a real-time basis.
- Compatible with Wassara water-powered down-the-hole hammers.

Tensile Strength Monitoring System for Installed Anchors — Aki-Mos

- A load meter is attachable to an installed anchor.
- The attached load meter is exchangeable.



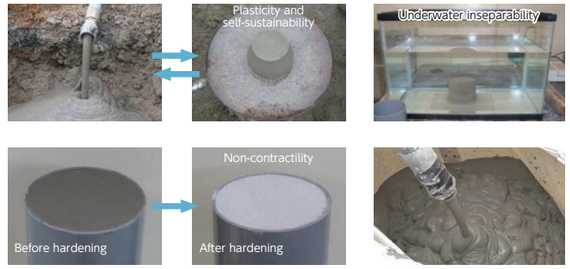
This technology was jointly developed by the Public Works Research Institute and eight private-sector companies.

Long-Distance Pumping Technology

NNTD No.0372

Filling Voids with High-Quality Plastic Grout — Parfait Grout Method

- Underwater-inseparable and plastic grout excels in pressure feeding.
- Features automatic control of the flow volume of the base and plastic materials by the COGMA system.
- Offers four basic mixture variations and special mixtures depending on the pumping distance, desired strength and specific gravity.



COGMA System

NITTOC's original system to control the flow volume of base and plastic materials based on the planned mixture.

Offers No. 1 mixture, which can be pumped long distances, No. 2 air-milk mixture, No. 3 high-strength mixture, No. 4 air-mortar mixture, and other special mixtures to suit different construction conditions and environments.

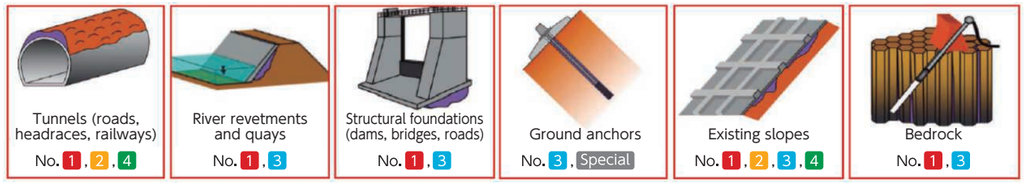
For all mixtures, the base and plastic materials are mixed in a static mixer near the injection point and then injected.

No. 1 Mixture for long distances — Design strength: 1.5 N/mm²
Anti-washout plastic grout that can be pumped over long distances of roughly 2,000 m

No. 3 High-strength mixture — Design strength: 24 N/mm²
Achieves strengths of over 24 N/mm², defying conventional wisdom about plastic grout

Special Special mixtures — Design strength: 1.5 to 24 N/mm²
Other special mixtures can be set to suit different construction conditions and environments.

- Applications



Mortar Shotcrete Possible to 1 km Destination — Kiro-Fukeru Method

- Mortar shotcrete is possible at a rate of 18 N/mm² or more to a destination 1 km distant, using special materials.
- Stabilizes mortar quality via the automatic control of the flow rate of mortar and hardening accelerator by the COGMA system.

Pumping distance:
1,000m (with a hose extension)
Design strength:
18 N/mm² or more

NNTD No.0364

Mortar Shotcrete for Long Distance and at Elevated Places — HiSP Method

- Makes shotcrete possible for a long distance and at elevated places using the pumping shotcrete system (combined with air pumping).
- Ensures stable quality and high strength due to a low level of separation of materials.

Pumping distance:
700m in case of the horizontal feed only, and 300m in case the difference in elevation between the hose and the pump is 160 m.
Design strength:
18 N/mm² or more

Ground Improvement Technology

Mechanical Mixing Method

NETIS No.CBK-190001-VE

ϕ 1,600mm × 2 Axes Large-Diameter Low-Displacement Deep-Layer Mixing Method — CDM-EXCEED Method

- Large-diameter formation ensures considerable cost-cutting and a reduction in the construction period.
- Internal-pressure-relief blades are equipped as standard for smooth above-ground discharge of underground internal pressure resulting from slurry discharge and air drilling.

[Application scope]
Viscous soil: Standard N≦6 (Maximum N = approx. 8)　Sandy soil: standard N≦20 (Maximum N = approx. 30)　Improvement depth: Standard Z≦25 m
*Extension work required when depths exceed of 25 m.


Internal pressure-relief blades

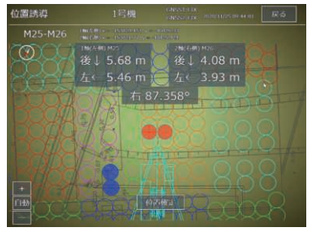
ICT Ground Improvement

At our worksites, we apply an ICT management system compliant with the as-built management guidelines of the Ministry of Land, Infrastructure, Transport and Tourism for ground improvement work utilizing ICT. This enables the integrated management of construction, including the positioning of ground improvement piles, as well as the preparation of reports using construction data. Through the establishment of networks, it also enables the real-time confirmation of information, even from remote locations.

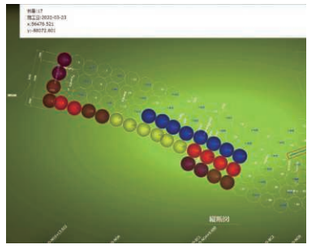
ICT ground improvement works are carried out using the CDM-EXCEED Method, the Power Blender Method, and the GI Column Method.

- Machinery equipped with GNSS antennas

- Machine guidance function



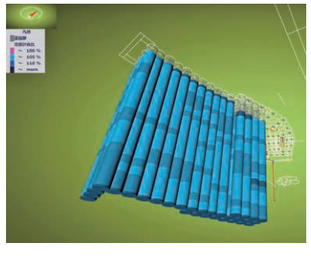
- Example of screen display



- Display of information required for construction

The CDM-Navigate (NETIS No. CBK-220001-A) CDM machine guidance system
The operator can operate the machine while checking the guide on the monitor screen, and move the machine to the correct construction position.

The CDM-Si (NETIS No. CBK-220002-A) CDM information management system
The information required for construction is displayed in real-time on the monitor screen of the machine operator and can be shared with administrators at remote locations via the Web.



Large-Diameter Drill Machine with Twin Head Specification — Hy Glanz Drill

- Equipped with rotary percussion head with excellent drilling capability and rotary head used for foundation improvement, enables efficient drilling and creation of jet grout in a single unit.
- Equipped with well logging system using a drilling bore (DSS).
- High-precision drilling with large diameter (maximum drilling diameter ϕ 324 mm) and long casing (3.0 m).

Mechanical Mixing Method

NNTD No.1275　Building Technology Performance Certification

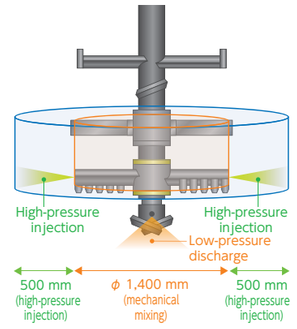
Mechanical Mixing Method Suitable at Narrow Spaces — GI Column Method

- Single-axis (max. 20 m) slurry mixing method with ϕ 800–1,600mm is available (in case of GI-130C).
- Compact machine size that excels in maneuverability enables mixing of slurry at narrow places. (The weight is approximately 30% compared to large machines for foundation improvement.)
- Control unit that enables a real-time display, ensuring high-quality slurry mixing.
- Other certifications
  - ・Low-emission construction machinery (3rd standard) designation program.
  - ・Regulations on designation of low-noise/low-vibration construction machinery.

Mechanical Mixing Method Combined with High-Pressure Injection — N-Roll Column Method

The N-Roll Column Method is a ground improvement method that combines high-pressure injection and mechanical mixing, making it more economical and enabling adhesion to existing structures, etc., which is not possible with regular mechanical mixing methods.

- High-pressure injection enables adhesion between ground improvement materials, existing structures and retaining walls
- High-pressure injection enables the lapped construction of ground improvement materials
- More economical construction is possible because large improved diameter can be achieved using a small machine with high mobility
- Standard improved diameter: ϕ 2,400 mm

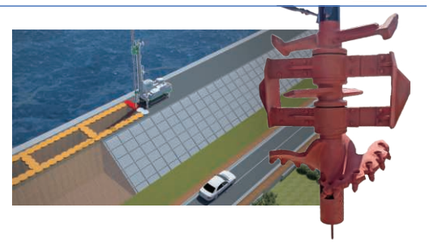


*This method is a technology developed jointly with Japan Foundation Engineering Co., Ltd.

NNTD No.1431

Liquefaction Countermeasure Method with Improved Vertical Accuracy — Smart Column Method

- Special mixing blades enable the construction of ground improvement walls with high vertical accuracy. The addition of special stabilizers to the anti-co-rotation blades improves vertical accuracy
- Enables construction on 6 m-wide roads with a size of about 30% or smaller of conventional large machines
- The construction machinery is small and lightweight, allowing construction from the top of narrow embankments



NNTD No.1279

Fiscal 2011 Recommended Technology (by the New Technology Utilization System Review Meeting, Ministry of Land, Infrastructure, Transport and Tourism)

Construction Technology Review and Certification　Building Technology Performance Certification

Middle-Depth Layer Mixing Method — Power Blender Method (slurry shooting Method)

- Trencher-type mixing machine.
- Makes improvement up to 13m in depth available.
- Makes homogeneous, improved soil via vertical mixing through every layer.

[Application scope]
Viscous soil: Standard N≦10, Sandy soil: Standard N≦20
Improvement depth: Standard Z≦13 m

Ground Improvement Technology

Mechanical Mixing Method

Received the Innovative Technique Award at the 2020 JSCE Awards (Japan Society of Civil Engineers)

Underground Diameter Expanding Type Soil-Mixing Improvement Method — WinBLADE Method

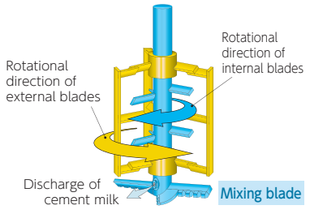
- Achieves homogeneous soil improvement using a monitoring control system.
- Avoids underground objects.
- Enables vertical, horizontal and slanting operations.

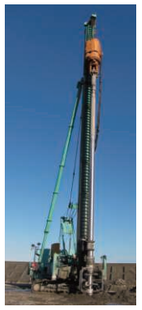
*This technology is developed jointly with Taisei Corporation

Technology Evaluation Certificate, The Society of Materials Science, Japan

Opposite Direction Mixing-Type Deep-Layer Mixing Method Compatible with Hard Ground — DCS Method

- Attains a large columnar diameter of 2,000mm (the Company's track record).
- Achieves excellent mixing power.
- Offers applicability for hard ground.



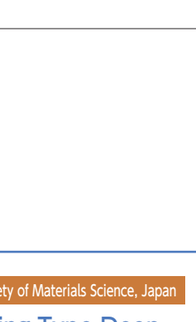


High-Pressure Injection Mixing Method

NETIS No.KT-200039-A | NNTD No.1319

High-Pressure Injection Mixing Method Enabling Selection of Improved Diameters — N-Jet Method

- Grout is sprayed from multiple nozzles using the newly developed NJ Monitor, increasing pulling pitch and shortening formation time.
- Reduces the amount of hardening agent used and the amount of slime produced by shortening formation time and enhancing construction efficiency.
- Forms columnar, improved soil of a maximum diameter of ϕ 5,000mm (depending on the ground conditions).



Ultrahigh Pressure Injection Mixing Method for Large-Diameter Foundation Improvement — SUPERJET Method

- Forms columnar, improved soil of a maximum diameter of ϕ 5,000mm (depending on the ground conditions).
- Reduces the maximum slime volume substantially (compared with previous methods).
- Achieves foundation improvement at high speed and high quality.

High-Pressure Injection Mixing Method Using a Specialized Porous Pipe — MJS Method

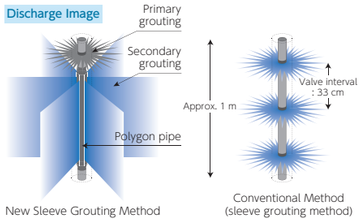
- With the exception of overhead work, this method enables the forming of high-strength improved soil in the horizontal and diagonal directions.
- Slime is collected inside the porous pipe, enabling improved soil forming without polluting the water.
- Slime can be transported directly to the treatment tank through the porous pipe.

Chemical Grouting Method

NETIS No.KT-190012-A | NNTD No.1318

Foundation Improvement for Long Permeation/Grouting Intervals — New Sleeve Grouting Method

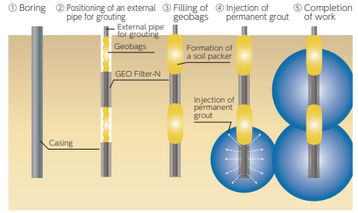
- Realizes long permeation/grouting intervals using a hexagonal "polygon pipe."
- Makes high-speed, high-quality improvement possible.
- Achieves low cost and a reduction in the construction period.



NNTD No.0368

High Capacity and Speedy Grouting Method as a Liquefaction Countermeasure — Expacker-N Method

- Ensures a reliable permeation point.
- Offers speedy permeation and grouting for an extensive ground area.
- Applicable to a narrow operating area.

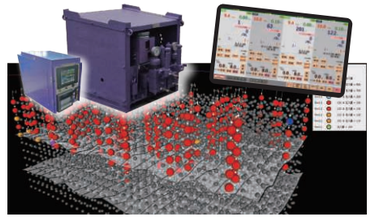


Control Equipment and Real-Time Display

NETIS No.KT-220039-A

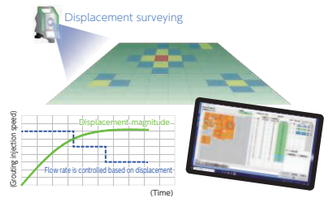
Grouting Control and Monitoring Device — Grout Conductor

- Automatic control of grouting flow rate so as not to overrun designated pressure limit.
- Controls up to eight sets of flowmeters and grout pumps.
- 3D display of grouting results by color and size.



Automatic Grouting Control System with Displacement Suppression — Grout Producer

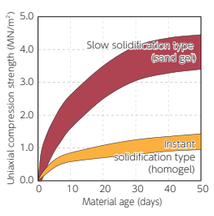
- Automatic control of grouting speed by constantly measuring the displacement of surrounding ground.
- By controlling the grouting speed, excessive grouting pressure is avoided, which suppresses ground displacement and enables penetrative grouting for more uniform and higher-quality ground improvement.
- Controls up to 16 sets of grout pumps

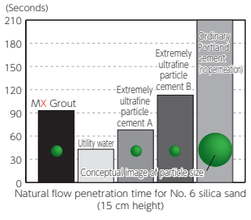


High-Penetration, High-Strength Grouting Materials

Slag Turbid Ground-Grouting Material — MX Grout

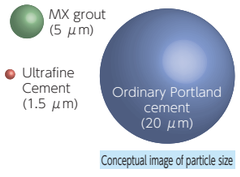
- Involves a turbid ground-grouting material of which a major ingredient is blast-furnace slag.
- Features excellent permeability and durability.
- Uniaxial compression strength: 0.8 MN/m^2 or more
- Available in "Instant solidification type" and "Slow solidification type"





Cement Grouting Material — Ultrafine Cement

- Solution-like high level of penetration.
- Applies to grouting for minor cracks.
- Available for uses in diverse grouting methods.



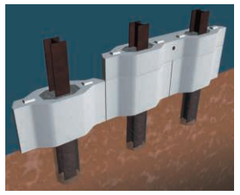
Applying technologies developed in dam grouting and ground improvement, we propose formulations and construction methods to address each issue.

Pile Foundation Technology

NNTD No.0375 Construction Technology Review and Certification

Earth Retaining Wall Method that Combines Soldier Piles with Concrete Panels — Soldier Pile Panel Wall Method

- Makes widening road width or recovery from a roadside collapse possible with small cutting volume.
- Wall height: Self-supporting type (up to approx. 4 m), combined use type with shoring (up to approx. 10 m).
  *Have successfully constructed the combined use type with shoring at heights of up to 14m depending on site conditions
- Shortens construction period compared to conventional retaining wall construction
  (Only a small area of the ground is excavated, after which precast concrete panels are installed by crane)



Forming Piles with High Bearing Power at Narrow Spaces — Small Diameter TEP Pile Method

- Makes casting possible at narrow sites (mountainous places, slopes, and indoor places).
- Can be disassembled to 2 tons or less and transported by monorail, helicopter, or cableway.
- Machine stability improved by the wheel opening function of the crawler and the three-point support of the soil discharge plate (SC-TEP Drills No. 2 and No. 3).
- Body-slide function enables improved workability when installing rods and piles.

[Application scope]
Excavation length: Approx. 20m or less
Excavation diameter: 350–400mm (with casing attached)

The Small-Diameter TEP Pile Method has been applied in constructing electricity towers for TEPCO Power Grid, Inc. and Tohoku Electric Power Network Co., Inc.

Construction of electricity tower foundation (SC-TEP Drill No. 2)

High-Capacity Micro-Piles Method

- Makes casting possible at narrow sites and with low overhead clearance (3.5m or more).
- Produces piles with high yield strength by using a combination of high-strength steel pipes and reinforcing deformed steel bars.
- Produces piles with high load-bearing capacity through pressure grouting.
- The reuse of excavation casing as structural steel pipes enables improved workability.

[Application scope]
Excavation length: Approx. 50m or less
[Steel pipe type]
Seamless steel pipe for oil wells (HMP steel pipe)
[Steel pipe diameter]
ϕ177.8mm, ϕ219.1mm

NETIS No.KT-190080-A Construction Technology Review and Certification

High-Standard Micro-Piles Method

- Makes casting possible at narrow sites and with low overhead clearance (3.5m or more).
- Enables the use of standard steel pipes and joints.
- A special jig at the tip of the steel pipe reinforces the pile tip, making it stronger than the surrounding bearing ground, ensuring bearing capacity.
- There are two types available: the bearing pile type and the earth retaining pile type.

[Application scope]
Excavation length: Approx. 40m or less
[Steel pipe type]
Carbon steel tubes for general structure (STK), steel pipe piles (SKK)
[Steel pipe diameter]
ϕ165.2mm, ϕ190.7mm, ϕ267.4mm

Contribution to Overseas Projects

SUSTAINABLE DEVELOPMENT GOALS

We are participating in infrastructure development projects in Indonesia and other Asian countries. We are utilizing the specialized civil engineering technology we have cultivated over the years to contribute to the development of these countries.

Urban sewerage system development project

Works in charge: Pipe-jacking work

Reinforcement of foundation pile for tanker mooring equipment

Works in charge: Ground anchor work

New automobile test track construction

Works in charge: Ground improvement work

New subway construction

Works in charge: Ground improvement work

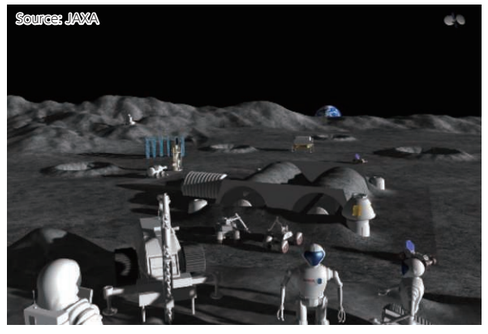
Slope protection work for new resort hotel construction

Works in charge: Slope frame work

Morning assembly at the construction site

We have also adopted Japanese-style morning assemblies in Indonesia. Radio calisthenics helps prevent accidents and injuries by loosening up the body, and hazard prediction activities help prevent work-related accidents and construction problems. Shared activities such as this can also help facilitate communication. (Cakung Equipment Center)

Contributions to Cutting-Edge Projects: Utilizing Lunar Exploration Methods in Above-Ground Work



We conducted research with the aim of applying technology for estimating soil strength using the excavation resistance of screw augers not only to lunar exploration, but also to above-ground work. Using our technology for pile foundation work, we conducted tests to apply this technology to above-ground work.

*This research was conducted jointly by NITTOC CONSTRUCTION, Ritsumeikan University, and the Japan Aerospace Exploration Agency (JAXA) as the JAXA Space Exploration Innovation Hub Center joint research project "Investigation on systematization of estimation method for ground properties based on mechanical data during earth auger drilling," under the JST Support Program for starting up Innovation Hub.

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 : **¥37.0 billion** (**50%** of total)

Looking back on the previous fiscal year (fiscal 2024)

In the construction market, spending on public works, including those for enhancing national resilience, has remained high in response to the increasing occurrence of linear precipitation zones and large-scale typhoons in recent years. Private-sector capital investment and the defense budget are also on the rise, fueled by the increase in economic activity since the COVID-19 crisis. Under these circumstances, our operating environment was favorable. However, delays in reconstruction work following the 2024 Noto Peninsula Earthquake, etc. also had an impact, and although we maintained profitability, net sales of completed construction contracts fell far short of our plan.

Ground Improvement Work Department

In the previous fiscal year, investment in machinery and equipment gave us a greater competitive edge in ground improvement work. Although we received large-scale construction orders, delayed construction starts caused net sales of completed construction contracts to remain flat year on year. However, we have taken steps to minimize the occurrence of risks, thereby improving productivity per employee.

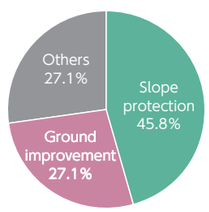
We are currently working to further improve our construction methods and pursue efficiency through the use of ICT in order to strengthen our competitiveness.

Slope Protection Work Department

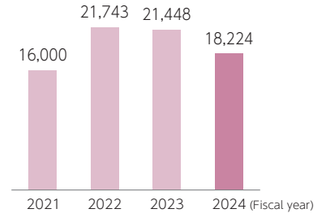
For slope protection work, orders received increased, aided by reconstruction project following the Noto Peninsula Earthquake, etc. However, construction delays occurred due to design changes and other factors, causing net sales to remain flat year on year.

In recent years, we have been promoting mechanization, including in response to the aging of Japan's labor force and as part of efforts to improve harsh working environments. We plan to add more machinery going forward in a bid to contribute in any way we can to enhancing national resilience.

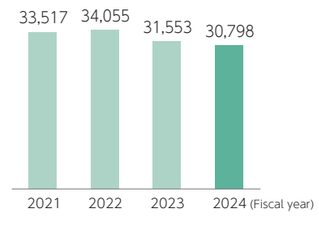
Sales composition ratio by types of works



Net sales for ground improvement work



Net sales for slope protection work



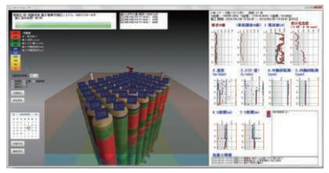
Future measures for achieving the Medium-Term Management Plan

With the increasing severity and frequency of disasters such as heavy rains caused by global warming, and the concerns over occurrence of Nankai Trough Earthquake, construction orders for enhancing national resilience are expected to remain high. Orders for private-sector construction are also likely to remain solid, keeping overall orders in the construction industry strong. In addition, construction work for renewable energy facilities such as solar power, hydropower, wind power, geothermal power, and biomass is expected to increase to achieve carbon neutrality. Adhering to the management philosophy of "a company that provides a safe and secure society and contributes to countries, we are working to combat aging infrastructure through the improvement and development of existing technologies, such as extending the lifespan of sewerage systems, installing parallel pipes, and repairing Shinkansen route bridge piers and slopes.

Ground Improvement Work Department

Ground improvement work involves a variety of construction methods, including chemical grouting, high-pressure jet mixing, and mechanical mixing. We have a range of solutions that allow us to propose the most suitable construction methods based on the site's characteristics and the customer's needs. To expand the ground improvement business, a dedicated team has been established at each branch to collaborate with the headquarters on making technical proposals, improving construction technologies, and improving productivity through ICT construction. In 2025, we opened the NITTOC Test Field in Bando City, Ibaraki Prefecture, contributing to testing of new construction methods.

We are also making proactive capital investments, such as in the expansion of our central equipment center.



Real-time 3D display management system for ground improvement

Slope Protection Work Department

To address the shortage of new entrants in the construction industry and implement work style reforms, we are promoting the automation of machines at construction sites.

Furthermore, as of 2025, we are now able to use spraying machines remotely. We believe this marks a major turning point in moving away from conventional work styles. We are also promoting the application of remote control, such as in the use of drones and in dam grouting, and will expand the scope of application to other construction methods.

Slope Savior

Contribution to sales growth — Net sales decreased, but grew steadily excluding the impact of large-scale projects. Stable growth of around 3% is expected over the long term.

Contribution to ROIC improvement — Conduct a company-wide analysis of unprofitable businesses and improve collective risk response capabilities by coordinating information to improve profit margins.

Contribution to WACC reduction — Enhance trust in us through ongoing contributions to national resilience, thereby maintaining and reducing WACC.

Business Segment-Specific Strategies

Technology Development

NITTOC aims to contribute to building safe and secure societies and countries centered on our comprehensive technical capabilities in foundation work. To this end, we carry out research and development of technologies related to slope and ground disaster prevention, and also research technologies to reduce environmental impacts. We are also advancing labor-saving, automation, and autonomy at construction sites in view of worker shortages, the aging of specialized engineers, and the promotion of work style reforms. We are aiming to contribute to the construction of a sustainable society by swiftly implementing these developed technologies on-site.

In 2018, we opened the Technology Center to serve as the core of our research and development, and also completed the NITTOC Test Field this year, a testing facility for conducting demonstration tests of developed technologies, which had been under construction since 2024.

Going forward, the NITTOC Test Field will be used to continuously conduct test construction of developed technologies to confirm their workability, safety, and effectiveness.

Technology Center

NITTOC Test Field

Initiatives to achieve the Medium-Term Management Plan 2023

Under 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 the latest technological information, aiming to develop innovative technologies in the new field or technologies that go beyond existing frameworks based on our characteristics and strengths.

Research and development structure

■ 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 automation technologies, construction management techniques, and technologies for monitoring the effectiveness of ground improvement.
- **Mechanization and automation of each method, introduction of high-precision management systems**
  We will promote the development of a construction management system to ensure high quality, along with the mechanization, remote control, and automation of specialized construction work, a core strength of NITTOC. We will also promote the swift diffusion of completed technologies in the field.
- **Development of technologies to reduce environmental impacts**
  We aim to reduce CO_2 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**

■ Future initiatives

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.

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.

Integration of development operations into the company-wide sales DX system

NITTOC is promoting DX in its sales activities using the Salesforce customer relationship management (CRM) system. By integrating development operations into the company-wide sales DX system and linking them closely with marketing and sales, we aim to quickly and efficiently develop and spread superior technologies that customers want.

Strategy for securing and enhancing intellectual property

To maintain a competitive advantage through the differentiation of our technologies, it is crucial to secure and enhance intellectual property and intangible assets and promote their use. NITTOC is strengthening its intellectual property strategy to increase patent and design applications, currently about 20 cases per year. Led by the Intellectual Property Section, 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.

Key development technologies

● Development and improvement of ground improvement methods

We have introduced the N-Roll Column Method, a ground improvement method that combines high-pressure jet mixing and mechanical mixing, to our sites, and are also refining and improving our main methods in the ground improvement field, the N-Jet Method and the New Sleeve Grouting Method, thereby contributing to the expansion of our ground improvement business. We have also deployed ICT-based management and monitoring technologies such as JET-Track. Nav [Tranavi], Grout Conductor, and Grout Producer to our sites, thereby improving the efficiency and sophistication of our operations.

● Automation of and labor-saving in slope protection work

We aim to reduce labor and manpower on site by utilizing Slope Savior, a labor-saving technology for slope spraying work, and Shot Savior, an automation and labor-saving technology for spraying plants. At the same time, by utilizing ICT-based drilling management technologies such as the SGZAs and Drill Compass drilling machine guidance systems and the DLAMs drilling measurement system, we will make the finished forms visible, reducing the labor required for on-site management work and preventing construction problems such as human error.

● Development and use of technologies to reduce environmental impacts

We are working to reduce the environmental impacts by not only developing new construction methods but also refining and improving existing methods, such as increasing the percentage of recycled materials used in the special fibers used in the New ReSP Method, a repair and reinforcement technique for deteriorated sprayed slopes.

Contribution to sales growth — Contributing to building safe and secure societies and countries with comprehensive technical capabilities in foundation work helps grow sales.

Contribution to ROIC improvement — Technology de velopment contributes to higher profit margins by providing higher added value, labor savings, and automation.

Contribution to WACC reduction — Reducing environmental impacts and promoting work style reform contribute to enhancing our credibility and lowering the WACC.

Business Segment-Specific Strategies

TOPICS — Technology Development

Future work styles achieved by automation and remote operation

The construction industry faces urgent challenges, including response to the labor shortage, the improvement of work environments, and the advancement of ICT utilization. We are strategically pursuing the research and development of automation and remote operation technologies for construction work with the aim of improving the productivity and safety of construction sites. By reducing our reliance on manual labor for dangerous work and visualizing and standardizing expert knowledge as data, we are working to create environments where anyone can ensure quality. Furthermore, remote operation transcends regional and time constraints, serving as a foundation for supporting flexible work styles that enable the participation of diverse human resources. We aim to establish a sustainable society through these initiatives and the development of specific technologies such as for construction site data integration, real-time visualization, and construction automation.

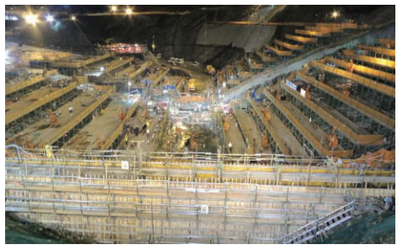
ISD Grouting

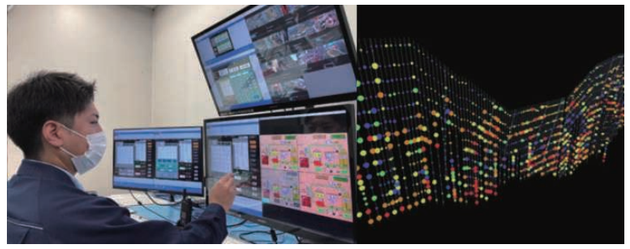
For dam grouting, we have a system that enables real-time confirmation of the grouting schedule, injection status, construction status map, and daily grout management reports from remote locations. It is also possible to check the on-site construction progress using a web camera, and injection information can also be displayed in a three-dimensional model that also includes geological information.

I Information
- Outdoor mountainous network construction technology creates a stable network environment within construction sites
- The use of Ethernet-compatible equipment and data communication over a network environment reduces the wiring at construction sites

S Sharing
- Construction information is constantly shared in real time on the website (GMS Web)
- 3D grouting maps share the spatial distribution of grouting results with other structural data

D Dam-grouting
- An automated, remote control system for grouting using network communications significantly reduces the labor required for the grouting process
- Off-site grouting control (remote control room installation) helps to secure workers in urban areas and reform work styles





Through remote operation of the Slope Savior labor-saving spraying method for slope protection work, we are not only addressing urgent issues such as alleviating labor shortages and improving productivity, but also tackling two other key issues: employment support and improving the attractiveness of the industry. For the former, we envision a future in which users of employment support facilities can work as remote operators. With regards to the latter, we are using gamification to create an experience that makes everyone want to get involved in construction.

Improving operational efficiency through ICT utilization and mechanization

Technology that utilizes ICT for jet grouting work — JET-Track.Nav [Tranavi]

JET-Track.Nav is a system that visualizes the construction status of jet grouting using ICT technologies. Its machine guidance function uses a GNSS to guide positioning, enabling improvements to be made in precise locations. The monitoring function allows construction management items to be monitored on a single screen during the formation process, enabling quick responses to and the analysis of blockage problems and abnormal values. Furthermore, the construction data display function shows construction results in 3D, making it possible to visually check the construction status of underground improvement materials not visible from above ground on the screen.

Shot Savior automatic spraying plant

Spraying materials were supplied by the work of three to four workers, mostly specialized and skilled technicians, at the spraying plant. Through mechanization and labor-saving measures, the entire plant can now 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, and achieved 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

Contribution to sales growth Address labor shortages through labor savings to achieve growth while minimizing labor supply constraints.

Contribution to ROIC improvement Improve pro ductivity through labor savings and enhanced efficiency to maintain and improve ROIC.

Contribution to WACC reduction Pursue sustainable growth while addressing the social issue of labor shortages, thereby contributing to a reduction in WACC.

Main Construction Projects Completed in Fiscal 2024

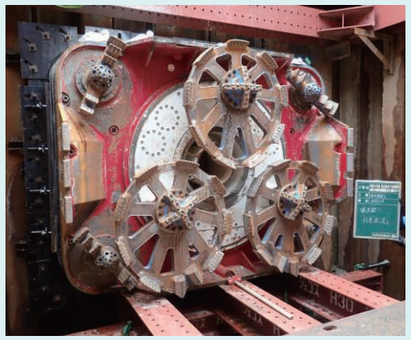
2024 Disaster Recovery Work Part 1, Chayagahara Area

Construction purpose	Disaster recovery work following the landslide on part of National Route 8
Main types of work	Sprayed slope frame work (F-300, □2000 × 2000) 3,563 m Rebar insertion work (ϕ 65 mm, L = 5.0 m) 4,572m (731 units)
Construction site	In Chayagahara, Joetsu City, Niigata Prefecture
Client	Hokuriku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism
Orderer	Tanaka Sangyo
Construction period	July 2024 to March 2025

Description of the work: Disaster recovery work for a slope that collapsed due to the Noto Peninsula Earthquake that struck in January 2024.
The work required safe construction of a long slope approximately 100m long under harsh winter conditions.
We were requested to complete both this work and the subsequent Part 2 work during fiscal 2024. Therefore, for the rebar insertion work, we proposed a change from the construction method using a boring machine combined with scaffolding to a scaffold-free method (SD Method), which eliminates the need for temporary scaffolding. This significantly shortened construction time, enabling us to complete the work without any accidents or injuries.

Fiscal 2023 Jike No. 8 Rainwater Trunk Sewer Construction Work (Rain 05-1) as Part of the Higashihiroshima City Public Sewerage System Project

Construction purpose	Rainwater drainage system improvement project in Saijo Area, Higashihiroshima City
Main types of work	Pipeline extension via pipe jacking (□ 2,900 × 2,200 - internal dimensions: 2,400 × 1,700) L = 32.4 m
Construction site	Saijo-cho Jike, Higashihiroshima City, Hiroshima Prefecture
Client	Higashihiroshima City
Orderer	NAKAMURAKISO Corporation
Construction period	January 2024 to September 2024



Description of the work: Construction of a □ 2,400 mm × 1,700 mm box culvert for rainwater drainage in Higashihiroshima City, Hiroshima Prefecture.
Important issues during construction included minimizing the impact on existing roads and the ground, ensuring access for local residents, and ensuring that traffic is not disrupted.
By using a sealed mud pressure tunneling machine and combining a rotating/revolving multi-axis cutter with a side cutter, we were able to excavate a rectangular cross section with fewer pressurized areas, enabling high-precision construction.

Seismic Reinforcement Work for the Houheikyo Dam as Part of Dam Embankment Improvement Work

Construction purpose	Seismic reinforcement work for the Houheikyo Dam embankment to withstand level 2 earthquakes
Main types of work	Drilling (ϕ 200): 100 units (1,278.69 m) Reinforcing steel installation (ϕ 140): 100 units (L = 6.85m to 13.85 m) Material: S45C
Construction site	Minami-ku, Sapporo City, Hokkaido
Client	Sapporo Development and Construction Department, Hokkaido Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism
Orderer	Taisei and Iwata Chizaki Special Construction Work Joint Venture
Construction period	May 2023 to March 2026

Description of the work: Seismic reinforcement work for the Houheikyo Dam to withstand level 2 earthquakes. The construction method involves drilling a ϕ 200mm hole from the top of the dam embankment, inserting a ϕ 140mm round steel bar, and injecting cement milk. We will also carry out gate pillar reinforcement work to improve bending strength with D51 and shear strength with D32. Shear reinforcement work will only be carried out during non-flood seasons (winter).
Since a major earthquake could occur anywhere, ensuring earthquake safety through seismic reinforcement is extremely important.

Hokkaido Shinkansen Iwaobetsu Viaduct

Construction purpose	Foundation ground improvement work for the Hokkaido Shinkansen extension
Main types of work	Slurry mixing (DCS improvement length: L = 8.0 to 20.0 m, 2,133 units) 102,780 m^3
Construction site	Kutchan Town, Abuta District, Hokkaido
Client	Japan Railway Construction, Transport and Technology Agency
Orderer	Kumagai Gumi Co., Ltd.
Construction period	September 2024 to October 2025

Description of the work: The Iwaobetsu Viaduct is located in Kutchan Town in the Abuta District of Hokkaido, and is currently under construction as part of the Hokkaido Shinkansen extension to Sapporo.
We are using the DCS Method as this is the first above-ground section in Kutchan Town after passing through the Yotei Tunnel, and as such the construction requires consistent, high-quality results.
The DCS Method is a construction system in which cement-based solidification material is injected directly into the ground and mixed within, creating stable improved soil. This is extremely important foundation work, as the Shinkansen viaduct will be constructed after our ground improvement work is complete.

Contribution to sales growth Take on challenging construction projects to contribute to sales expansion.

Contribution to ROIC improvement Ensure consistent construction management of challenging projects while aiming for high profit margins to improve ROIC.

Contribution to WACC reduction Increase investor confidence by making construction details visible to them, thereby contributing to a reduction in WACC.

Message from the CFO

Path to integrated value creation from the CFO's perspective with extensive frontline experience

A clear path to integrated value creation through ROIC management

I have experienced approximately 35 years of the NITTOC Group across various core domains in business management. My first assignment was on the frontlines of dam construction. I then became a construction manager before working in sales, branch management, and corporate planning.

One of our biggest strengths is how we have refined rules on site safety, quality, schedules, and costs; sales and order management; and branch and headquarters governance as a series of value creation processes.

Atsushi Yamazaki
Director
Managing Executive Officer
General Manager, Corporate Strategy Division

Improvements in capital efficiency have resulted from these activities. Based on business ROIC (an indicator of business profitability excluding non-business assets), we are working to improve profit margins, turnover, and invested capital, which are our drivers, to achieve and establish an ROIC of 10% or more.

Rather than being a simple numerical target, this will provide us with a practical framework for the thorough implementation of a lightweight and robust management model (use of intellectual capital, technological expertise, and site capabilities).

Enhancing disaster response capabilities and national resilience through an extensive human resource network and locally rooted management

Another of our core strengths is our network of human resources. With 54 offices across Japan, over many years we have built collaborative relationships with regional construction companies. Above all, based on the trust we have built as "NITTOC for when you are in trouble" and the face-to-face relationships we have developed, we are able to work in a flexible and agile manner using our communication systems and rapid response capabilities.

Following the Great East Japan Earthquake, Kumamoto Earthquake, and heavy rainfall-related disasters across Japan, NITTOC engineers well-versed in regional geography and geology attended initial investigations, and their assessments were used for the rapid planning and implementation of restoration work.

Moving forward, in addition to the post-incidence response we have provided to date, we will use our expertise to expand initiatives for preventive maintenance and disaster mitigation.

More specifically, we will work on the early identification of hazardous areas of slopes, the preventive reinforcement of aging infrastructure, and the improvement of disaster prevention and maintenance methods suited to regional characteristics, alongside the strengthening of their adaptability. In doing so, we will contribute to the creation of resilient and sustainable national infrastructure.

The competitive advantage of construction manager-led management with on-site perspective

One of the key learnings I took away from my experience on construction sites was the importance of construction managers.

Construction managers are responsible for overseeing NITTOC engineers involved in construction management at our sales offices across Japan. They are responsible for ensuring smooth coordination between the construction site, sales office, branch, and headquarters.

In our business model, NITTOC engineers are deployed as site foremen, with actual construction undertaken by partner companies which are often in small teams. As such, the construction manager's planning, anticipation of risks, and allocation of resources determines the site capabilities.

Construction managers are also responsible for technical guidance, safety education, and reviews of schedules, quality, and costs. They must work to bring together the strengths of human resources with differing levels of experience, from young to veteran employees, and raise the level of the overall organization.

At NITTOC, we are refining our construction manager-led systems for on-the-job training and technology transfers, which in turn lead to improvements in safety, quality, and productivity.

Our aim is to quickly and accurately respond to customers' problems.

The accumulation of this response helps to build the NITTOC's reliability (brand), and construction managers are central to these efforts.

This style of human resource management stems from our positioning of human capital at the center of management.

One of our differentiating factors is our ability to deliver success through teams (organizational capabilities), and it is construction managers who are central to leading these teams.

From routine tasks to value creation Transforming human capital for near-future value creation

The human resources who mobilize our construction sites and organizations are one of the biggest competitiveness of the NITTOC Group. In addition to the ability to promote safety, quality, schedules, and cost management, our human resources are also responsible for uncovering issues, standardizing learnings, and rolling them out across the Company. It is this process that supports our value creation.

We place importance on reliably executing routine operations and making constant improvements to continuously update our standards.

In other words, an improvement cycle that transforms routine tasks into value is central to our operations. The continuous rotation of this cycle then leads to the enhancement of corporate value.

Our future vision of 10 years from now, designed by the President-led Near-Future Project

Based on the "Near-Future Project for Imagining NITTOC 10 Years from Now," we are using a back-casting approach to formulate our next Medium-Term Management Plan. As CFO, working back from our vision of 10 years from now, I have clarified (1) business portfolio (criteria for reinforcement, exploration, and selection); (2) capital allocation (balance between growth investments, selective M&As, and shareholder returns); and (3) KPIs for capital efficiency (ROIC of 10% or more, working capital turnover, EBIT margin, and invested capital payback period), and incorporated these themes into annual milestones.

Moreover, to enhance the effectiveness of our plans, we will thoroughly visualize risk-returns for each investment project. In terms of human resources, we have identified the approximately 60 individuals leading the Near-Future Project, primarily younger employees, as a pool of future executive candidates. We will systematically work to increase the number of human resources who can make decisions based on perspective of profit and loss statement (profitability) × balance sheet (capital efficiency).

Through the above measures, we will integrate the financial and non-financial elements of our 10-year vision ⇄ Medium-Term Management Plan ⇄ and single-year plans, and aim to establish a lightweight and robust management model and achieve sustainable enhancement in corporate value.

Strategic framework of 3 years + 7 years, integrating commitments and scenarios

Our Medium-Term Management Plan comprises two layers: our commitments and scenario analyses. In the three years from now, we will clarify the specific targets to be achieved as our commitments and show accountability for management execution. In four to ten years from now, we will present scenario analyses in line with the uncertainty of environmental changes, and verify management resilience that can cope with several future scenarios.

This framework is designed to ensure short-term achievement as well as long-term adaptation and growth, centered on materiality-based resource allocation and KPIs. Moreover, to create foundations for constructive dialogue with our stakeholders, we will continue to disclose the reasoning behind our decisions and progress.

Optimizing capital allocation to balance growth and returns

Shareholder returns and capital allocation

We are focusing on stable shareholder returns based on our progressive dividend policy (equal to or greater than those paid in the previous fiscal year). Our consolidated dividend payout ratio of 83.2% in fiscal 2024 was a result of annual dividends remaining in line with guidance despite profit falling below target, and a priority on ensuring stable dividend levels. We will continue to provide stable dividends moving forward while balancing financial soundness with capacity for growth investments.

We will also allocate capital to R&D and equipment (productivity and safety improvements), DX, and selective M&As in a disciplined manner.

We made ASO FOAM CRETE (AFC) our subsidiary at the end of fiscal 2024, and this will drive new growth through the combination of AFC's Aerated light-weight concrete technology with our sales network.

KPIs and disclosure policy

In the next Medium-Term Management Plan, alongside dividend payout ratio, we will also position dividend on equity (DOE) as a core KPI for shareholder returns.

Message from the CFO

Social value created by a community-based company with rapid disaster response capabilities

Another major strength of ours is our locally rooted approach. We have built collaborative relationships with construction companies in each region, and engaged in on-the-ground management in everything from day-to-day repairs to large-scale projects.

With regard to disaster response, based on cooperation agreements on disaster management with certain local governments and businesses, as well as existing collaborative frameworks, we conduct investigations, assessments, and examinations of countermeasures as necessary, and flexibly engage in restoration work.

As a company rooted in local communities, we are committed to protecting the lives and property of local people. We are therefore working to improve the disaster preparedness (preventive maintenance and disaster mitigation) of regional infrastructure from behind the scenes.

Ensuring diversity and promoting labor participation through remote construction technologies

We are also making strategic use of technology to improve productivity and enable diverse and flexible workstyles.

One example is in remote construction. As long as communication lines are in place, regardless of whether operators are several hundred kilometers away, they can operate drilling and grouting equipment at dam construction sites in mountainous regions from a hub in the city. In terms of specifics, conventional manually operated levers have been replaced with a system that can control electric and pneumatic valves through touch panel signals. Even when working on-site, workers can operate equipment without physically using levers to improve safety and efficiency.

This technology is already being used in dam grouting work and has led to confirmed productivity improvements. The technology has also helped to enable the centralized monitoring and control of multiple construction sites and reduced travel time to construction locations. We have also developed automated spraying systems (Slope Savior) that use the same remote operation technology for use in spraying for slope protection work. We have completed demonstration tests and are aiming for early on-site deployment.

These initiatives are significant as they increase opportunities for human resources who perhaps cannot be permanently stationed at construction sites (those with young children, care responsibilities, physical constraints, etc.) to participate in construction work. With an eye on enabling remote operation from the home, in the future we will aim to develop workstyles that enable all individuals to participate in the construction industry. Not only are these technologies labor-saving solutions, but they also increase options for workers and broaden opportunities for participation.

Back-office reforms to create flexible site support structure across Japan

Starting from our nationwide network of 54 locations, including our headquarters, branches, and sales offices, we are proceeding with digital transformation of back-office operations that support around 2,000 construction sites every year. Central to these reforms is DX in companywide sales operations (SFA), which enables timely sharing of sales information and data on budgeting and costs based on thorough access control. The results of technological development are shared within the Engineering and Development Division.

Moreover, we have reduced administrative workloads by renewing our expense reimbursement system and allocated the time saved to site-support operations.

Further, we have shifted on-site construction management from analog to digital through use of ICT-based construction management systems such as JET-Track. Nav and Grout Conductor. This has created a structure that ensures that our field offices have a real-time understanding of construction conditions.

These initiatives are also helping to improve the accuracy of records, reduce rework requirements, and speed up decisions, enhancing both the quality and response of site support.

Moving forward, we will continue with our investments in DX and look at ways to use digital technologies to optimize construction plans, detect hazards, and anticipate risks. At the same time, we will develop our back-office locations from administration sites to value creation sites, and in turn contribute to improved site productivity and safety.

Value creation stories through financial and non-financial integration

Through reviews with external advisors, we have organized and acknowledged the relationship between financial value and non-financial value. In 2025, we will analyze the link between ROE/COE and PBR and take stock of business ROIC/WACC and the market value and the book value of invested capital. We will also systematically visualize any issues with capital efficiency and develop a framework for disclosure.

In terms of growth measures, alongside looking at options for external growth, including M&As, we are also currently planning venture capital investment schemes based on LP investments. We are also examining the use of AI in construction planning. We are first using it to improve the allocation of personnel and materials and equipment, as well as to enhance schedule accuracy, and we will use these initiatives to evaluate its potential. We will also assess the applicability of low-carbon construction methods and materials and the potential for demonstrations.

Rebuilding growth strategies—Balancing ESG management with profitability improvements

1. Environment: Indicators and disclosure

In December 2024, we achieved the B score for climate change in the CDP assessment. We have positioned this as the starting point for our disclosure, and from fiscal 2025 we will ensure systematic disclosure on the relationship between ROE/COE and PBR, and between business ROIC/WACC and invested capital (book and market value).

With regards to decarbonization, by 2030 we are aiming to achieve a 42% decrease in Scope 1 and 2 emissions (compared to fiscal 2023). To achieve this target, we will continue to expand use of environmentally friendly construction methods, transition to electric machinery, and utilize renewable energy. Specifically, we will expand the scope of use of construction methods with high low-carbon benefits that we have developed to date, such as the Geofiber Method for slope protection work, which does not rely on concrete by using sand and fibers instead.

With regards to our SBT certification in 2025, we will continue with biannual reviews of our targets and progress and thoroughly reflect our findings into investment plans (equipment and construction method development).

2. Social: Human capital and productivity

We will make continuous improvements to workstyles by ensuring workers have two days off each week and by using DX for site support.

Diversity will be managed through a portfolio of recruitment, development, and placement. Instead of just a list of numerical targets, we will expand the scope of our recruitment activities and design measures for retention and promotion. In addition, through mutual visits and exchange of opinions with female engineers from other companies, we will identify and develop measures to improve site environments for women.

In the development of young employees, we will create systems for individual meetings on career development (link employee aspirations and skills with placement) and aim to simultaneously improve retention and productivity.

Moreover, in line with our business characteristics, in addition to developing systems for preventive maintenance and disaster mitigation in times of normality, in times of disaster, we will operate a standardized process involving joint investigations, assessments, and recovery and reconstruction.

3. Governance: Disclosure framework and capital allocation

In the Medium-Term Management Plan, we will present a numerical range for KPIs (KPIs of ROIC, EBIT margin, DOE/dividend payout ratio, working capital turnover [DSO/DPO/DIO], safety and human resources) based on our double materiality and conduct biannual reviews to confirm progress and make revisions.

For growth investments, we will prioritize equipment (safety and productivity), construction method development, and DX. We will consider selective M&As for external growth and review each project based on hurdle rates, payback periods, and risk assessments.

By linking our environmental and social measures with the visualization of capital efficiency, we will aim to improve the quality of our dialogue to enhance PBR and other market ratings.

Based on our motto—"Continue to be a company needed by society by sincerely providing technology, precisely in the areas that cannot be seen"—we will showcase the value of our work through indicators and implementation, and ensure short-term achievement as well as long-term adaptation and growth to steadily integrate financial value and environmental and social value.

Brand evolution, from "For difficult construction projects, count on NITTOC" to "For value creation, count on NITTOC"

To date, we have been recognized as a company that reliably executes difficult construction projects. Moving forward, however, we will aim to evolve into a company that simultaneously create social value and corporate value.

In our sales activities, too, we will transition from technical proposals to integrated value proposals. With a customer satisfaction rate of more than 90%, we will deepen our relationships from being an "instantly dependable presence" to a "value co-creation partner."

As a foundation for above evolution, we will build a value creation ecosystem, which will require (1) a technology sharing platform with our nationwide partner company association, Nisshinkai (265 companies); (2) collaboration with national government, local governments, and social infrastructure organizations such as disaster management agreements; and (3) co-creation with diverse stakeholders.

Visualization of management from four perspectives through KPIs for integrated value creation

In corporate value assessments today, four perspectives: sales growth, cost reductions, capital efficiency, and risk minimization and safety and security enhancement, are all important. Alongside financial KPIs (net sales growth rate, operating profit margin, ROIC, ROE, and dividend payout ratio), we also ensure integrated management of non-financial KPIs, by having those related to safety (frequency rate of work-related accidents), quality and customers (customer satisfaction), human resources (retention rate and development indicators), and governance (Board of Director effectiveness assessments) at the core. For branch assessments, we have transitioned to multifaceted assessments that include customer satisfaction and employee engagement alongside sales and profit.

By switching from an overemphasis on profit to a focus on integrated value creation and managing financial and non-financial indicators in an integrated manner, we will achieve sustainable growth alongside all of our stakeholders. Looking ahead to 10 and 20 years down the line, we will ensure steady progress with integrated value creation.

Switching management focus to integrated value creation to achieve sustainable growth

By switching our management from previous overemphasis on profit to a focus on integrated value creation, we will achieve sustainable growth alongside all of our stakeholders. Looking ahead to 10 and 20 years down the line, we will strive to ensure the integrated creation of financial and non-financial value.

Message from the CMT

Establishing growth foundations in new areas through successful proactive sales strategies. We have developed a new structure for the next phase of success.

Fumihiko Kajita
Director
Managing Executive Officer
General Manager, Business Operation Division, Head of Overseas Business Division

Taking on the challenge of structural reform and efforts toward a recovery in performance for the next fiscal year

In fiscal 2024, which was the second year of the Medium-Term Management Plan we formulated in fiscal 2023, although orders received remained strong, construction volume (net sales) decreased slightly while operating profit also fell below the previous fiscal year. This decline can be attributed to a delayed start in recovery and reconstruction work in areas impacted by the 2024 Noto Peninsula Earthquake, and insufficient construction volume in the first half of the year.

On the other hand, in fiscal 2025, there will be many projects we received in fiscal 2024 in which we can make use of our machinery and equipment, and as a result we expect an increase in construction volume, a recovery in operating profit, and an improvement in operation profit margin. For the final year of the Medium-Term Management Plan, we expect to largely meet our planned levels and view capital investment aimed at improving productivity as making a significant contribution.

Improved brand value to drive an increase in orders—From pride to trust, and onto growth

"Our pride comes from what we achieve, precisely in the areas that cannot be seen." Our technological capabilities and the reliability they provide are key to upholding this message. Based on the specialized civil engineering expertise we have built up over many years, we have made a multitude of feasible proposals that ensure safety, economic efficiency, and durability, all the while considering potential risks. As a result, our reputation as a company that supports areas that cannot be seen continues to rise, leading to continued growth in orders received.

The source of our expertise lies in the vast construction experience we have accumulated in diverse geological and climactic conditions both across Japan (from Hokkaido to Okinawa) and overseas (Indonesia and other countries). We have organized and accumulated this into our information systems and created mechanisms for the horizontal rollout of this knowledge through regular technological and on-the-job training. We are also using these systems for the systematic transfer of technologies from veteran employees to the next generation.

In restoration work following the 2024 Noto Peninsula Earthquake, we deployed engineers from across the country and responded to clients' expectations by applying the expertise acquired through our previous disaster response work. We are receiving increasing feedback from frontline workers who say environments that allow them to work with pride are being developed, and this in turn is driving improvements in motivation and productivity.

Moving forward, we will continue to utilize synergy between our technical capabilities and reliability, and broaden our contributions in high-value-added projects. Moreover, we will continue to provide optimal solutions for orders based on comprehensive evaluation methods, which prioritize quality, safety, and lifecycle value.

Our aim is to transform our pride in areas that cannot be seen into visible and tangible achievements. Through the accumulation of reliable on-site implementation and learning, we will aim for sustainable corporate value enhancement.

Enhancing upstream sales and advancing our technical proposal capabilities—Integrating DX tools to improve sales efficiency

We have extended our sales force automation (SFA) (technical and sales support) using Salesforce, which we have been advancing, to the construction domain and are using this SFA platform for the integrated management of project and customer information alongside budget and cost data. This has enabled the rapid sharing and analysis of information across the headquarters, branches, and sales offices, and a focused approach on projects where our technical proposals can be most effective.

This has led to a steady increase in orders and is helping to improve our competitive advantage in domains where we can utilize our strengths, including slope protection, tunnel waterproofing, and soft ground countermeasures in urban areas (ground improvement).

In terms of productivity, through ICT utilization such as drones, we are improving the accuracy of our management and progress monitoring of finished forms and quality, and promoting greater efficiency in record-taking and inspections. At the same time, by having back-office functions remotely take charge of on-site administrative work, such as document creation and output summaries, we are reducing the burden on frontline workers and shifting to a management system which can allocate the time saved to core operations related to safety, quality, schedules, and cost.

Establishing a stable foundation for ground improvement and transforming slope protection into a core domain supporting national infrastructure

For ground improvement work, we have created a structure capable of maintaining projects of around 20.0 billion yen in scale over the past four years. Rather than haphazardly increasing this scale, we are focusing on stable management and reproducibility. Moreover, we are strengthening our development programs for specialized engineers to ensure they can cater to urban projects. Further, we are working to extend our ICT-based real-time quality control system across our different construction methods to visualize construction quality and improve productivity.

Slope protection work is our core business, and based on our duty to protect national infrastructure, we are refining our operational capabilities to cover everything from preventive maintenance in times of normality to restoration work in emergencies. Following the 2024 Noto Peninsula Earthquake, we demonstrated our ability to use past experience in investigations, evaluations, and restoration work, and worked with the relevant

institutions to implement the necessary response.

In the future, too, with a focus on safety, quality, and durability, we will propose optimal construction methods in line with regional characteristics and site conditions and ensure reliable construction. By firmly building on our current structure, we will work to maintain orders and construction quality in a stable manner.

Structural repair work

After many years, Japan's social infrastructure is reaching a phase of full-scale renewal and life-extension work. We see this as a stage in which we can steadily conduct the required work to maintain safety and security in society, and are strengthening our practical operations in preventive maintenance and repair and reinforcement. The Slope Infrastructure Management Association was launched officially in February 2025 as an incorporated association after its inaugural general meeting. Positioning slope structure as an essential part of social infrastructure, the association aims to improve and promote comprehensive slope management technologies to maintain their health and strength. The association is responsible for collecting, spreading, and creating databases of technical information, and promoting cross-organizational collaboration among relevant agencies and organizations. We believe this purpose's direction (integrated operation from preventive diagnoses to repair and reinforcement) aligns with our philosophy of providing a safe and secure society and contributing to countries and will contribute from a practical standpoint.

Risks related to the aging of sewer pipelines is a nationwide issue, and so we are using our expertise in pipe jacking (as well as renewals and other surrounding technologies) to cater to regional demand for pipeline renewals through the integrated provision of diagnoses, planning, and construction.

In railway infrastructure, with ongoing renewals of aging sections along the Sanyo Shinkansen and Tohoku Shinkansen lines, we are using tunnel backfilling (grouting) and other repair technologies to increase the range of domains in which we can contribute. In line with the target structure and regional conditions, we are proposing optimal construction methods that balance safety, workability, and lifecycle aspects.

In urban areas, we continue to address underground cavity risks and engage in ground investigation and improvement work in line with redevelopment projects. In rural areas, we are working with regional construction companies on projects that link maintenance, repair, and reinforcement in times of normality with emergency restoration, including the preventive reinforcement of hazardous slopes and repair of existing structures.

Steadily conducting inspections, diagnoses, repairs, and reinforcement work in times of normality, not just in emergencies, ultimately enables rapid recovery and reconstruction. Based on this mindset, with the foremost priority on safety, quality, and durability, we will continue proposing optimal construction methods in line with regional conditions and ensuring reliable construction. Through open collaboration and reliable on-site implementation, we will help to extend the lifespan of social infrastructure.

Steady acquisition of private-sector orders—Based on collaboration with partners

We are making gradual progress toward our target for the ratio of private-sector orders and are aiming to make steady improvements from our current levels. In construction we are working with our main partners in the private sector to make technical proposals using our specialist expertise, and are increasing our involvement from the design and planning stage.

Our transactions with railway operators are robust, and we will strengthen our initiatives primarily in the maintenance and repair of tunnels and soil structures. In electric power, we will proceed with proposals of optimal methods and construction in line with site conditions in the maintenance and renewal of electricity tower foundations, etc. In terms of foundation work for renewable energy facilities, we are expanding use of our environmentally friendly construction methods and will develop our efforts into a new area of business.

Moreover, by making ASO FOAM CRETE Co., Ltd. a consolidated subsidiary, we are improving our ability to cater to projects, combining the Aerated light-weight concrete technology of the company with our own ground improvement technologies. Using the qualities of Aerated light-weight concrete technology (light weight, self-sustainability, and fluidity), we are increasing our range of proposals in line with site conditions. We expect these initiatives to contribute to consolidated performance from fiscal 2025 onward.

Strengthening management of unprofitable projects and improving profitability—Toward further growth in the next fiscal year

Three-layer risk management system and digital transformation for improved profitability

In fiscal 2025, we aim to improve our operating profit margin through thorough risk management system.

The system operates in three layers. The first layer will involve detailed risk assessments from the estimation stage (improving prediction accuracy by creating databases of past cases). In the second layer, the Headquarters Technology Division will extract any technological risks in the preliminary review of the construction plan. And in the third layer, we will use digital tools to monitor the site for early identification of signs of risk in relation to progress, quality, safety, and cost.

Using the construction management system introduced across the Company in April, construction managers are ensuring centralized management of safety, quality, schedules, and income/expenditure across multiple sites. And, through the early identification of issues at monthly headquarters reviews, we have created a structure to prevent any deterioration in performance caused by unidentified risks. In doing so, we are securing profits in line with plans even in complex construction projects.

Also in fiscal 2025, productivity improvements stemming from our unmanned operation solutions will begin to contribute to profitability. In dam construction projects, we will establish a system for 12-hour operation (eight manned, four unmanned). By enhancing the potential for a 24-hour operational system, we will create a platform for continuous operation including the late-night hours, when staff are typically lacking.

In ground improvement work, we are seeing improved operating rates with our ground improvement machinery and are making progress in the recovery of past capital investments. In terms of ROIC, which fell temporarily to 6.8%, in fiscal 2025 we expect a recovery to the 9% range.

We will also expand application of our scheduling support system, which can calculate optimal construction schedules based on construction plans.

Through these initiatives, in fiscal 2025 we expect improvements in our operating profit margin and will aim to improve profitability in a sustainable manner.

Message from the CTO

Amid increasingly severe natural disasters and rapid social change, we will contribute to the promotion of coexistence between nature and human society and drive sustainable corporate value enhancement through our innovative technological developments.

Koichi Suga
Managing Executive Officer
General Manager, Engineering and Development Division

Evolution of our technological development structure and creation of results

We have created a structure to promote strategic and flexible technological development under the Technology Committee chaired by the general manager of the Engineering and Development Division. We manage the entire process from selecting development themes to achieving a "state where they are ready for on-site application." We have also completed the integration of our sales force automation (SFA) system and technological development platform, and begun full-scale operation of a system for the real-time sharing of development progress, testing data, and market feedback among Committee members. This has improved the speed from development to on-site implementation and enabled technological proposals in line with customer needs.

Creating value by combining traditional technologies with digital technologies

By combining the ground and bedrock expertise we have accumulated since our founding with digital technologies, we are providing value to help improve site safety, ensure stable quality, and enhance operational efficiency.

In our main areas of slope protection, ground improvement, and repair and reinforcement, we have developed an IoT-based construction management system that has reached the practical implementation stage. Through this system, we are aiming to speed up decisions and reduce rework requirements through pre-construction planning support, real-time site monitoring, the digitization of records, and the visualization of finished forms and progress.

We are using AI in inspection work, such as for crack detection, not in construction management itself. By reflecting the insights of experts in the learning process, we are helping younger workers to retain these skills.

In terms of robotics, automatic control, and remote operation technologies, we are moving forward with development and implementation aimed at the remote operation of hazardous tasks and stable operations. Phase one—remote and autonomous dam grouting—is already underway at several sites, while we have completed on-site implementation of automatic support systems for spraying and ground improvement work.

Furthermore, we are currently examining use of collected data for predictive construction management, and will aim to use this system for both safety and efficiency improvements such as early identification of signs of risk and calculation of optimal construction schedules.

Expansion and enhancement of open innovation

We are strengthening collaboration with industry and academia and working to expand our nationwide network of partner universities and research institutions. Centered on civil engineering, we are expanding our areas of collaboration to including information engineering, mechanical engineering, and material science (chemistry), and promoting joint research across different areas. In terms of new collaborative projects, we are proceeding with examinations of construction materials and methods with lower environmental impact, and promoting initiatives aimed at balancing strength and environmental performance through use of natural materials.

We are also quickly incorporating construction technology expertise through collaboration with startups and increasing the speed for on-site implementation. We are also enhancing employee-led lectures at universities for the development of next-generation personnel and to promote recruitment.

Technological innovation for a sustainable society

To achieve carbon neutrality, we are developing construction methods that contribute to lower CO_2 emissions and promoting use of renewable energy, and in doing so we will work to reduce environmental impact at our construction sites. We will also improve our biodiversity-friendly construction methods and technologies that make use of nature's self-healing ability and expand their application to social infrastructure that is in harmony with the natural environment.

Moreover, in terms of climate change adaptation, we are promoting disaster prevention and mitigation technologies for extreme weather events to create infrastructure that is strong and resilient in heavy rain, earthquakes, and during other disasters. In doing so we will contribute to the creation of a safe and secure society.

Sophistication of intellectual property strategy and transforming technologies into assets

Our intellectual property strategy is established with a focus on balancing quality and quantity with a priority on implementation of proprietary technologies that meet on-site needs. Patents are managed in line with our business strategies, be it the acquisition, renewal, or abandonment of patents, and we aim to ensure freedom to operate (FTO*) on-site.

In our core domains (Geofiber Method, New ReSP Method, New Sleeve Grouting Method, etc.), we primarily protect requirements and conditions that maximize our strengths and aim to differentiate ourselves from similar construction methods through superior quality.

For environmentally considerations and digital utilization technologies, we file and manage patents while varying openness and protection, keeping areas where availability and collaboration are desirable open, and protecting areas related to core safety and quality.

Our basic policy for patent acquisition is to protect technologies for in-house use, and we do not aim to generate profit through licensing. Intellectual properties are fundamental in supporting reliable on-site implementation and the maximization of customer value.

*Freedom to Operate: The freedom to implement a technology without infringing on the rights of others

New social value creation through remote operation

As shown in the Ministry of Land, Infrastructure, Transport and Tourism's "i-Construction 2.0" concept, the industry is at a turning point in terms of how construction ought to be and how work is executed. Taking the lead in this change, we are working to create social value as a company that promotes the implementation of remote operation technologies.

For example, remote operation of our Slope Savior (mechanization of slope spraying technology) can address urgent issues such as labor shortages and the need for productivity improvements, and at the same time accelerate the adoption of diverse workstyles. This technology enables human resources typically could not work on-site to demonstrate their strengths as remote operators, such as individuals who cannot be stationed permanently on-site but can come to the office, have physical constraints, cannot work for long hours outside due to childcare or caregiving commitments. We are also incorporating gamification elements to provide construction experiences that appeal to all.

Our concept is to enable remote construction that can be enjoyed by anyone in any location with peace of mind. This is our way of bringing next-generation workstyle reforms to the construction site. To make this concept a reality, however, co-creation with different industries outside of construction is essential. In 2024, we held NITTOC Symposium 2024, our first hosted event, where we engaged in a lively exchange of opinions with experts from diverse fields including agriculture, film and broadcasting, and mechanical engineering, and where we also shared our vision for the future.

From this fiscal year onward, we are showcasing our newly developed remote operation systems at trade shows and academic conferences, and began reflecting feedback from these experiential displays into improvements. However, we cannot contribute to society through remote technologies with in-house efforts alone. By sharing our challenges with a wider range of stakeholders and working together to find solutions, our vision is to utilize co-creation to transform possibilities in the construction industry into possibilities for society.

Message to stakeholders

We are committed to address social challenges through technological development and to continue delivering value to all of our stakeholders. We will strive to find feasible technological solutions to issues faced by the construction industry, whether it is labor shortages, aging infrastructure, increasingly severe natural disasters, or environmental problems.

Positioning technological development as a growth driver as we work toward the achievement of the Medium-Term Management Plan, we will simultaneously work to reinforce the competitiveness of our existing businesses and create new businesses. In particular, we will work to enhance corporate value through digital technology-led productivity improvements, the repair and reinforcement of social infrastructure, and the promotion of environmental technologies.

We will also promote greater open innovation, proactively incorporating external expertise to improve the speed and quality of our development. We will build and manage our intellectual property portfolio in line with our business strategies and position it as the key to maximizing the value of our technologies.

Based on our principle of "Building the everyday world of the future," NITTOC will continue to contribute to social development and corporate value enhancement through the development and on-site implementation of proprietary technologies. We thank you for your continued support, and promise that the Engineering and Development Division will work together as one to take on new challenges.

Outside Directors' Roundtable Discussion

From left to right: Masayuki Watanabe, Sayaka Mori, Naoko Okada, Katsuo Nakamura

Roundtable discussion

Four Outside Directors discuss NITTOC's governance, current issues, and future challenges and measures from their independent standpoints, and share their perspectives toward the sustained enhancement of corporate value.

The Board of Directors is functioning effectively and engaging in constructive discussions

—— **First, how do you assess the effectiveness of the Board of Directors? Please also share any challenges.**

Nakamura: In terms of governance, from our independent standpoint, the four of us Outside Directors encourage management based on high ethical standards. With thorough respect for the rights of minority shareholders, we provide proactive and constructive input to ensure transparency and fairness of management decision-making. While maintaining a healthy tension with the executive team, we work collaboratively toward the sustained enhancement of corporate value.

Watanabe: Overall, NITTOC's corporate governance is functioning effectively. While maintaining our independence, we, the Outside Directors, play a constructive oversight role by improving management transparency, providing advice on new business initiatives, and improving the organizational culture. Moreover, efforts to enhance effectiveness go beyond just enhancing meeting management. The essence lies in how candidly the Outside Directors exchange views with management and how that can enhance the quality of decision-making at critical junctures in management. Such "depth of dialogue" acts as an indicator of the maturity of a Board of Directors. Going forward, further strengthening a relationship in which management's accountability and the insight of the Outside Directors mutually enhance one another, and steadily building upon thorough discussions on strategic issues across the Board of Directors as a whole, will lead to the sustained enhancement of corporate value.

Okada: While the current assessment is generally positive, I believe there is room for further improvement. Defining the Board's effectiveness and proactively disclosing measures aimed at further boosting this effectiveness is in the best interests of stakeholders. My proposal is that we clearly define for ourselves what constitutes effectiveness for the Company's Board of Directors. I think it would be worthwhile for the Board of Directors to set forth targets and introduce a framework under which, in addition to an annual evaluation, we conduct a review once every six months.

Mori: I agree with that idea. For the Board of Directors to function more effectively, it is important to continuously discuss and advance its approach accordingly. We need to strive to enhance the quality of corporate governance by constantly questioning whether substantive discussions are being conducted. At the same time, while we must exercise governance to avoid inappropriate risks, it is also important to make sure that necessary risks for sustainable growth are not excessively constrained, so that growth opportunities are not missed. We aim to support the executive team's challenges toward transformation while discussing the appropriateness of risk-taking from multiple perspectives.

Further enhancing corporate value through an M&A that embodies capital cost-conscious management

—— **How do you assess the current state of capital cost-conscious management? Please also share your assessment of the M&A transaction.**

Nakamura: With an equity ratio of approximately 60% and a parent company ownership ratio of approximately 58%, we believe that the capital structure is stable. One of our challenges going forward is determining where to direct our retained funds. Consideration should also be given to dividends and other shareholder returns. Although the dividend payout ratio is at a high level, we will continue to discuss approaches to shareholder returns that contribute to the enhancement of corporate value.

Okada: In the fiscal year ended March 31, 2025, NITTOC invested in ASO FOAM CRETE Co., Ltd. (AFC), making it a subsidiary. This is a highly significant move, successfully directing retained funds toward growth investments through the Company's first M&A transaction. Within the Special Committee, we engaged in thorough discussions on how much ROIC would exceed the capital cost, the significance of having AFC join the NITTOC Group, and future plans. Going forward, we will place emphasis on the two companies bringing together their respective strengths and steadily translating them into tangible results.

Mori: The capital investment in AFC represents the first step in a strategic initiative toward enhancing corporate value. The M&A followed extensive discussions and the effects of the investment are gradually beginning to show. In terms of future growth strategies, while carefully examining ongoing changes, it will be important to invest surplus funds in areas where we can expect optimal and effective synergies. This too will require further discussions moving forward.

Watanabe: The capital investment in AFC involved an equity acquisition from Aso Corporation, the substantial parent company, which wholly owns the Company's parent company, AN Holdings Corp. Accordingly, it was important to maximize the interests of NITTOC's minority shareholders. So the Special Committee was established, and the matter was examined through as many as 20 meetings over the course of one year. In line with the nature of business of AFC, we analyzed comparable repair specialists and also discussed the potential for new entry into the repair sector. This became an excellent example of effective governance that is conscious of the capital cost and delves into the potential growth (upside).

Investing with a view to "NITTOC 10 years from now" — the importance of active technology development and human resource development

—— **Please identify the issue that most concerns you as a medium- to long-term challenge.**

Nakamura: From a medium- to long-term perspective, I believe that R&D and technology development will be essential. The construction industry is a labor-intensive industry, and labor shortages are severe. Therefore, digitalization and labor-saving

Outside Directors' Roundtable Discussion

solutions are indispensable. Currently, technological innovations are advancing, such as drone-led surveying and remote-controlled spraying operations. Investment in R&D will shape the future of NITTOC 10 years from now.

Okada: The question of what the Company should be like 10 years from now is discussed periodically at the Board of Directors. As one initiative for the future, we are advancing a succession plan that involves discussing the selection of the next management and developing management talent. Candidates give presentations on the topic "NITTOC 10 years from now," and their ideas are gradually helping shape a new future of NITTOC.

Mori: In developing management talent over the medium to long term, it is important that we create an environment that facilitates skills development and provides growth opportunities from early on in employees' careers. Until now, the focus has been on acquiring technical skills, but it is also necessary that we develop employees' sense of ownership, their growth ambition, and their sense of fulfilment, and cultivate initiative, autonomy, self-transformation, and other mindset elements. I have therefore recommended incorporating these perspectives into the design and implementation of human resources development programs. In addition, the "Near-Future Project for Imagining NITTOC 10 Years from Now" has been launched, with approximately 60 employees participating. I hope that this project generates ideas that lead to new steps forward for NITTOC.

Nakamura: I think it is best to advance company-wide skill development and executive course education in parallel. A system for selecting executive candidates through the Nomination and Compensation Committee has been established, ensuring fairness, impartiality, and neutrality. We are identifying not only the next executive candidates but also the subsequent generation in their 40s. It is also important for executive candidates to deepen their knowledge across a wide range of industries beyond civil engineering. This is why I have proposed that candidates in their 40s actively engage with frontlines in other industries to expand their networks.

Watanabe: The Company places importance on using technology to ensure that our on-site colleagues do not get into accidents. Currently, we are promoting the use of ICT, and having completed the pilot phase of remote operation, it is now being put into actual use on site. In 10 years' time, there will be a clear distinction between what is handled by people and what is entrusted to AI.

In addition to the use of technology, the development of human resources and organizational culture is indispensable for medium- to long-term growth. Management must view the population decline, carbon neutrality and other changes in societal structure not as constraints but as growth opportunities, and link on-site expertise with technological innovation. As an Outside Director, I hope to further deepen discussions from this perspective to support long-term corporate value creation.

—— Please share your views on the investment in technology development and its patent strategy.

Watanabe: Each year, the general manager of the Engineering and Development Division selects key themes from the areas of ground improvement, slopes protection, and repair and reinforcement, aiming for practical application. A review is also conducted in spring. Regarding patents, for several years we have recognized the need to increase the number and are strengthening efforts to acquire patents related to key measures linked to our corporate strategy. It is also important to organize unused patents and to patent technologies that arise incidentally. However, just as important as the number of patents we hold is the quality of the patents we hold.

Okada: At the annual technical presentation showcase, younger employees present their problem-solving approaches and innovations. This allows insights from the worksites, which in turn lead to patent applications. Moving forward, I would like to see investment in new domains further strengthened. The remote-controlled spraying technology in particular has major future potential, and it may be worthwhile to invest further in R&D on this technology.

Nakamura: Basic research may not yield immediate results but has the potential to generate significant achievements in the future. As such, we propose that the Company actively engages in basic research from a medium- to long-term perspective.

Promoting risk management and ESG to strengthen sustainability management

—— Let's talk about the sustainability initiatives. First, please tell us about the current status and challenges of risk management.

Okada: At NITTOC, we prioritize the safety and security of people above all else and thoroughly enforce strict risk management. The Risk Management Committee is responsible for ongoing discussions regarding the always-present accident risks at construction sites. Fortunately, no serious accidents have occurred to date. That said, with the increasing scale of orders and the diversification of projects (including overseas projects), the importance of risk management continues to grow. Elsewhere, we are strengthening initiatives to counter environmental risks such as climate change, and implementing a PDCA cycle by obtaining feedback through disclosure of related information and participation in external programs.

Mori: When investigating the causes of risks and implementing countermeasures at meetings of the Risk Management Committee and Board of Directors, our role as Outside Directors is to identify fundamental issues that may be overlooked from internal viewpoints alone. Using our objective viewpoints from an external standpoint, we provide appropriate comments and advice based on our individual areas of expertise to ensure lively and constructive discussions.

Nakamura: The Company actively pursues challenges in new domains. While we gain valuable learning opportunities in the process, at the same time we face the possibility that associated risks may materialize. We are aiming to foster a corporate culture that promotes the organization-wide sharing of insights gained through new endeavor and that connects these insights to continuous growth. As an Outside Director, I will ensure that these initiatives are monitored appropriately.

Watanabe: One of NITTOC's strengths is an open corporate culture that welcomes feedback from worksites. We promote a transparent and open organizational culture. For example, when younger employees propose improvement opportunities they have identified to management, the top executives themselves express their appreciation.

—— How do you assess the ESG initiatives, such as the establishment of a human rights policy and the disclosure of climate change-related information?

Watanabe: ESG is an important theme that will require ongoing discussion at the Board of Directors moving forward. We have formulated the NITTOC Group Human Rights Policy and begun human rights due diligence, including across the supply chain. Climate change-related information disclosure will also need to be further enhanced.

There are issues, however. Currently, the details of discussions at the Sustainability Committee are only reported to the Board of Directors once every quarter. It is important that we increase the frequency of these reports and enhance their content. Sustainability is now one of the most important elements of corporate governance and requires ongoing monitoring by the Board of Directors. Currently, Outside Directors participate in Sustainability Committee meetings only as observers. However, by allowing Outside Directors to become official members of the Sustainability Committee, the Company will be able to strengthen management oversight and promote sustainability in an integrated manner.

Mori: It is great to see how the Company has set forth a human rights policy and begun human rights due diligence. On the other hand, it is essential that this policy leads to concrete action. As opportunities to work with diverse individuals continue to grow, it will be important for management, especially executives, to take the lead in acting with an awareness of human rights and demonstrating the correct ap-

Outside Directors' Roundtable Discussion

proach. This is paramount to building trust in the organization and achieving sustainable growth.

Nakamura: To ensure that younger employees can work with peace of mind, the Company must provide the appropriate support and conduct management that gives them a sense of security.

——How do you assess the Company's initiatives to promote the active participation of women, create a more comfortable working environment, and implement reforms in labor management?

Okada: While the number of women in the construction industry is still low and we are midway through the process, we are promoting diverse workstyles regardless of gender or location across our business. Moreover, in addition to simply managing overtime hours, it is important for us to engage in more fundamental management with a focus on improving workstyle quality and workplace environments. The ratio of women in management at the Company is just 2.5%, but in the future our aim is to increase this to around 20%. At the Board of Directors, we will monitor these initiatives and provide support as necessary.

Mori: Although the ratio of women at the Company is low, the women who do work with us are highly motivated and capable and are flourishing on worksites. Moreover, many are ambitious about advancing their careers and I am optimistic about the ratio of women in management improving in the future. Meanwhile, the low ratio of women at the recruitment stage is a challenge and will require revisions and reinforcements to our recruitment strategies.

We must also set up the relevant systems and workplace environments to ensure employees can continue to contribute over the long term while balancing work and family life. Previously, several of our female engineers met with female engineers from other companies to exchange opinions and learn about the systems and initiatives in place at other organizations. The information gleaned from this meeting was then shared at the Management Meeting. Initiatives such as these have proved to be very beneficial, and so moving forward we must continue to enhance our dialogue both with internal and external parties.

Watanabe: After receiving feedback from employees regarding the Company's working environment, we engaged in companywide efforts to improve labor management. Working with the Human Resource Department, employee interviews have developed into platforms for frank and forthright discussions. We have also held training sessions for branch managers to enhance their day-to-day communication with their employees. Moreover, auditors now have the opportunity to communicate directly with employees from each branch and engage in frank discussions, say, during break times and individual meetings. These initiatives have helped to develop a workplace environment that supports each employee, creating a culture that makes it easy for employees to consult with others and enhancing mental health support systems.

—— Let's talk about global governance. It has now been 10 years since the establishment of the local subsidiary in Indonesia. Please share your assessment of the current situation and the challenges for future overseas expansion.

Watanabe: Business is growing steadily through the joint venture with our local subsidiary and operations are stable. I feel that governance at the head office is also functioning effectively. One challenge going forward is to enable Japanese and local staff to work together with greater unity. I feel that continued efforts, including addressing language barriers, are needed to ensure smooth communication.

Okada: Employees at our Indonesian subsidiary are cheerful and passionate about working in construction. I hear that they are looking forward to the 10th anniversary celebration event. Local employees play a central role in the operations of the Indonesian subsidiary. We are proactively appointing local personnel to important positions and steadily building a locally led management structure. It is this autonomous management that will lead to future improvements in corporate value. In the future, I look forward to the company furthering its relationships of trust with local staffs and creating a structure through which domestic and overseas teams can support one another.

Mori: The local subsidiary in Indonesia is steadily generating results and I look forward to further business expansion in the future. At the same time, in order to advance overseas expansion on an ongoing basis we must address the human resources issue of who will take the lead. The systematic and strategic development of human resources equipped with global perspectives and strong execution capabilities will be key to the future growth.

—— As a listed company with a parent company, what is your assessment of its internal control system and oversight functions, including the perspective of protecting minority shareholders' interests?

Nakamura: The Board of Corporate Auditors, Audit Department, and Internal Control Department all operate reliably, and with the addition of Outside Directors, I believe that its internal control system is highly effective. NITTOC must continue to maintain and strengthen this system.

Watanabe: The Company has excellent oversight functions in place within its internal control system, which we contribute to as Outside Directors. To protect the interests of minority shareholders within the structure of a listed company with a parent company, it is important that the management team builds a thorough internal control system, with the auditor system functioning effectively.

Mori: As a listed company with a parent company, it is particularly important that the auditor system functions appropriately to protect the interests of minority shareholders. Rather than simple formalistic checks, to maintain soundness in management it is essential to have a deep understanding of the basis for management decisions and risk-response processes, and constantly ensure transparency and accountability. Internal controls should evolve beyond serving merely as an oversight mechanism and be developed as a system that underpins trust. By having management, Outside Directors, and auditors engage in constructive discussions from their respective standpoints, I have no doubt that we can further improve the quality of management decisions and at the same time enhance the effectiveness of overall governance.

Okada: To date, there have been no major accidents or compliance violations. With regards to areas for improvement identified through audits, we are working as an organization to strengthen the effectiveness of operations. Moving forward, we will discuss these matters regularly at the Board of Directors and closely monitor them to ensure that measures to prevent recurrence are sustained.

We will also strengthen our IR activities to enhance our stakeholder dialogue.

—— Finally, please share a message for our stakeholders.

Okada:NITTOC prioritizes shareholder returns and continues to maintain a high dividend payout ratio. I feel that awareness of pursuing profits alongside our shareholders is very strong within the Board of Directors as well. Since becoming an Outside Director in 2022, the Company has ensured proactive IR disclosure, disclosing quarterly financial materials and engaging in dialogue with institutional investors. We will continue to examine IR measures unique to the Company moving forward.

Mori: Following a review after the Shareholders' Meeting, the management has been examining initiatives that focus on dialogue with investors. This is an excellent development that we did not see last year. To further enhance understanding of the Company's businesses moving forward, it may be beneficial to host briefings on our business operations and to provide opportunities for shareholders to see demonstrations of our latest technologies, for example.

Nakamura:I believe that the Company's IR activities have improved and that we are engaging in more active dialogue with our shareholders. As an Outside Director, I will aim to actively take up any opportunities to interact with our shareholders.

Watanabe:I sensed strong reader interest in this roundtable discussion in last year's integrated report. We will continue to communicate, with care and transparency, the information our stakeholders seek.

Politics

Many opportunities provide tailwinds for NITTOC

	Short-term: 2027	Medium-term: 2030	Long-term: 2034
Scenario	• Improve the working environment and promote the entry of young people into the construction industry. • Ensure a safe work environment and prevent health damage to workers. • Increase the number of sustainable buildings and promote energy conservation. • Enhance national resilience to natural disasters.	• Improve building safety and reinforce disaster countermeasures. • Improve productivity and reduce costs through technological innovation. • Reduce environmental impact and achieve a sustainable society.	• Achieve a disaster-resilient society and improve regional safety. • Enhance the appeal of the construction industry and sustainably improve the working environment. • Create a sustainable society by balancing environmental conservation and economic development.
Opportunities	• Our technical capabilities and expertise in disaster prevention and recovery enable us to provide solutions tailored to Japan's natural environment. • We provide training at various levels based on employees' career plans, including new employee training, training for new appointments, follow-up training, young employee training, and senior foremen/foremen training, to help employees acquire the skills and knowledge necessary for each level. • We prioritize ecosystem impact assessment and conservation measures in our construction projects and facility operations.	• Working with local communities, we focus on implementing conservation programs and protecting biodiversity in ecosystems, and aim to build sustainable supply chains by adopting environmentally friendly technologies such as the Geofiber Method. • We can capitalize on subsidies as we strategically increase large-scale construction projects by leveraging our advanced technical capabilities and R&D system. • Our focus on improving operational efficiency through mechanization and digital transformation (DX) allows us to utilize subsidies for promoting workstyle reform and other initiatives, enhancing efficiency even further.	• We can contribute to infrastructure development in Southeast Asian countries through official development assistance (ODA).
Risks	• The construction industry as a whole is facing issues such as labor shortages, declining interest in working in the industry, long working hours, wage issues, succession challenges, and multilayered subcontracting. • Demand for national resilience is growing steadily, but is unlikely to increase significantly.	• Demand for environmental conservation is gradually decreasing, and no significant growth is expected. • Delays in efforts to strengthen R&D and develop technology that lead to proprietary technologies, successful products, or the utilization of patent licenses.	• A lack of a system to fully understand the latest domestic and international trends in construction policy, as well as environmental and other regulations, could result in delays in responding to these regulations.
Technology deployment	• Increase construction efficiency with BIM/CIM to improve the working environment. • Use drones for on-site surveys and inspections to ensure safety.	• Introduce a safety education system using VR/AR technology.	• Automatically create design and construction plans using AI, and perform construction work safely and efficiently using robots and advanced technology. • Minimize casualties and strengthen the society's overall disaster prevention system. • Develop and promote the adoption of next-generation disaster-resilient infrastructure, such as earthquake- and tsunami-resistant structures and flood-resistant urban designs.
Deployment of business and resources	• Actively use locally produced timber. • Adopt building materials with reduced environmental impact. • Use recycled materials.	• Introduce automation and labor-saving systems using AI/robotics technology.	• Establish disaster recovery and reconstruction support centers in each region to create a rapid and efficient support system. • Develop disaster relief business overseas by leveraging NITTOC's technologies and expertise. • Increase NITTOC's contributions to the global community and enhance the international reputation of Japanese construction technology.
Value for customers and stakeholders	• Construct highly durable infrastructure. • Respond quickly to disaster recovery needs. • Design and construct energy-efficient buildings.	• Strengthen the safety and health management system and aim for zero work-related accidents. • Develop proprietary technologies and successful products, and utilize patent licenses to increase shareholder value.	• Design and construct disaster-resilient housing and facilities. • Conduct disaster prevention drills and seminars for residents to raise awareness. • Engage in environmental conservation by developing and promoting the adoption of construction technologies that reduce environmental impact.

Contribution to sales growth

If the trend of the past decade continues, maintaining and enhancing the current strategy will contribute to a steady 3% annual sales growth.

Economy

We consistently gather information, adapt to changes, and grow sustainably

	Short-term: 2027	Medium-term: 2030	Long-term: 2034
Scenario	• Build consensus with stakeholders to pass on price increases. • Promote infrastructure development as a foundation for economic development.	• Address the aging of social capital. • Achieve a society balanced between economic development and environmental conservation.	• Widely adopt specialized civil engineering technologies that integrate advanced IT technologies such as IoT, robotics, and AI analytics.
Opportunities	• Leverage our industry-leading track record and capabilities in slope disaster prevention to take on challenges that other companies cannot.	• Improve profitability by encouraging local governments to allocate appropriate budgets and implement anti-dumping measures to ensure appropriate wage levels. • Demonstrate advanced technical capabilities, as evidenced by the Civil Engineering Award from the Japan Federation of Construction Contractors, which we received as a related party for our achievements in the dam repair business, etc. • Meet the growing demand for the renewal and repair of aging social capital by leveraging our extensive experience.	• Leverage big data from NITTOC's construction sites for specialized civil engineering, which is globally known for its high complexity, and collaborate with domestic and overseas research institutes and companies with advanced IoT, robotics, and AI application technologies. • Systematically integrate value-added opportunities into our strategies by leveraging our world-leading technologies in specialized civil engineering.
Risks	• Aging of engineers and labor shortages due to the stricter regulations on long working hours. • Soaring prices of construction materials and supplies and the resulting pressure on profits.	• Failure to create stable public works projects due to lack of financial resources in local governments.	• Normalization of rising prices of imported raw materials due to prolonged yen depreciation.
Technology deployment	• Develop more efficient construction methods to reduce construction costs and offset rising prices.	• Develop and establish repair and reinforcement methods.	• Utilize AI and big data analytics to predict and assess disasters quickly and accurately, and to understand the damage caused by them. • Use 3D printing and robotics technologies to quickly restore infrastructure and build temporary housing in disaster-affected areas.
Deployment of business and resources	• Amid rising demand for infrastructure development, a stable supply of public works is expected. We must demonstrate our ability to deliver construction work more safely and cost-effectively to secure these contracts. • Consider using inexpensive and highly safe materials for construction materials and supplies.	• Develop aging-resistant building materials.	• Recycle waste and demolition materials from construction sites and reuse them as construction materials. • Establish a system for the cyclical use of domestic resources, including the development of urban mines and the utilization of biomass resources. • Make effective use of limited resources, and contribute to reducing environmental impact and achieving a resource-recycling society.
Value for customers and stakeholders	• Eliminate labor shortages by reducing working hours through automation, labor saving, and remote control of operations. • Create safer cities through infrastructure development.	• Reducing lifecycle costs through repair work will be a great contribution to local governments.	• Build advanced information and communication networks and smart grids using AI and IoT technologies, and promote the realization of smart cities. • Introduce highly energy-efficient buildings and autonomous driving systems to realize sustainable and comfortable urban lifestyles.

Contribution to ROIC improvement

To address our clear long-term challenges, we will continue to deploy our technology, business, and resources to deliver greater value.

Contribution to WACC reduction

Make our efforts to improve reliability through reduction of environmental impact and work style reform visible to investors, thereby maintaining and lowering the WACC.

Society

Raising awareness of NITTOC's brand message is an important factor

	Short-term: 2027	Medium-term: 2030	Long-term: 2034
Scenario	• Raise awareness of safety management and work-related accidents. • Promote diverse work styles through work-style reform. • Establish a foundation for embracing diverse talent.	• Ensure employee mobility and secure talent through proper assessment.	• Maintain and sustain local communities through early recovery from disasters. • Adapt to a society with advanced environmental conservation.
Opportunities	• Improving the childcare leave acquisition rate, etc. helps encourage women's active participation and attract talented female employees. • An environment that embraces diverse talent has been created, leading to a higher retention rate, with support from anti-harassment and other efforts. • Quality of safety education and worksite safety are improved. • Environmental improvements help reduce accidents.	• Aiming to secure human resources, engineers are fairly evaluated through the Construction Career Up System (CCUS).	• Rising demand for renewable energy increases the need for constructing solar power generation facilities. • The growing number of renewable energy-related facilities creates a demand for repairs. • Mechanization and DX accelerate slope disaster prevention measures. • Sustaining environmental conservation initiatives and promoting disclosure through the establishment of an environmental management system increase opportunities to receive orders.
Risks	• Reduced productivity and delays in business plans due to higher costs of occupational safety management. • Decreased competitiveness and order-taking capacity due to shorter working hours.	• Population decline due to declining birthrate and aging population, and shrinking long-term demand for infrastructure development. • Workforce shortages due to population decline and increased competition for talent.	• Decline of local communities due to population concentration in urban areas and decreased investment in local infrastructure. • Friction with local residents over noise pollution, etc.
Technology deployment	• Enhance safety training programs to equip employees with safety knowledge and skills. • Host seminars and workshops with outside speakers to raise safety awareness. • Create security e-learning materials to allow employees to learn anytime, anywhere.	• Improvements in the research environment help increase human resources for research.	• Develop and establish next-generation disaster-resilient infrastructure, such as earthquake- and tsunami-resistant structures and flood-resistant urban designs, to enhance local communities' disaster recovery capabilities and safety. • Promote disaster countermeasures tailored to regional characteristics, and contribute to the strengthening of disaster prevention systems in local communities. • Conduct research and development to create a disaster-resilient society, and contribute to solving future social issues.
Deployment of business and resources	• When human resources are viewed as resources, reducing turnover through women's active participation and the improvement of the working environment will lead to business development. • Create a teleworking environment suited to the nature of the work and job roles. • Introduce a flextime system that allows employees to adjust their work schedules to their lifestyles.	• Salaries continue to rise to strengthen competitiveness in talent acquisition.	• Create a network to share our expertise with similar companies in order to address increasingly sophisticated needs, such as energy conservation, labor-saving, and environmental measures in specialized civil engineering. Among these companies, invite those facing financial difficulties to join the NITTOC Group through capital participation, thereby expanding the scope of consolidation.
Value for customers and stakeholders	• Shorter working hours lead to lower WACC and higher shareholder value.	• As construction becomes more mechanized, workers can stay active in the field for longer (addressing the aging workforce).	• In specialized civil engineering, we directly and indirectly provide safety and security to society as a leader in national resilience, environmental conservation, and work style reform. In addition, we invite partners to join the Group, thereby protecting employment and supporting career development.

Technology

We aim to stay at the forefront of our areas of expertise, such as AI, automated driving, and materials development

	Short-term: 2027	Medium-term: 2030	Long-term: 2034
Scenario	• Enhance technical capabilities to stay competitive.	• Adopt technologies to address workforce shortages. • Promote work style reform through the adoption of technology.	• Promote technological innovation to build a low environmental impact society. • Achieve low environmental impact construction using technologies we have developed.
Opportunities	• Develop proprietary new construction methods, deliver the value customers demand, and secure large projects. • Aim to improve profitability by rapidly deploying newly developed technologies on worksites.	• Promote labor savings through the use of DX in labor-intensive slope construction, remote control of heavy machinery, and automation through the introduction of new machinery. • Leverage our accumulated technical capabilities and funds to introduce technologies more smoothly than other companies. • Contribute to ensuring the safety of employees working on site.	• Adopt technologies that focus on environmental conservation through subsidies, and facilitate construction projects. • Introduce advanced technologies such as CO_2 emission reduction and rapid greening of the surrounding area after slope protection work.
Risks	• We are subject to technological competition from other companies. • The cost of developing new technologies may weigh on near-term earnings. • There is often a gap between the needs of the field and the perspectives of developers. • New materials and new construction methods must be evaluated individually before being adopted for construction, as the performance verification method is not defined.	• Introducing new machinery requires an initial investment that may not be recouped due to a decline in future demand. • Promoting DX demands highly skilled talent.	• Society's increasing demands on the environment call for us to intensify our measures.
Technology deployment	• Develop next-generation building materials, including earthquake- and fire-resistant building materials and building materials with reduced environmental impact. • Develop sustainable building materials that take into account life cycle costs.	• Enhance robotic systems that perform dangerous and heavy tasks to further promote the elimination of labor shortages and prevention of work-related accidents. • Develop and adopt innovative construction methods that combine AI and robotics technologies, and further strengthen the industry's competitiveness.	• Develop zero CO_2 emission construction technology using biomass materials and solar power generation systems, and contribute to the realization of a carbon-neutral society. • Develop building materials and construction methods that reduce environmental impact, and significantly cut CO_2 emissions at construction sites.
Deployment of business and resources	• Build a stable procurement system for overseas resources in anticipation of growing demand for infrastructure development in overseas markets. • Establish procurement routes for overseas resources in cooperation with local companies and government agencies. • Take measures to mitigate the risks of international resource price fluctuations.	• Quantitatively evaluate the impact of DX on operational efficiency, and make continuous improvements. • Explore opportunities to enter the renewable energy business such as solar and wind power generation, to create new revenue sources. • Invest in the development of technology and talent related to renewable energy to drive business expansion.	• Recycle waste and demolition materials from construction sites and reuse them as construction materials. • Establish a system for the cyclical use of domestic resources, including the development of urban mines and the utilization of biomass resources. • Make effective use of limited resources, and contribute to reducing environmental impact and achieving a resource-recycling society.
Value for customers and stakeholders	• Accurately identify customer needs through close communication with customers. • Provide optimal infrastructure solutions tailored to customer needs.	• Achieve low-cost infrastructure development by effectively utilizing domestic resources and improving productivity. • Proactively introduce new construction methods and technologies that reduce costs. • Offer competitive pricing when negotiating with customers.	• Develop smart cities that contribute to reducing environmental impact by introducing energy-efficient buildings and renewable energy facilities, and realize sustainable urban lifestyles. • Collaborate with local residents on community development to help revitalize local economies and create jobs. • Promote the development of infrastructure that facilitates regional revitalization, such as transportation networks and tourism facilities in rural areas, to revitalize regional economies and create jobs.

Contribution to sales growth
The competitive landscape has become challenging for small businesses. For NITTOC, expanding its market share and driving growth through M&A have become viable.

Contribution to ROIC improvement
Deploy technologies for labor-saving, automation, enabling remote work, and environmental impact reduction to address current issues, labor shortages, and environmental issues, thereby improving ROIC.

Contribution to WACC reduction
Deployment of technologies for labor-saving, automation, enabling remote work, and environmental impact reduction to address current issues, labor shortages, and environmental issues contributes to maintaining and reducing WACC.

Measures

Sustainably implement long-term measures to adapt to the external environment

		Short-term: 2027	Medium-term: 2030	Long-term: 2034
Human capital	Human resources development and women's active participation Work style reform and productivity improvement Work-life balance Implementation of information using our sales force automation (SFA) system Safety and reliability training Improving the ability to grasp the essence Promoting teamwork Optimal matching system Quality control, safety, and health Risk hedging in advance Diverse work styles Diversity and inclusion Global talent recruitment Improving workplace environment and compensation Training of employees and subcontractors	• **Promote women's active participation:** Increase ratio of women in managerial positions, expand the work-life balance support program. • **Develop and retain young employees:** Enhance leadership training, career planning support, and mentoring program. • **Strengthen safety and health measures:** Eliminate fatal and serious accidents, enhance safety education, introduce safety equipment.	• **Promote diversity management:** Encourage the active participation of diverse talent, provide unconscious bias training and bias training. • **Strengthen human resources development:** Develop next-generation leaders and specialized engineers, provide advanced technology training. • **Promote work style reform:** Promote diverse work styles, enhance childcare and nursing care leave programs.	• **Ensure an annual income of ¥10 million or more:** Support employees' skill and career development, provide high value-added services. • **Expand media exposure:** Publicize community service activities and employee engagement, enhance corporate image, strengthen hiring efforts.
Intellectual capital	Improving productivity Renewable energy Zero GHG emissions Reduction of environmental impact Greening Geological visualization Safety and reliability	• **Introduce advanced technologies and strengthen R&D:** Develop new technologies using advanced technologies such as AI, IoT and BIM, improve existing technologies. • **Strengthen the intellectual property management system:** Ensure thorough management of patent acquisition, licensing agreements, and technical information. • **Promote the development of mechanization and automation technologies:** Improve work efficiency and quality, address labor shortages. • **Improve operational efficiency through the use of AI technology:** Automate preparation of examination reports and completion documents, etc.	• **Establish a company-wide organization to make effective use of intellectual property:** Share, leverage and monetize intellectual property. • **Develop technologies and materials that reduce CO_2 emissions:** Contribute to the realization of a carbon-neutral society. • **Train engineers and pass on technologies:** Provide technology transfer programs, develop young engineers. • **Develop technologies that address social issues:** Address issues such as carbon neutrality and the declining birthrate and aging population.	• **Develop proprietary construction methods and materials:** Secure a competitive advantage, cater to customer needs, increase profitability. • **Develop specialized materials:** Collaborate with research institutes and universities.
Industrial capital	Enhancement of temporary equipment Investment in NITTOC's proprietary equipment Robotization IT deployment Remote technologies	• **Promote automation, unmanned operation and autonomy in construction machinery:** Solve labor shortages, improve efficiency and safety. • **Train machinery experts and develop an on-site guidance system:** Introduce new technologies, improve uptime, troubleshoot problems. • **Introduce large machinery and strengthen the functions of equipment centers:** Enhance operational efficiency and productivity.	• **Expand the adoption of automated machinery and ICT management systems:** Improve productivity, safety and efficiency. • **Strengthen the nationwide sales network:** Serve a wide range of customers, increase orders.	• **Establish maintenance systems for equipment centers and in-house machinery:** Improve machine uptime, reduce costs. • **Leverage rental properties:** Respond flexibly to changing demand, improve asset efficiency.

Value Creation Mechanism

Further enhancing the value creation mechanism

		Short-term: 2027	Medium-term: 2030	Long-term: 2034
Growth story	Further reinforcement of slope protection work Stable orders for large projects Expansion of private sector and urban civil engineering projects, ground improvement Expansion of structural repair M&A Improving productivity Taking on challenges in new fields	• **Automate slope protection and ground improvement machinery:** Improve productivity and safety. • **Penetrate our sales force automation (SFA):** Share achievements and know-how, strengthen customer support. • **Introduce a system to visualize the results of ground improvement:** Prior assessment, quality improvement. • **Develop a solidification method with reduced environmental impact:** Contribute to the global environment. • **Strengthen our customer support system:** Improve customer satisfaction, increase orders. • **Develop mid-level engineers:** Develop young engineers, pass on technologies. • **Strengthen the functions of equipment centers:** Improve equipment uptime, reduce costs. • **Promote work style reform:** Secure personnel, improve productivity.	• **Build a system for business expansion:** Strengthen organization, human resources and financing. • **Expand technology areas:** Collaborate with Group companies to expand business. • **Enter the urban civil engineering business:** Compete with rivals. • **Build career paths for young engineers:** Develop and retain mid-level engineers. • **Deploy next-generation equipment:** Improve productivity and safety. • **Advance work style reform:** Promote diverse work styles.	• **Expand globally:** Expand overseas business, diversify revenue sources. • **Create technological innovation:** Invest in R&D, create innovation. • **Contribute to a sustainable society:** Contribute to solving environmental and social issues. • **Strengthen human resources development:** Develop next-generation leaders and specialized talent. • **Establish work style reform:** Achieve work-life balance, improve employee satisfaction.
Strategic business model	Taking on challenges in new fields Refining specialized civil engineering technologies Differentiating ourselves through geological technologies Saving labor in maintenance Refining visualization technology Differentiating ourselves through disaster prevention, reliability, and safety	• **Improve on-site efficiency through DX:** Conduct preliminary studies, enhance communication. • **Promote work style reform:** Remote business processing, a system for completing work on-site. • **Strengthen the functions of equipment centers:** Improve machine safety and operability. • **Establish human resources development system:** Slope protection business, boring and grouting business. • **Enter the urban civil engineering business:** Strengthen competitiveness by introducing in-house machinery. • **Expand overseas business:** Expand business offices to the scale of local branches. • **Increase private sector orders:** Reduce the risk of a decrease in public works. • **Develop human resources for repair business:** Repair and reinforcement of stock infrastructure. • **Develop human resources for challenging civil engineering business:** Take on challenging tasks boldly. • **Strengthen the disaster prevention and restoration business structure:** Gradually expand business volume. • **Pass on boring and grouting technologies:** Contribute to the development of technologies that serve as NITTOC's source of differentiation.	• **Streamline the organization through DX:** Promote work style reform, improve the direct-to-indirect ratio. • **Strengthen overseas business bases:** Enhance global expansion. • **Increase share of private sector business:** Expand the urban civil engineering business in the private sector. • **Establish a repair business structure:** Repair and reinforcement of stock infrastructure. • **Expand the challenging civil engineering business:** Take on challenging tasks boldly. • **Reinforce the disaster prevention and restoration business structure:** Improve wide-ranging disaster response capabilities. • **Pass on technologies in the boring and grouting business:** Maintain our proprietary technologies.	• **Create innovation:** R&D investment and technological innovation. • **Contribute to a sustainable society:** Contribute to solving environmental and social issues. • **Strengthen human resources development:** Develop next-generation leaders and specialized talent. • **Establish work style reform:** Achieve work-life balance, improve employee satisfaction. • **Expand globally:** Diversify revenue sources of overseas business.
Sustainability management for enhanced reliability	Strategies that consider social and related and natural capital impacts Multifaceted patrols Risk hedging in advance Enhancement of temporary equipment plans IR enhancement, cumulative dividends	• **Expand use of recycled materials and equipment:** Reduce environmental impact, reduce costs, increase sales. • **Utilize the J-Credit Scheme:** Disclose the impact of CO_2 emissions reduction, increase social contribution. • **Expand overseas business:** Expand globally by leveraging extensive experience and technical capabilities. • **Enter new business:** Resolve social issues, expand business. • **Strengthen human resources development program:** Improve employees' skills, develop specialized talent. • **Promote diversity:** Women's active participation, recruitment of foreign talent. • **Implement work style reform:** Promote diverse work styles.	• Strengthen our efforts to visualize the impact of ESG management on shareholder value through its impact on sales, ROIC and WACC. Enhance the system to qualitatively and quantitatively visualize and manage the impact of NITTOC's SDGs initiatives.	• Analyze political, economic, technological and social trends from a long-term perspective, systematically identify business opportunities and risks, as well as domestic and global trends in SDGs and ESG, and monitor their impact on value creation using KPIs of sales, ROIC and WACC. Earn the trust of ESG investors sustainably by disclosing information in an easy-to-understand manner from a sustainability disclosure perspective.

Contribution to sales growth Visualize our measures for steady, sustainable growth to investors in an easy-to-understand manner, thereby enhancing their confidence in our growth.

Contribution to ROIC improvement Visualize our measures for sustainably maintaining and improving ROIC to investors in an easy-to-understand manner, thereby enhancing their confidence in our growth.

Contribution to WACC reduction Visualize our measures for sustainably maintaining and reducing WACC to investors in an easy-to-understand manner, thereby enhancing investor confidence in our growth.

Impact

Demonstrate our differentiated track record in social impact and enhance our reputation among investors

		Short-term: 2027	Medium-term: 2030	Long-term: 2034
Social capital	Enhancing national resilience Disaster prevention	• **Economic security:** Strengthen supply chain and cyber security. • **ESG Management:** Reduce environmental impact, contribute to society, strengthen governance. • **DX promotion:** Digitalize construction sites and administrative procedures, utilize data analytics. • **Disaster countermeasures:** Establish a rapid disaster response system, implement risk assessment and mitigation measures. • **Climate-related information disclosure:** Information disclosure, risk assessment and measures based on TCFD Recommendations. • **Response to environmental risks:** Formulate measures to adapt to climate change, develop environmental impact reduction technology.	• **Economic security:** Establish a domestic procurement system for critical infrastructure, implement measures for sophistication. • **ESG management:** Establish and expand ESG management, develop businesses that solve social issues, achieve the SDGs. • **DX promotion:** Promote and enhance DX across the industry, improve data utilization, develop new business models. • **Disaster countermeasures:** Formulate plans for enhancement, enhance risk assessment and mitigation measures, strengthen support systems. • **Climate-related information disclosure:** Quantify information, expand investment, contribute to international frameworks. • **Response to environmental risks:** Implement adaptation measures, build a recycling-oriented society, strengthen international cooperation.	• **Economic security:** Implement enhancement measures in line with international standards, develop next-generation infrastructure. • **ESG Management:** Align our ESG management with international standards, achieve a sustainable society. • **DX promotion:** Advance the application of AI, promote DX to solve social issues, foster international cooperation. • **Disaster countermeasures:** Advance the application of AI, strengthen international cooperation, build a resilient society. • **Climate-related information disclosure:** Align our disclosure with international standards, create innovation, make international contributions. • **Response to environmental risks:** Align our response with international standards, create innovation, make international contributions.
Natural capital	Zero GHG emissions Reduction of environmental impact Renewable energy Greening	• **Zero GHG emissions:** Reduce emissions through energy conservation, adoption of renewable energy, and offsetting. • **Reduction of environmental impact:** Evaluate and reduce the environmental impact of products and services through LCA and environmental impact reduction technology. • **Renewable energy:** Implement solar and wind power, etc., invest in renewable energy business. • **Greening:** Contribute to urban greening inside and outside our business offices, participate in biodiversity conservation activities.	• **Zero GHG emissions:** Supply chain emissions reduction, decarbonization, carbon neutrality. • **Reduction of environmental impact:** Develop products and services based on LCA, transition to a circular economy. • **Renewable energy:** Set renewable energy use targets, expand business, promote regional collaboration. • **Greening:** Strengthen biodiversity conservation, develop green infrastructure, promote urban greening.	• **Zero GHG emissions:** Contribution to society as a whole, achieve carbon negativity, demonstrate leadership. • **Reduction of environmental impact:** Pursue initiatives to achieve zero environmental impact, realize a sustainable society, create innovation. • **Renewable energy:** Achieve 100% renewable energy, develop next-generation energy technologies, transform energy systems. • **Greening:** Enhance urban greening, conserve forest ecosystems, realize a society in harmony with nature.
Financial capital	Improvement of ROIC/WACC Improvement of PBR	• **Improvement of financial performance:** Improve profitability and efficiency, generate cash flow. • **Analysis of financial position and business performance:** Analyze financial statements and key performance indicators, identify management issues. • **Capital cost recognition:** Calculate capital costs, define investment criteria. • **Evaluation of achievements in corporate value creation:** Set KPI targets, manage progress, analyze achievement status. • **Strengthening our value creation story:** Enhance IR materials for investors, clarify business strategies.	• **Enhancing financial standing:** Reduce debt, increase capital, improve financial health. • **Improving earnings structure:** Shift to high-value-added businesses, diversify revenue sources. • **Optimizing business portfolio optimization:** Focus on businesses with high profitability and growth potential. • **Improving capital efficiency:** Enhance ROA and ROE, improve investment efficiency. • **Strengthening risk management:** Identify and assess management risks, formulate risk measures.	• **Achieving sustainable growth:** Formulate and implement long-term growth strategies. • **Maximizing corporate value:** Create shareholder value, utilize indicators for corporate value growth. • **Enhancing global expansion:** Advance into overseas markets, broaden the earnings base. • **Promoting ESG management:** Consider environmental, social and governance factors, contribute to a sustainable society. • **Creating innovation:** Develop new business, invest in R&D.

Shareholder value

Proactively engage in dialogue with investors on long-term prospects for sustainable value creation and contribute to the formation of our fair share price

Sales growth
Current status
¥76.0 billion
In 10 years
Over ¥150.0 billion
Refer to upside potential

Improvement of return on capital
Current status
Lean ROIC 11.4%
Simple ROIC 6.9%
In 10 years
Lean ROIC of about 15.0%

Reduction of capital cost
Maintain or reduce WACC at 6.0%

Market capitalization
¥100.0 billion or more

Key points for dialogue with investors

Achieving 3% growth on average over 10 years

It is important to emphasize to investors the confidence in NITTOC to achieve at least 3% average growth over the next 10 years. Furthermore, we will take on the challenge of increasing sales by ¥40.0 to ¥50.0 billion through M&A.

Upside potential of the theoretical share price due to high ROIC

Our ROIC is significantly higher than the average in Japan, and based on statistical analysis, it is not at all surprising that our theoretical share price is much higher than it is now. We will present this to investors and engage in constructive dialogue to better understand their perspectives. We will also deepen our understanding of various analyses to foster dialogue with investors.

Use of surplus funds

We will pursue the possibility of making full use of surplus funds, primarily through M&A.

Contribution to sales growth
Enhance our credibility in contributing to social impact, establish our brand in the capital markets, and leverage our brand strength to secure more projects.

Contribution to ROIC improvement
Enhance our technical and human resource capabilities to achieve the desired impact, aiming to improve both construction efficiency and impact, thereby maintaining and enhancing high ROIC.

Contribution to WACC reduction
Refine methods to qualitatively and quantitatively visualize the level of contribution to social impact and the relationship between impact and increased shareholder value, thereby enhancing investor confidence and contributing to reducing WACC.

ESG Materiality + Six Types of Capital + Corporate Value Impact / Social Value Impact = Integrated Value Creation Materiality

Using our conventional ESG materiality (environment, social, and governance) as a foundation for our analysis, we assessed its relationships with six types of capital: intellectual capital, human capital, social and related capital, industrial capital, natural capital, and financial capital. Furthermore, by comprehensively evaluating both the impact on corporate value and social value, we developed this ESG materiality into integrated value creation materiality that goes beyond a solely ESG perspective, and built a more strategic, comprehensive value creation framework.

ESG materiality

Category	Field	Explanation	Theme
E (Environment)	Environmental conservation	Aiming to ensure safety in specific fields and local communities as a whole	• Promotion of decarbonization • Creation of GG and Company J departments • Promotion of CO_2 reductions • Promotion of the use of recycling improvements • Conservation of biodiversity • Ensuring water security
S (Social)	Local community	We aim to be a company trusted by society and promote various social contribution activities	• Development of social contributions • Contribution to local communities
	Motivation	We are aiming to create a comfortable working environment for employees by promoting workplace environment improvements and work style reforms	• Contributing to respect for human rights and securing human resources • Quality assurance and enhancement of technical capabilities • Work style reform • Safety and health
G (Governance)	Corporate ethics, risk management	We strive to conduct sound and fair corporate activities based on efficient management and an emphasis on compliance	• Risk management • Compliance

Six types of capital
Intellectual capital, human capital, social and related capital, industrial capital, natural capital, and financial capital

Consider the corporate value impact and social value impact (Impact on society and the environment, impact on business, alignment with technology strategy, time frame)

Consider contribution to sales growth, ROIC improvement and WACC reduction

Integrated value creation materiality

Materiality	Sustainability/ESG	Corporate value impact	Social value impact
1 Enhancement of national resilience	**Environment (E)** ・Raise sustainability related to disaster prevention by reducing CO_2 emissions ・Development of ICT labor-saving technologies ・Development of construction methods using greening and recycling technologies **Social (S)** ・Development of social infrastructure through disaster prevention and mitigation ・Ensuring safe and secure living for local residents	High-value-added construction orders are increasing due to expanding demand for infrastructure that is responsive to climate change. By establishing a competitive advantage through the accumulation of disaster prevention technologies, opportunities for overseas expansion are also increasing. Financing costs are coming down due to higher ratings from ESG investors. Higher productivity and improved profitability are expected due to technological innovation. Realize sustained growth in corporate value by building a business foundation that is stable for the long term.	Amid the rising risk of natural disasters, protect citizen lives and property by developing resilient social infrastructure. Contribute to the increased sustainability of local communities and ensure the continuity of economic activities. Realize shorter recovery periods in disaster-affected areas through the spread of disaster-prevention technologies. Contribute to raising the welfare of society as a whole and minimizing economic loss through safe and sustainable national land development for the next generation.
2 Carbon neutrality	**Environment (E)** ・Fiscal 2030: 46% reduction in CO_2 emissions compared to fiscal 2013 ・Promotion of energy conservation in offices and field offices ・Natural energy, LEDs, dynamic scheduling zones, reduced overtime ・Use of recycled materials, reduced construction processes, and development of construction methods ・Participation in environmental conservation activities (tree planting activities, etc.)	Create new markets and bolster competitiveness through development of decarbonization technologies. Operating costs are being reduced by investments in energy savings and renewable energy. Establish a new revenue source through carbon credit trading. Increase the inflow of funds from investors by boosting our ESG rating. Low-cost financing through green bonds becomes possible and a foundation that supports an improved financial position and sustained growth is built.	Fulfill our responsibility to protect the environment for the next generation by substantively contributing to limiting global warming. Help improve the environment locally by promoting the spread of clean energy. Drive industry reform as a model company in building a resource-saving, circular society. Realize both sustained economic development and environmental conservation through the achievement of carbon neutrality and help accelerate the decarbonization of society as a whole.
3 Greening and biodiversity	**Environment (E)** ・Conservation of biodiversity ・Development, design, and implementation capabilities for greening technologies ・Ensuring water security ・Impact of slope protection component technologies on biodiversity, its propagation, and establishment of construction methods that consider the signage environment	Strengthen our differentiation strategy through high-value-added construction methods that consider ecosystems. Increase opportunities to receive orders by accumulating expertise in line with expanding demand for environmental assessments. Secure profit as a leader in the green infrastructure market. Pioneer new business fields, including a biodiversity offset business. Enhance our corporate valuation and improve the financing environment by expanding nature-positive investment.	Help qualitatively enhance the lives of local residents through ecosystem service conservation. Improve air quality and ameliorate the heat island phenomenon by promoting greening in urban areas. Sustainably manage water resources through protection of water circulation systems. Ensure food safety and maintain a foundation for pharmaceutical development by protecting biodiversity. Pass on a rich natural environment to the next generation and help build a society where people and nature can coexist.
4 Human capital	**Social (S)** ・Human resources development and securing and developing human resources ・Promotion of active participation of women ・Human resources development for workers with disabilities ・Management of the health of employees ・Promotion of work style reforms (8 days off in 4 weeks at 100% or more)	Invest in human resources to improve technological innovation capability and raise productivity. Enhance creativity and strengthen market responsiveness by promoting diversity. Secure top talent and improve retention rates by enhancing job satisfaction. Reduce medical costs and raise productivity through KENKO Investment for Health. Establish a long-term competitive advantage by qualitatively enhancing human capital. Enhance corporate value through higher human capital ratings in ESG investment.	Help realize societal diversity by creating inclusive employment. Increase the productivity of society as a whole by promoting the participation of women and disabled people in the economy. Drive work environment improvements in the industry as a model company for work style reforms. Help raise the technological capability of the community through human resources development. Help rein in social insurance costs through promoting KENKO Investment for Health. Help develop human resources that will constitute the foundation for sustainable societal development.
5 Digital transformation (DX)	**Social (S)** ・Raising labor productivity by promoting DX ・Improve operational efficiency through the use of AI ・Promoting the use of BIM/CIM	Greatly increase productivity and bolster competitiveness through the introduction of digital technologies. Enhance customer satisfaction by performing predictive maintenance and improving quality through the use of AI and IoT. Develop new services and diversify revenue sources by utilizing data. Shift human resources to high-value-added work by promoting automation. Strengthen organizational reform capabilities by developing human resources proficient in digital technologies. Establish a foundation for sustained growth by maximizing the ROI of DX investment.	Drive the digital transformation of the construction industry and help raise the productivity of the industry as a whole. Raise the quality of social infrastructure and streamline maintenance and management through technological innovation. Help eliminate the digital divide in communities by promoting digital technologies. Promote the inflow of human resources into the industry by enhancing the job satisfaction of young engineers. Support the development of a digital society by establishing social infrastructure for the realization of Society 5.0.
6 Regional infrastructure	**Social (S)** ・Contribution to the environment and safe and secure living in local communities ・Signing of cooperation agreements on disaster management (agreements with local governments)	Establish a foundation for receiving stable orders and expand local share through a local engagement strategy. Enhance trust with local governments through our ability to respond quickly during disasters. Reduce recruitment costs and increase retention rates by utilizing local human resources. Improve business continuity by contributing to local economic circulation. Build a sustainable growth model via a CSV approach. Mitigate business risks by maintaining good relationships with local stakeholders	Ensure the lives and safety of residents through emergency response during disasters. Help pass on and develop construction skills by developing local engineers. Strengthen local communities through social contribution activities. Support the formation of circular local economies through the utilization of local resources. Contribute to regional revitalization and improving resident welfare as a partner in sustainable local community development.
7 Governance	**Governance (G)** ・Corporate ethics, risk management ・Enhancement of compliance education ・Establishment of risk management system process using a risk management program ・Reinforcement of information security	Increase investor trust and lower financing costs by maintaining a robust governance system. Strengthen business continuity and avoid unexpected losses through highly advanced risk management. Minimize legal risk and enhance our reputation through rigorous compliance. Secure a business foundation in the digital era by strengthening information security. Build a management foundation that supports maximizing shareholder value and sustained growth through increased transparency.	Fulfill our corporate social responsibilities and contribute to the development of a fair market economy. Drive the enhancement of trust in the construction industry as a whole and the building of a sound competitive environment. Build collaborative systems for solving social issues by promoting dialogue with stakeholders. Ensure the safety of personal information and confidential corporate information through rigorous information protection. Help strengthen the foundation of trust in society and develop sustainable capitalism through fair, highly transparent corporate activities.

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)

1 Clarification of issues
- The clarification of issues involves confirming and understanding the items to the right
  - (1) Purpose (significance of existence)
  - (2) Management issues
  - (3) Social issues affecting value creation

2 Analysis
- The analysis is performed according to the flow shown on the right
  - (1) Set materiality
  - (2) Consider based on materiality set
    - ❶ Risks and opportunities
    - ❷ Identification and impact of stakeholders

3 Identification of key issues
- Key issues are identified and decided as follows
  - (1) Formulate based on 1 and 2
  - (2) Submit to the Management Meeting and the Board of Directors

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	**Biodiversity** Environmental concerns or backlashes from local communities can lead to delays or cancellations of projects, affecting a company's profitability and growth opportunities.	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.
Environment	**Climate change** Evaluating and communicating risks and opportunities caused by climate change can help evaluate the overall impact of climate change on our business.	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 CO_2 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.
Environment	**Pollution and resources** Clearing, leveling, and drilling activities may generate hazardous waste during construction activities for projects.	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.
Environment	**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.	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	**Occupational safety and health** Health and safety accidents can cause project delays and interruptions, potentially leading to increased project costs and decreased profitability.	Action policy on occupational safety and health management	At the NITTOC Group, we regard the prevention of work-related 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.
Social	**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.	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.
Social	**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.	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	**Corporate ethics and corruption prevention** Ethical violations can lead to investigations by authorities, significant fines, settlement costs, and reputational damage.	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.
Governance	**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.	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.

Contribution to sales growth
Achieve sustainable growth by contributing to building safe and secure societies and countries with comprehensive technical capabilities in foundation work.

Contribution to ROIC improvement
Establish a leadership position in specialized civil engineering through initiatives for Environment and Social, and aim to sustainably maintain and improve profit margins through our brand's strength.

Contribution to WACC reduction
Establish a leadership position in specialized civil engineering through initiatives for Environment and Social, appeal to ESG investors with our brand's strength, and gain their trust to reduce WACC.

Sustainability

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	Reduce greenhouse gas (CO_2) emissions for fiscal 2030 compared to fiscal 2023 Reduction amount: Scope 1 + 2: 42%, Scope 3: 25% *Scope 1: Direct emissions from company operations; Scope 2: Indirect emissions associated with the use of electricity, etc. in company operations Scope 3: Indirect emissions throughout the entire supply chain not included in Scopes 1 and 2 *CO_2 emissions reduction targets are aligned with the direction of the Japan Federation of Construction Contractors guidelines, while setting SBT with a higher reduction rate	
			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 disabled people	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: 100% Overtime work hours within 360 hours annually: 100% (excluding unforeseen special circumstances)	
			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%	
		Safety and health	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: 0.03 Frequency rate: 0.60	
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 5/3.6 in 2024, 3.5 in 2022) ● 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	

Contribution to sales growth To achieve the targets, strengthen and disclose a system for visualizing contributions to sales growth.

Contribution to ROIC improvement To achieve the targets, strengthen and disclose a system for visualizing contributions to ROIC improvement.

Contribution to WACC reduction To achieve the targets, strengthen and disclose a system for visualizing contributions to WACC reduction.

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 CO_2 emissions and the promotion of design and construction with construction methods that contribute to CO_2 emission reduction, as well as the promotion of energy saving in offices and field offices. We are aiming for a 42% reduction in Scope 1 and 2 CO_2 emissions and 25% reduction in Scope 3 CO_2 emissions (both compared to fiscal 2023) by fiscal 2030. Furthermore, we aim for virtually 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, 2024
Expiration date	March 23, 2027
Applicable standard	JIS Q 14001:2015, ISO14001:2015
Scope of registration	Research and development and quality testing of buildings and construction methods related to environment, disaster prevention, urban renewal, and maintenance

Registration certificate

Contribution to sales growth
Drive project acquisition by leveraging technology and expertise to visualize, in numerical terms, the impact of these initiatives on achieving an environmentally friendly society, thereby contributing to sales growth.

Contribution to ROIC improvement
Find the optimal balance of cost increases from R&D expenditures to maintain and strengthen over the long-term NITTOC's unique environmentally friendly technologies and proposal capabilities which are the source of our current high ROIC, thereby achieving sustainable higher ROIC.

Contribution to WACC reduction
Enhance investor confidence in our contribution to an environmentally friendly society in the field of specialized civil engineering, and work to maintain or reduce WACC over the long term.

TCFD

Our response to climate change

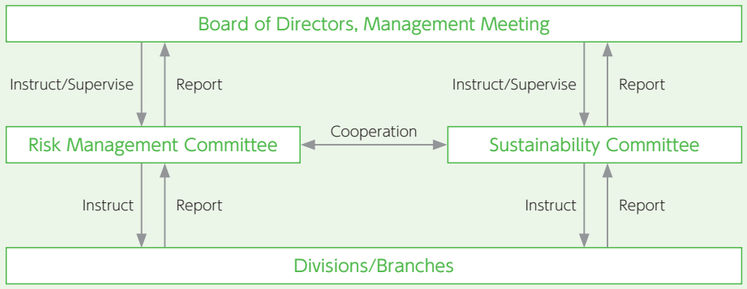
The NITTOC Group, as an expert in foundation work focusing on environmental conservation and disaster prevention work developed through its trusted technical capabilities, has aimed to be a company that contributes to building safe and secure societies and countries. In particular, the Company has undertaken 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 is proactively engaged in various projects for the Shinkansen, expressways, building foundations, and other projects, and has built an extensive track record in a wide range of fields.

In June 2023, the Company formulated its Basic Policy on Sustainability, which clearly sets forth our efforts to promote the development of environmentally friendly and sustainable technologies that contribute to the realization of a decarbonized society. Since May 2022, the Sustainability Committee, chaired by the President & Representative Director, has been assessing the risks and opportunities presented by changes in the surrounding environment and engaging in discussions aimed at identifying key issues that affect our operations. To combat climate change, we will reduce CO_2 emissions through various measures we carry out in the course of our business activities, and contribute to the realization of a decarbonized society. To achieve this, we will disclose the following key information on climate change in line with the TCFD Framework.

Governance

The Company established the Sustainability Committee in May 2022 to implement its Basic Policy on Sustainability, which 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. The Committee meets on a regular basis and is composed of the President & Representative Director as Chair, Directors in charge of each division as members, and the Corporate Strategy Division as the secretariat. The Committee deliberates specific measures related to the Company's climate change risks and opportunities, identifies key issues that affect our operations, and regularly reports these matters to the Board of Directors. In addition, the Board of Directors monitors specific measures related to climate change risks and opportunities deliberated by the Sustainability Committee and makes key decisions.

● Framework for responding to climate change



Strategy

Analysis process

With reference to the risks and opportunities presented in the TCFD Recommendations, we assessed the risks and opportunities that climate change issues could have on the Group's business in the following steps.

In addition, we used the 1.5°C and 4°C scenarios to analyze shifts in policy and market trends (transition risks and opportunities) and physical changes due to disasters, etc. (physical risks and opportunities).

Identification and assessment of risks and opportunities → Definition of scenario groups → Financial impact analysis → Consideration of measures

Climate change scenarios

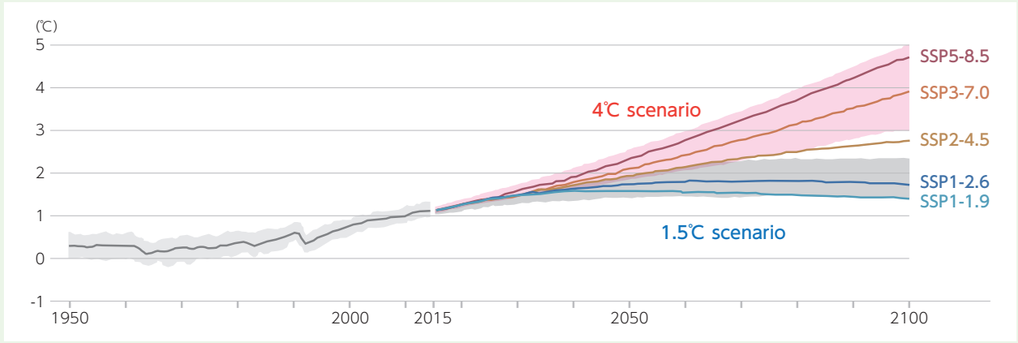
● 1.5°C scenario (decarbonization scenario)

A scenario in which carbon-neutral initiatives are intensified to mitigate the effects of climate change, with the aim of limiting the global average temperature increase to below 1.5°C above pre-industrial levels. In the 1.5°C scenario, the impact of policy and legal risks within transition risks is expected to be greater than in the 4°C scenario.

● 4°C scenario (high emissions scenario)

A scenario in which climate action makes no progress, leading to a global average temperature rise of about 4°C above pre-industrial levels by the end of this century. Under this scenario, physical risks such as extreme weather events and rising sea levels are expected to have a greater impact.

● Global surface temperature change relative to 1850-1900



Source: Prepared by processing Figure SPM. 8 from the Summary for Policymakers of the IPCC Sixth Assessment Report, Working Group I, provisionally translated by the Ministry of Education, Culture, Sports, Science and Technology and the Japan Meteorological Agency

Contribution to sales growth

Continue our environmental initiatives to save labor and energy, conserve resources, and reduce the use of concrete, all of which help reduce CO_2 emissions. Enhance our own presence while also strengthening our position as a business partner in reducing CO_2, contributing to sales growth with our technical expertise in comprehensive CO_2 emission reduction.

Contribution to ROIC improvement

Promote resource conservation, energy savings, and labor savings as our environmental initiatives progress, thereby improving ROIC.

Contribution to WACC reduction

Enhance trust through resource conservation, energy savings, and labor savings as our environmental initiatives progress, thereby reducing WACC.

TCFD

Impact assessment of risks and opportunities and selection of measures

Under the 1.5°C scenario, as external pressure for decarbonization increases, the construction industry will reduce carbon emissions and accelerate its shift toward decarbonized materials. The cost of decarbonization investments is also expected to rise in order to achieve net zero emissions by 2050. In the 4°C scenario, however, low-carbon and decarbonization efforts are not actively pursued, leading to increased CO_2 emissions and higher risks of extreme weather and disasters. Consequently, measures such as continuous improvement of safety and health policies, labor savings in construction through the use of ICT and AI, and the formulation of BCPs should be considered.

Risks and opportunities			Description of risks and opportunities	Time frame	Degree of impact	Measures
Transition risks	Policy and legal risks	Introduction of carbon tax	The introduction of a carbon tax will impose a tax on CO_2 emissions from business activities and increase costs.	Medium-term	Large	・Development and spread of technologies and construction methods that contribute to the reduction of CO_2 emissions ・Promotion of design and construction with technologies and construction methods that contribute to CO_2 emission reduction ・Use of renewable electricity at business offices ・Utilization of biodiesel fuel at construction sites ・Adoption of electric construction equipment and energy-efficient construction equipment
			The introduction of a carbon tax on suppliers will cause a surge in the price of construction materials and lead to higher procurement costs.	Medium-term	Large	・Development and spread of construction methods utilizing recycled materials ・Promotion of design and construction with construction methods using recycled materials ・Promotion of decarbonization and reduction of carbon emissions from construction machinery in cooperation with the supply chain
		Stricter GHG emission targets	To meet GHG targets, the cost of reducing emissions will result in additional costs and increased financial burden.	Medium-term	Medium	・Implementation of energy-saving measures at business offices ・Cost containment through reassessment of electricity providers
	Reputational risks	Investor demand for climate action	Delays in GHG reduction efforts and inadequate disclosure will lower investor evaluations.	Short- to medium-term	Small	・Ongoing disclosure of information to stakeholders ・Increased focus on external credit ratings such as CDP scores
Physical risks	Chronic risks	Rise in average temperatures	The number of health problems, including heatstroke, on construction sites will increase, along with the cost of addressing them.	Short- to long-term	Large	・Continuous improvement and thorough management of safety and health policies ・Promotion of labor savings in construction through the use of ICT and AI
	Acute risks	More frequent and severe natural disasters	Procurement of materials, machinery, labor, and other resources will become difficult if a supplier is affected by a disaster.	Short- to long-term	Medium	・Promotion of BCP measures in the supply chain ・Diversification of procurement routes
Opportunities	Energy source	Growth of renewable energy	The growth of renewable energy will boost orders for fundamental work on power generation facilities.	Medium- to long-term	Large	・More active participation in renewable energy projects ・Enhancement of the contracting system in response to increased demand
	Resilience	Strengthening of the national resilience policy	Demand for repair, reinforcement, and ground improvement work is expected to increase for disaster prevention, disaster mitigation, and building national resilience.	Medium-term	Large	・Enhancement of the contracting system through the strengthening of hiring and work style reforms ・Promotion of labor savings in construction through the use of ICT and AI

・Time frame: Short-term, within 1 year; Medium-term, up to 2030; Long-term, from 2030 to 2050
・Degree of impact: Financial impact is presented in three levels: large, medium, and small.
・Scenarios used: NZE2050 (Net Zero Emissions by 2050 Scenario) for the 1.5°C scenario, and IPCC SSP5-8.5 for the 4°C scenario.

Contribution to sales growth
Technological improvements to reduce CO_2 emissions help achieve our TCFD targets, as well as those across the construction industry value chain, contributing to sales growth.

Contribution to ROIC improvement
Technological improvements to reduce CO_2 emissions also help conserve resources and save energy, contributing to maintaining and improving ROIC.

Contribution to WACC reduction
Gain investor trust through TCFD initiatives, contributing to the WACC reduction.

Risk management

Process for identifying, assessing and managing climate-related risks

At the NITTOC Group, the Sustainability Committee identifies and assesses climate change risks selected by each division and branch office. In assessing the significance of risks, we prioritize them based on the degree of impact and likelihood of occurrence. For risks identified as particularly significant, we have established a system of direct reporting to the Board of Directors. After identifying and assessing climate change risks, the Sustainability Committee deliberates on preventive measures and action plans to mitigate these risks. These measures and plans are implemented across divisions and branch offices under the supervision of the Board of Directors, and their implementation status is regularly monitored.

Process for integrating into company-wide risk management

The Company has established a Risk Management Committee under the Board of Directors as an organization to discuss and approve issues and measures related to company-wide risk management, including climate change risks. The Committee manages company-wide risks to be controlled, and deliberates and approves annual plans related to risk management. Of the climate change risks identified and assessed by the Sustainability Committee, those with a “short-term” time frame are more likely to materialize than “medium-term” or “long-term” risks. Therefore, they are shared with the Risk Management Committee, integrated into the company-wide risks, and reported to the Board of Directors.

Metrics and targets

To reduce its environmental impact, the Group is promoting the reduction of greenhouse gas (CO_2) emissions. Using fiscal 2023 as the base year, we have set targets to achieve a 42% reduction in Scope 1 and 2 emissions and a 25% reduction in Scope 3 emissions by fiscal 2030, as well as virtually zero Scope 1 and 2 emissions by fiscal 2050. These goals are aligned with the goal and direction shown by the Japan Federation of Construction Contractors in the “Environmental Voluntary Action Plan for the Construction Industry (7th Edition),” while setting a reduction level that exceeds those standards. Furthermore, our reduction targets have obtained SBT certification.

● Actual and target greenhouse gas emissions

(Unit: t-CO_2)

	2023 (Base year)	Fiscal 2030 (Target year 1)	Reduction rate	Until fiscal 2050 (Target year 2)
Scope1	9,557	5,997	-42%	0
Scope2	782			0
Scope3	421,976	316,482	-25%	—

・The Company and its Group companies are included in the calculation.
[Scope of emission sources]
・Scope 1: Direct emissions from company operations (e.g., gasoline and diesel oil)Scope 2: Indirect emissions associated with the use of electricity in company operations
・Scope 3: Indirect emissions throughout the entire supply chain excluding Scopes 1 and 2
Scope 1 and 2 emissions are calculated using the emissions coefficients by electricity provider, as specified in the accounting, reporting, and disclosure system administered by the Ministry of the Environment.

Fiscal 2024 Greenhouse Gas Emissions

Greenhouse gas (CO_2) emission trends

Both Scope 1 and Scope 3 emissions decreased in fiscal 2024. The reduction in Scope 3 emissions was particularly significant, and exceeded 100% progress toward the total target for fiscal 2030, for which we obtained SBT certification. However, the primary factors for this decrease were reduced net sales and fluctuations in purchasing composition due to site conditions. The Group will continue to pursue structural emission reductions through initiatives, such as adopting low-carbon materials in collaboration with suppliers, reducing and recycling waste, and decarbonizing construction machinery.

(Unit: t-CO_2)

	Fiscal 2023 (Base year)	Fiscal 2024 (Current fiscal year)	Percentage change
Scope 1 Direct emissions from company operations	**9,557**	**8,462**	**-11.5%**
Scope 2 Indirect emissions associated with the use of electricity, etc.	**782**	**794**	**1.5%**
Scope 3 Indirect emissions throughout the entire supply chain	**421,976**	**305,947**	**-27.5%**
1.Purchased goods and services	401,934	284,354	-29.3%
2.Capital goods	3,096	4,419	42.7%
3.Fuel- and energy-related	1,701	1,542	-9.4%
4.Transportation (upstream)	11,561	14,006	21.2%
5.Waste generated in operations	2,825	473	-83.3%
6.Business travel	464	731	57.5%
7.Employee commuting	291	294	1.0%
8.Leased assets (upstream)	Outside scope	Outside scope	—
9.Transportation (downstream)	30	37	24.0%
10.Processing of sold products	Outside scope	Outside scope	—
11.Use of sold products	Outside scope	Outside scope	—
12.End-of-life treatment of sold products	74	90	22.3%
13.Leased assets (downstream)	Outside scope	Outside scope	—
14.Franchises	Outside scope	Outside scope	—
15.Investments	Outside scope	Outside scope	—

* Emissions are rounded to the nearest whole number. Accordingly, discrepancies may occur between the percentage change and the actual figures in some categories.
* The Company made ASO FOAM CRETE Co., Ltd. its subsidiary in fiscal 2024. However, since its deemed acquisition date is March 31, 2025, emissions related to ASO FOAM CRETE are not included in the scope of calculation for fiscal 2024.

Response to Environmental Initiatives

1. CDP scoring

The Company achieved the B score for climate change in the 2024 CDP assessment.

CDP is an international non-profit organization that evaluates corporate and municipal disclosure and management of information related to climate change, water, and forests. Companies and municipalities respond annually to the CDP questionnaire, and their responses are evaluated on an 8-tier scale from A to D-. This score serves as a key indicator referred to by investors and business partners when assessing a company's response to the environment.

The B score we achieved corresponds to the management level, which signifies international recognition that we are a company that recognizes environmental risks and impacts and implements concrete actions.

2. Acquisition of SBT certification

The Company acquired SBT certification in July 2025.

SBT (Science Based Targets) are greenhouse gas reduction targets aligned with the Paris Agreement that companies should achieve to curb global warming, and SBT certification is an international accreditation confirming that a company's reduction targets are consistent with these goals.

While the Group has previously pursued targets based on the Japan Federation of Construction Contractors guidelines (reducing greenhouse gas emissions during the construction phase by 40% compared to fiscal 2013 levels by fiscal 2030, and achieving net-zero by 2050), the newly set SBTs share the same direction but represent higher-level, more ambitious reduction targets. Going forward, we will continue to work toward achieving these SBTs by reducing greenhouse gas emissions, aiming to realize a sustainable society, and further pursuing sustainability management.

3. Performance and financial benefits of responding to environmental initiatives

Responding to environmental initiatives is not only important for pursuing sustainability management, but also offers various performance and financial benefits.

For example, obtaining SBT certification has become a factor in bidding points for some regional development bureaus and expressway management companies, and this trend is growing year by year. These factors work to our advantage in securing orders.

In addition, high CDP scores and SBT certification lead to improved conditions for sustainability-linked loans and green bonds. These factors enable us to raise funds under favorable conditions, such as reduced interest rates when fundraising becomes necessary.

Major general contractors and government agencies are increasingly demanding sustainability measures from their business partners, making response to environmental initiatives a powerful means to maintain and expand relationships with high-quality customers.

4. Utilization of proprietary environmental technologies Promoting reduction targets and expanding orders

Our proprietary technologies play a major role in achieving SBTs.

For example, our Geofiber Method does not use cement, reduces CO_2 emissions by 40% compared to conventional methods, and also achieves CO_2 absorption effects through vegetation. In addition, the New ReSP Method repairs existing structures without demolition and reduces industrial waste, and cuts CO_2 emissions by 15% compared to conventional methods.

These proprietary technologies achieve both environmental consideration and construction efficiency, serving as clear differentiation factors from competitors. Against the backdrop of global demands for greenhouse gas emission reductions, these technological advantages become powerful weapons for securing new orders.

Social Contribution Activities

The Group recognizes that contributing to the realization of a sustainable society, built on a foundation of trust from it, is an important responsibility and is continuously engaged in social contribution activities. We promote a wide range of initiatives across Japan, including disaster relief, environmental conservation, support for the next generation, support for parasports, creative activities by artists with disabilities, and more. It is through these efforts that we respond to regional challenges, foster the next generation, and contribute to environmental conservation.

This section introduces the major initiatives.

Support for Paralym Art activities

We support the purpose of activities of Paralym Art (SHOUGAISHA JIRITSU SUISHIN KIKOU ASSOCIATION), which undertakes an art project for disabled people based on the philosophy of "Creating a world where disabled people can fulfill their dreams through art," and collaborate as a Silver Partner. By displaying their art within and outside of the Company, we support Paralym Art's activities and aim to contribute to the promotion of helping disabled people participate in society and become economically self-reliant. As part of these activities, we began displaying works by artists affiliated with Paralym Art in temporary enclosures at each of our branches and sites starting in January 2022, and this has contributed to stronger engagement with local communities.

Support for C's Athlete activities

We have participated as a corporate member of the Employment Center for Parasport Athletes (C's Athlete) since August 2019. C's Athlete is an organization founded by the ASO HUMANEY CENTER, a member of the Aso Group, with the aim of creating employment opportunities for disabled people and promoting parasport athletes. It supports the activities of athletes seeking to participate in international competitions, including the Paralympics. In support of C's Athlete's mission, we provide ongoing support for its initiatives through our participation as a member and sponsorship.

Cooperation with crowdfunding activities for a children's cafeteria

We support the operation of the children's cafeteria, "Ohisama Kitchen." The cafeteria was launched with the goal of providing as much relief as possible for difficult environments, including households where children are hungry and have nothing to eat, or where the parents work while the children are at home alone with nobody to talk to while having meals, and provides a safe space for them to visit with peace of mind. The number of users has been increasing in recent years due to rising prices.

During fiscal 2024, internal communications were posted from February 14 to March 31, 2025, to promote a crowdfunding initiative. A message of encouragement from the general manager of the Business Operation Division was posted on the crowdfunding website, and donations were solicited internally. We plan to offer ongoing support going forward.

Fundraising and donation activities for the children's cafeteria

In fiscal 2024, fundraising activities were conducted at Nisshinkai's Tokyo Branch in support of the children's cafeteria's activities. At the presentation ceremony held in March 2025, Tokyo Branch manager Asai, presented donation check of 300,000 yen to President Okuma of OKUMA INDUSTRY (a member of Nisshinkai's Tokyo Branch), who operates children's cafeteria, "Ohisama Kitchen." This year's crowdfunding campaign, the fifth to date, has successfully achieved its first goal and is now close to achieving its next goal. These donations support the children's cafeteria's activities, which help eliminate eating alone and foster community ties, and the Group intends to continue providing ongoing support.

ECHIGO Rice Terrace Supporters

ECHIGO Rice Terrace Supporters is a group consisting mainly of staff from the Agricultural Land Department of the Niigata Prefectural Government. Their goal is to show their love for rice terraces and to work with the region to engage in initiatives to protect them. In support of this group, volunteers from the Company's Hokuriku Branch have been volunteering on an ongoing basis since 2021, assisting with rice terrace maintenance work across the prefecture. In fiscal 2024, six employees participated in June and five participated in August. They conducted environmental maintenance work, including mowing grass along terrace edges and farm roads, and cleaning irrigation pathways. These efforts are producing positive results, including the conservation of local resources and fostering employee engagement with local communities.

Disaster-relief fundraising

In April 2025, disaster-relief fundraising was conducted to support disaster-affected areas of the Myanmar Earthquake and the 2024 Noto Peninsula Earthquake. A total of 56 employees donated during the fundraising period.

The names of recipient organizations and the donation amounts are listed below.

Recipient	Donation amount	Number of donors
・Myanmar Earthquake ・International Medical Volunteers Japan Heart	186,000 yen	30
・2024 Noto Peninsula Earthquake ・Peace Winds Japan (Nonprofit Organization)	70,000 yen	26

Regarding the Myanmar Earthquake donation amount, the Company matched the amount equal to the donations received from employees by April 25 and donated the total amount.

Charity walk events

From May to June 2025, the Company held an internal charity event titled "NITTOC Charity Walk 2025," through which walking was linked to charitable donations. The Company agreed to make donations to various organizations if the total number of participants' steps reached a step goal established in advance. Three recipient organizations were selected based on sociability and relation to the Company's operations, and donations of 200,000 yen were made to each organization.

Three organizations for the first round
① The Nature Conservation Society of Japan (NACS-J)
② The Inuneko Seikatsu Welfare Foundation (a general incorporated foundation)
③ Good Neighbors Japan (Certified Nonprofit Organization)

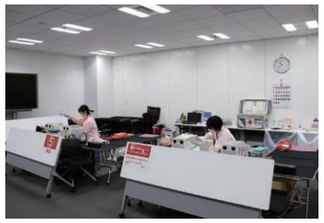
The second round was conducted in October, and the third is planned for December. The Company plans to keep holding this event and will continue its donation activities through employee-participation events.

Three organizations for the second round
① Japan Voluntary Organizations Active in Disaster
② Animal Action Fund ③ Florence, Inc.

Cooperation with blood donation drives

As part of our community services, the Company assists society by holding an annual blood donation drive. On December 2, 2024, the Japanese Red Cross Tokyo Metropolitan Blood Center held a blood donation drive in a meeting room on the fourth floor of the headquarters. On the day of the drive, participants included employees from the headquarters, Tokyo Branch, the Direct Control Grout Division, the Overseas Business Division, and Midori Industries Co., Ltd., located in the Daiwa Higashi-Nihonbashi Bldg..

A receptionist confirmed with donors about which medicines they currently take before having their weight and blood pressure checked. Blood was then collected following a checkup with a doctor. 35 people applied, and 26 were able to donate blood.



Practicing Management with a Focus on Capital Cost and Share Price
— Scenario Analysis for Growth through Active M&A

Shifting from our existing business-centered model to one incorporating our M&A integration strategy

NITTOC's evaluation model has evolved significantly from the 2024 version to the 2025 version. The biggest difference is that the 2024 version was based solely on existing businesses, while the 2025 version incorporates our active M&A strategy based on the successful acquisition of ASO FOAM CRETE. In the 2025 version, we simulated a scenario in which net sales increases roughly 2.1-fold from ¥76.0 billion (fiscal year ending March 31, 2026) to ¥158.3 billion (fiscal year ending March 31, 2036). We expect to achieve this based on our assumption of an annual growth rate of 3% for existing businesses, and now expect to generate an additional approximately ¥40.0 to ¥50.0 billion through M&A. Specifically, the model assumes acquisitions of around four companies with a value of ¥12.0 billion each, at an average price range of around 1.3 times PBR. The acquired company will start with an operating profit margin of 5.6%, which should gradually improve through integration, helping to maintain the company-wide ROIC at a high level of 13 to 14%. Based on this strategy, our model estimates shareholder value of ¥100.1 billion and a theoretical share price of ¥2,397 (approximately 1.9 times our current share price of ¥1,269).

(Billions of yen)

Growth value	+	Excess profit value	+	Book value of shareholders' equity
35.5		30.9		33.7

Shareholder value
Shareholder value reflecting 10-year scenario analysis
100.1

10-year shareholder value forecast model
Estimation based on the present value of future cash flows

	Mar. 2026	Mar. 2027	Mar. 2028	Mar. 2029	Mar. 2030	Mar. 2031	Mar. 2032	Mar. 2033	Mar. 2034	Mar. 2035	Mar. 2036
Net sales	76.0	78.3	92.6	95.4	110.3	113.6	129.0	144.9	149.2	153.7	158.3
Net sales growth rate	13.1%	3%	18%	3%	16%	3%	14%	12%	3%	3%	3%
Change in net sales	4.1	2.3	14.3	2.8	14.9	3.3	15.4	15.9	4.3	4.5	4.6
Operating profit	5.0	5.3	6.1	6.5	7.4	7.9	8.9	10.0	10.6	11.3	12.1
Operating profit margin	6.58%	6.78%	6.66%	6.86%	6.79%	6.99%	6.95%	6.94%	7.15%	7.36%	7.65%
NOPAT	3.45	3.69	4.29	4.55	5.20	5.52	6.23	6.99	7.42	7.87	8.42
NOPAT margin	4.54%	4.71%	4.63%	4.77%	4.72%	4.86%	4.83%	4.83%	4.97%	5.12%	5.32%
Ratio of invested capital to net sales at the beginning of the year	35.00%	35.00%	36.38%	36.19%	37.06%	36.74%	37.30%	37.62%	37.15%	36.70%	36.35%
Lean ROIC	12.97%	13.47%	12.73%	13.19%	12.74%	13.24%	12.96%	12.83%	13.38%	13.95%	14.64%
WACC	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%
ROIC-WACC	6.92%	7.42%	6.68%	7.14%	6.69%	7.19%	6.91%	6.78%	7.34%	7.90%	8.60%
ROIC/WACC	2.1	2.2	2.1	2.2	2.1	2.2	2.1	2.1	2.2	2.3	2.4
Invested capital at the beginning of the year	26.61	27.40	33.70	34.53	40.86	41.73	48.11	54.50	55.42	56.39	57.53
Excess profit	1.87	2.03	2.25	2.47	2.73	3.00	3.33	3.70	4.07	4.46	4.95
Change in excess profit	1.87	0.16	0.22	0.21	0.27	0.27	0.32	0.37	0.37	0.39	0.49
Perpetual value of change in excess profit	30.91	2.73	3.60	3.54	4.45	4.42	5.36	6.11	6.15	6.43	8.10
Present value factor	1.0	0.9	0.8	0.8	0.7	0.7	0.7	0.6	0.6	0.5	0.5
Present value of perpetual value of change in excess profit	30.91	2.57	3.20	2.97	3.52	3.30	3.77	4.05	3.85	3.79	4.50
Cumulative shareholder value	64.59	67.17	70.37	73.34	76.85	80.15	83.92	87.97	91.82	95.61	100.11
Estimated share price (per share)	¥1,546	¥1,608	¥1,684	¥1,756	¥1,840	¥1,919	¥2,009	¥2,106	¥2,198	¥2,289	¥2,397
Comparison with current share price (times)	1.22	1.27	1.33	1.38	1.45	1.51	1.58	1.66	1.73	1.80	1.89

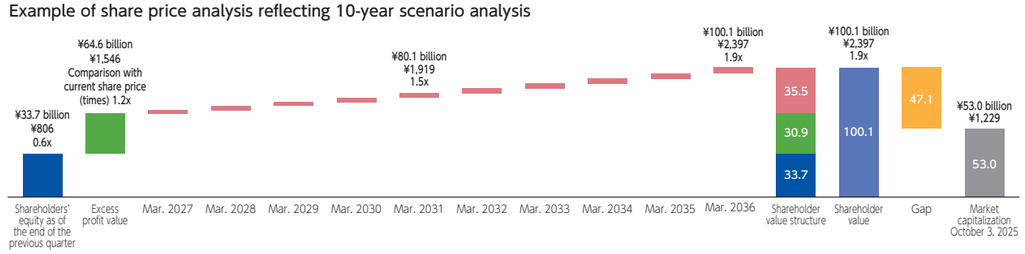
Closing share price as of October 3, 2025	¥1,229
Excess profit value [billions of yen]	30.9
Growth value [billions of yen]	35.5
Shareholders' equity [billions of yen]	33.7

Shareholder value	¥100.1 billion
Share price conversion	¥2,397

Market capitalization October 3, 2025	¥53.0 billion
Closing share price	¥1,229

How many years into the future does the share price take into account?
Bar chart visualizing 10-year shareholder value projection model - stacked bar chart of present value of shareholder value to be generated in the future

Example of share price analysis reflecting 10-year scenario analysis



We believe that engaging in dialogue with investors about our long-term outlook and actively visualizing NITTOC's "value that cannot be seen"—value that has yet to be recognized—through proactive dialogue is crucial for us to be valued on par with the market average. To this end, we will enhance our disclosures of financial results materials and investor relations efforts.

Sustainable value creation through a balance of ROIC management and shareholder returns

Our 2025 model is characterized by the simultaneous realization of active M&A, strict ROIC management, and attractive shareholder returns. By continuously improving the ROIC-WACC spread, we theoretically estimate that we can generate excess profit value of ¥30.9 billion and growth value of ¥35.5 billion, resulting in shareholder value of ¥100.1 billion. This indicates that we can achieve the three ambitious targets (market capitalization of ¥100.0 billion, sales of ¥100.0 billion, and annual employee salaries of over ¥10 million). Although Lean ROIC looks set to temporary decline following the implementation of M&A, we estimate that integration benefits could push Lean ROIC up to 14.6% by the fiscal year ending March 31, 2036. As we also place importance on financial health, and even when flexibly borrowing for M&A, we aim to keep the D/E ratio at around 20%, while maintaining a DOE of 6% or higher and a dividend payout ratio of 40% or higher. The model calculates TSR expected by investors of 8 to 9% per year (breaking down to capital gains of 4 to 5% and a dividend yield of 4 to 5%). We will regularly carry out a simulation for our KPIs to double the dividend from ¥49 per year over 10 years and improve the operating profit margin from 6.6% to 7.7%, and will promote "shareholder value dashboard management" to achieve a value creation strategy that balances growth, profitability, capital efficiency, and shareholder returns.

Growth — Building the everyday world of the future. We continue to play and active role in the world around us while taking great pride in our track record to date

Growth story of employees and the Company
Our values and world view
Our pride comes from what we achieve, precisely in the areas that cannot be seen

Under its management philosophy of sincerely providing technology, precisely in the areas that cannot be seen, NITTOC aims to help enhance Japan's national resilience and realize a sustainable society. Since its establishment in 1947, the Company has established unique grouting technology, starting with dam foundation work, and has now become a leader in various specialized civil engineering fields, boasting more than 200 types of specialized technologies. Its focus is on the fusion of "utilizing technology and management resources" and "solving social issues." To address the social issue of Japan's aging infrastructure, the Company leverages its unparalleled technical capabilities, having handled more than 75% of dams with a height of 100 meters or more. By thoroughly pursuing the quality of foundations in three business areas that cannot be seen, namely slope protection, ground improvement, and repair and reinforcement, the Company protects people's lives from disasters such as earthquakes and torrential rains. It is this steady and straightforward honing of technology that is the source of pride for each and every employee and has shaped the NITTOC brand, which has earned the absolute trust of our customers. The Company is also focusing on the development of environmental conservation technologies, and has developed a construction method that reduces CO_2 emissions by approximately 46%, thereby contributing to the creation of a sustainable society through technological innovation.

Growth story in the real market
Value provided and future market size
Contributing to sustainable urban development and enhancement of national resilience

NITTOC provides value through four key pillars: slope protection business (net sales of approx. ¥30.0 billion, ranking second in the industry), ground improvement business (net sales of approx. ¥20.0 billion, ranking third in the industry), repair and reinforcement business, and overseas business. Its main customers are infrastructure managers such as the Ministry of Land, Infrastructure, Transport and Tourism, local governments, electric power companies, and railway companies, and it provides consistent services from the planning stage through construction and maintenance. In Japan, demand for the large-scale repair of bridges, dams, tunnels, and other structures is expected over the next 10 to 20 years, and the maintenance and repair market is predicted to grow at an annual rate of approximately 3% to 5%. On an annual basis, NITTOC aims to increase TAM to roughly ¥500.0 billion, SAM to roughly ¥200.0 billion, and SOM from the current figure of about ¥73.0 billion to roughly ¥160.0 billion over the next 10 years. It plans to achieve this growth through organic growth as well as its M&A strategy to generate additional sales of roughly ¥40.0 billion to ¥50.0 billion. In 2024, the Company acquired ASO FOAM CRETE, which helped strengthen its technological capabilities in the repair and reinforcement field. On the sales front, it will utilize its nationwide network of bases to deepen long-term relationships with existing customers while also making forays into new markets through the development of new technologies.

Evaluation indicators for assessing the growth story in financial markets
10-year net sales outlook
Expect a 10-year CAGR of 7.6%

FY2026/3	FY2036/3
Orders received [billions of yen]	
76.0	158.3
Growth pattern up to target FY	
Significant changes in each FY growth potential	
Growth pattern after target FY	
Conservative estimate of zero permanent growth rate	
Growth value [billions of yen]	
35.5	

Note: TAM, SAM, and SOM are a method for analyzing market size at three levels. TAM (Total Addressable Market) is the theoretical entire market, SAM (Serviceable Available Market) is the area that a company can approach, and SOM (Serviceable Obtainable Market) indicates the size that can realistically be acquired taking into account the resources of industry rivals and the company itself, and serves as the basis for business planning and investment decisions.

Connection — Providing integrated services from the planning stage to construction, maintenance and management, drawing on the diverse knowledge and skills of experts in fields ranging from geology to civil engineering.

Story of connections among employees and within the Company
Strategy to connect management resources
The ordinary of the future cannot be created with ordinary technology

NITTOC's differentiation lies in its strategic accumulation of intellectual and human capital. With regard to intellectual capital, NITTOC ranks first or second in Japan in patents related to civil engineering technologies and equipment, such as dam grouting technology, its areas of expertise. In particular, its New Sleeve Grouting Method is an innovative technology that reduces material usage and CO_2 emissions by approximately 46% compared to conventional technologies. This technological development capability is supported by a group of engineers with diverse expertise, including geology, civil engineering, and materials engineering. To strengthen its human capital, the Company continually updates its knowledge through training programs for young engineers, on-the-job training at construction sites, and joint research with universities and research institutes. Employees share the value of "pride, precisely in the areas that cannot be seen" and are thoroughly committed to quality. This self-aware learning cycle accelerates technological evolution. In terms of industrial capital, NITTOC's nationwide network of bases and specialized machinery and equipment give it a competitive edge. Meanwhile, in social and related capital, the Company's long-term relationships of trust with the Ministry of Land, Infrastructure, Transport and Tourism, local governments, and electric power companies form the basis for a stable stream of orders. These four types of capital work organically together to create a system that enables the provision of advanced technical services.

Story of connections between management resources in the real market
Dynamics of the business model
Providing comprehensive services, while playing a pivotal role in foundation work for construction and civil engineering

NITTOC's business model functions through its in-house engineering team, specialized machinery and equipment, and strong relationships with its clients as customers. In the cycle from project acquisition to completion, the Company accumulates geological survey data, design know-how, and a construction track record. This creates a learning cycle that leads to quality improvement and cost reduction for the next project. Variable costs mainly consist of material costs and outsourcing costs, but there is also a certain proportion of fixed costs, such as labor costs for specialized engineers and equipment depreciation. Sales growth results in a relative decrease in the proportion of fixed costs, allowing the Company to achieve economies of scale. On the balance sheet, working capital fluctuates according to the order backlog, while fixed assets mainly consist of specialized machinery and equipment and nationwide base facilities. As sales grow, the Company aims to improve its operating profit margin from approximately 6.6% to approximately 7.7% while maintaining a ratio of invested capital to net sales of approximately 35%, thereby increasing Lean ROIC from approximately 13% to approximately 15%. This improvement will be achieved by increasing construction efficiency through remote technology and digitalization, acquiring technical know-how through M&A, and enhancing project management. The efficient use of management resources and improved technical capabilities will create synergies, enabling sustainable profitability improvement.

Evaluation indicators for assessing the story of connections of resources in financial markets
10-year ROIC outlook
ROIC to increase from 13.0% to 14.6%

FY2026/3	FY2036/3
Operating profit margin	
6.6%	7.7%
Ratio of invested capital to net sales (IC/S)	
35.0%	36.4%
ROIC	
13.0%	14.6%
Excess profit value [billions of yen]	
30.9	

Confidence — Toward a sustainable future: We will provide innovative and sustainable solutions to various issues faced by society, including transportation, the environment, and disaster risks. We aim for safer and more comfortable living spaces.

Story of trust among employees and within the Company
Earnings and financial stability
Steadily and reliably generating revenue through enhancing national resilience

The stability of NITTOC's net sales and ROIC stems from the nature of its business and its customer base. In areas such as infrastructure development and disaster recovery, there is planned demand based on public investment and laws and regulations, making the Company less susceptible to economic fluctuations. In particular, dam foundation work and slope protection work require highly specialized skills. As this causes customer switching costs to be extremely high, once customers are acquired, relationships typically continue over the long term. The Company's nationwide network of bases also enables the provision of community-based services and strengthens relationships with customers. The sustainability of its profit margins is ensured by enough cost management and efficient resource allocation. Stable profitability is generated through the appropriate management of fixed costs, detailed cost analysis for each project, and differentiation through technological capabilities. In terms of asset efficiency, the Company achieves a high ROIC by efficiently utilizing management resources such as specialized machinery, equipment, and engineers. NITTOC's sound balance sheet is also an advantage, with a high equity ratio and prudent debt management serving as a robust defense against external environmental changes. With almost no interest-bearing debt, the Company's finances are extremely solid. With infrastructure demand likely to remain stable over the long term, the repair and reinforcement market looks set for continued growth over the next 10 to 20 years. The Company is thus well-positioned to enjoy stable performance in terms of both net sales and profitability.

Story of trust in the real market
Social contribution and governance
Impact in the SDGs domain of specialized civil engineering

NITTOC plays an important social role in supporting the safety and security of local communities through infrastructure development and disaster recovery. In Japan, where natural disasters occur frequently, ensuring the safety of dams and slopes and repairing and reinforcing aging infrastructure are fundamental to protecting the lives and property of its citizens. In terms of the environment, the Company actively develops CO_2 reduction technologies and circular construction methods as part of efforts to contribute to the creation of a sustainable society. A prime example of this is the approximately 46% reduction in CO_2 emissions achieved through its New Sleeve Grouting Method. As for governance, the Company has acquired ISO9001 and ISO14001 certifications, adhering to international standards for quality control and environmental management. It has earned the trust of its stakeholders through management transparency, thorough compliance, and the reinforcement of its risk management system. Its Sustainability Report sets specific KPIs such as CO_2 emissions reduction targets, ensuring occupational safety, developing engineers, and reports the progress thereof. These ESG activities, which gain social support, reduce the risk of bankruptcy and reduce the cost of capital. In addition, passing on technologies through the development of next-generation engineers is also an important contribution to society that will enhance NITTOC's corporate value over the long term. Its technical capabilities and sense of social mission serve as the foundation for sustainable growth.

Evaluation indicators for assessing the story of trust in financial markets
10-year WACC outlook
6.05%

Unlevered β	Risk premium
0.52	8.53%
E (market capitalization) [billions of yen]	D (interest-bearing debt) [billions of yen]
53.01	70.7
COE (cost of equity)	COD (after-tax cost of interest-bearing debt)
6.1%	1.2%
Shareholders' equity [billions of yen]	
33.7	

Pages 133–134 were created using the GCC9BOX™ shareholder value assessment tool, provided by J-Phoenix Research Inc.

Re-Educating Senior Management on Shareholder Value

Senior management training on estimating shareholder value using ROIC/WACC

In preparing this Integrated Report, we invited external experts to provide training to our top management, including the President, on building a detailed financial model using ROIC/WACC.

In this training, specific cases were presented for two businesses, and a long-term analysis was conducted on (1) a business with a high operating profit margin but low capital efficiency, and (2) a business with a low profit margin but exceptionally high capital efficiency, to determine which would contribute more to increasing shareholder value.

Participants deepened their understanding of the importance of ROIC, the meaning and significance of ROIC exceeding WACC, the necessity of long-term analysis, and the importance of effectively communicating these metrics to investors. They also gained a deeper understanding of the importance of considering ROIC in conjunction with net sales, as relying solely on ROIC carries the risk of falling into a contractionary equilibrium.

In addition, we provided training on ROIC and WACC analysis of a peer company to help participants better understand how these metrics relate to indicators such as PER and PBR.

NITTOC's senior management initially believed that proactive capital investment was necessary, based on the observation that a peer company with a high level of capital investment was achieving high profit margins. However, the analysis showed that NITTOC's ROIC was slightly higher than that of the peer company due to better capital efficiency. Nevertheless, they recognized that the peer company had greater value creation capabilities in absolute terms due to its much larger scale. They also understood the importance of increasing our scale through absolute growth, in addition to the growth rate.

Through this training, all senior management came to understand the importance of considering not only profit margins but also capital efficiency, scale, and WACC as a cohesive set.

Based on this understanding, this Integrated Report refers to net sales, ROIC and WACC throughout its content to facilitate investor understanding.

Through these initiatives, we will further strengthen management with a focus on capital cost and share price by aligning it more closely with field operations and organizational levels.

● Financial model used in the training

10-year shareholder value forecast model
Estimation based on the present value of future cash flows

	Mar.2026	Mar.2027	Mar.2028	Mar.2029	Mar.2030	Mar.2031	Mar.2032	Mar.2033	Mar.2034	Mar.2035	Mar.2036
Net sales	76.0	78.3	92.6	95.4	110.3	113.6	129.0	144.9	149.2	153.7	158.3
Net sales growth rate	13.1%	3%	18%	3%	16%	3%	14%	12%	3%	3%	3%
Change in net sales	4.1	2.3	14.3	2.8	14.9	3.3	15.4	15.9	4.3	4.5	4.6
Operating profit	5.0	5.3	6.1	6.5	7.4	7.9	8.9	10.0	10.6	11.3	12.1
Operating profit margin	6.58%	6.78%	6.66%	6.86%	6.79%	6.99%	6.95%	6.94%	7.15%	7.36%	7.65%
NOPAT	3.45	3.69	4.29	4.55	5.20	5.52	6.23	6.99	7.42	7.87	8.42
NOPAT margin	4.54%	4.71%	4.63%	4.77%	4.72%	4.86%	4.83%	4.83%	4.97%	5.12%	5.32%
Ratio of invested capital to net sales at the beginning of the year	35.00%	35.00%	36.38%	36.19%	37.06%	36.74%	37.30%	37.62%	37.15%	36.70%	36.35%
Lean ROIC	12.97%	13.47%	12.73%	13.19%	12.74%	13.24%	12.96%	12.83%	13.38%	13.95%	14.64%
WACC	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%
ROIC-WACC	6.92%	7.42%	6.68%	7.14%	6.69%	7.19%	6.91%	6.78%	7.34%	7.90%	8.60%
ROIC/WACC	2.1	2.2	2.1	2.2	2.1	2.2	2.1	2.1	2.2	2.3	2.4
Invested capital at the beginning of the year	26.61	27.40	33.70	34.53	40.86	41.73	48.11	54.50	55.42	56.39	57.53
Excess profit	1.87	2.03	2.25	2.47	2.73	3.00	3.33	3.70	4.07	4.46	4.95
Change in excess profit	1.87	0.16	0.22	0.21	0.27	0.27	0.32	0.37	0.37	0.39	0.49
Perpetual value of change in excess profit	30.91	2.73	3.60	3.54	4.45	4.42	5.36	6.11	6.15	6.43	8.10
Present value factor	1.0	0.9	0.8	0.8	0.7	0.7	0.7	0.6	0.6	0.5	0.5
Present value of perpetual value of change in excess profit	30.91	2.57	3.20	2.97	3.52	3.30	3.77	4.05	3.85	3.79	4.50
Cumulative shareholder value	64.59	67.17	70.37	73.34	76.85	80.15	83.92	87.97	91.82	95.61	100.11
Estimated share price (per share)	¥1,546	¥1,608	¥1,684	¥1,756	¥1,840	¥1,919	¥2,009	¥2,106	¥2,198	¥2,289	¥2,397
Comparison with current share price (times)	1.22	1.27	1.33	1.38	1.45	1.51	1.58	1.66	1.73	1.80	1.89

Closing share price as of October 3, 2025 ¥1,229

Excess profit value [billions of yen]	30.9
Growth value [billions of yen]	35.5
Shareholders' equity [billions of yen]	33.7

Shareholder value	¥100.1 billion
Share price conversion	¥2,397

Market capitalization as of October 3, 2025	¥53.0 billion
Closing share price	¥1,229

Key takeaways from the training

1. Net sales, ROIC and WACC should be considered as a set.
2. Long-term figures are more significant than short-term figures.
3. Explaining these points to investors is important.

Further sustainability initiatives: maximizing the value of two types of capital

Effective use of invested capital

NITTOC believes that the challenge of creating value from invested capital lies in the effective use of surplus assets. We will reduce surplus funds over the long term by comprehensively considering the following perspectives.

Perspectives	Measures	Impact on surplus cash	Description of measures	Feasibility and risks
Organic growth	Boosting domestic sales growth	Does not increase surplus cash	The current main scenario assumes 3% sales growth over the long term. Achieving a 10% ROIC would generate an average annual cash equivalent of 7% of invested capital. Even with a 50% dividend payout ratio, surplus cash of 3.5% would be generated. To fill this gap, the sales growth rate needs to be increased from 3% to 6.5%. However, we believe it will be difficult to raise the rate further. Therefore, this measure will not increase surplus cash, but it is unlikely to result in a significant reduction in surplus cash.	As labor shortages and environmental impact become more pressing issues, demand for our solutions will increase thanks to our investments in labor-saving technologies and reducing environmental impacts, which will lead to a larger market share and drive sales growth.
	Expanding overseas sales	Decreases surplus cash over the long term	The localization of technology developed in Japan, a disaster-prone country, is expected to significantly increase overseas sales.	The business environment overseas is considerably different from that in Japan, so the risks are greater. Therefore, it is necessary to proceed cautiously while carefully examining the risks.
	Selling machines and materials developed in-house	Decreases surplus cash over the long term	NITTOC will make capital investments to develop various machines and materials designed to address environmental impacts and labor shortages, with the intention of selling them externally.	As the issues of environmental impact and labor shortages become more pressing, there is a possibility that the developed machines and materials will be sold externally. However, since excessive capital investment based on inaccurate demand forecasts poses a risk, it is crucial to make reliable demand forecasts.
M&A	Existing businesses	Decreases surplus cash in a short period of time	Acquire companies in the same industry that are struggling to address the more pressing issues of labor shortages and environmental impact.	With labor shortages and environmental impacts expected to intensify in the future, there is significant potential for M&A opportunities. Acquiring such companies could allow for relatively low purchase prices, which helps reduce the risk of goodwill being inflated.
	Venture capital investment	Decreases surplus cash over the long term	Invest in venture companies that have technologies to address environmental impacts and labor shortages.	Given the high level of risk involved, it is important to adopt a cautious approach by gradually expanding our investment capital, starting with smaller amounts. Additionally, due to a shortage of in-house human resources for venture capital investment, it will be necessary to expand these resources and collaborate with external partners.
Shareholder returns	Increasing dividend payout ratio	Does not increase surplus cash	Distribute dividends based on the difference between long-term ROIC and net sales.	High feasibility and relatively low risk

Effective use of human capital

We recognize that improving the productivity of human capital is critical to enhancing long-term shareholder value. Over the long term, we will work to improve the productivity of our human assets from the following perspectives. We will also consider a compensation system that is linked to the increased value, and strive to simultaneously enhance shareholder value, the value of human capital, and the treatment of employees.

Measures	Actions
Optimizing the proportion of businesses directly linked to value	Classify businesses from the perspective of value creation, define those that contribute more directly to value creation, and consider introducing an IT system to track and manage the proportion of working hours spent on these businesses over the long term.
Optimizing the proportion of our differentiating businesses that are directly linked to value	Once classified from the perspective of value creation, identify the businesses that we will prioritize based on NITTOC's unique qualities, and introduce an IT system to track and manage their proportion over the long term.
Improving the quality of the above businesses	Define the quality of businesses from the above perspective, and consider introducing an IT system to track and manage quality improvement.

Management Members

President & Representative Director
Yasuo Wada

Director
Naoto Kami

Director
Toshikazu Kawaguchi

Director
Atsushi Yamazaki

Director Outside Independent
Naoko Okada

Director Outside Independent
Sayaka Mori

Standing Corporate Auditor
Katsuhiko Takahashi

Standing Corporate Auditor Outside Independent
Tetsuji Awakaku

Director
Fumihiko Kajita

Director
Iwao Aso

Director Outside Independent
Masayuki Watanabe

Director Outside Independent
Katsuo Nakamura

Corporate Auditor Outside Independent
Atsushi Ono

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	Sustainability
Yasuo Wada	President & Representative Director	●	●		●				●		●
Naoto Kami	Director, Senior Managing Officer, General Manager, Safety, Environment & Quality Control Division and responsible for Business Operation Division and Engineering Division	●	●		●				●		
Toshikazu Kawaguchi	Director, Managing Executive Officer and responsible for Corporate Strategy Division and Administration Division	●		●			●				●
Atsushi Yamazaki	Director, Managing Executive Officer, General Manager, Corporate Strategy Division	●	●	●		●					●
Fumihiko Kajita	Director, Managing Executive Officer, General Manager, Business Operation Division, Head of Overseas Business Division	●	●		●			●	●		
Iwao Aso	Director	●		●		●		●		●	
Masayuki Watanabe	Outside Director			●				●			●
Katsuo Nakamura	Outside Director	●		●						●	
Naoko Okada	Outside Director	●		●		●		●			●
Sayaka Mori	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
Sustainability	Contribution to management from experience and expertise in climate change and respect for human rights

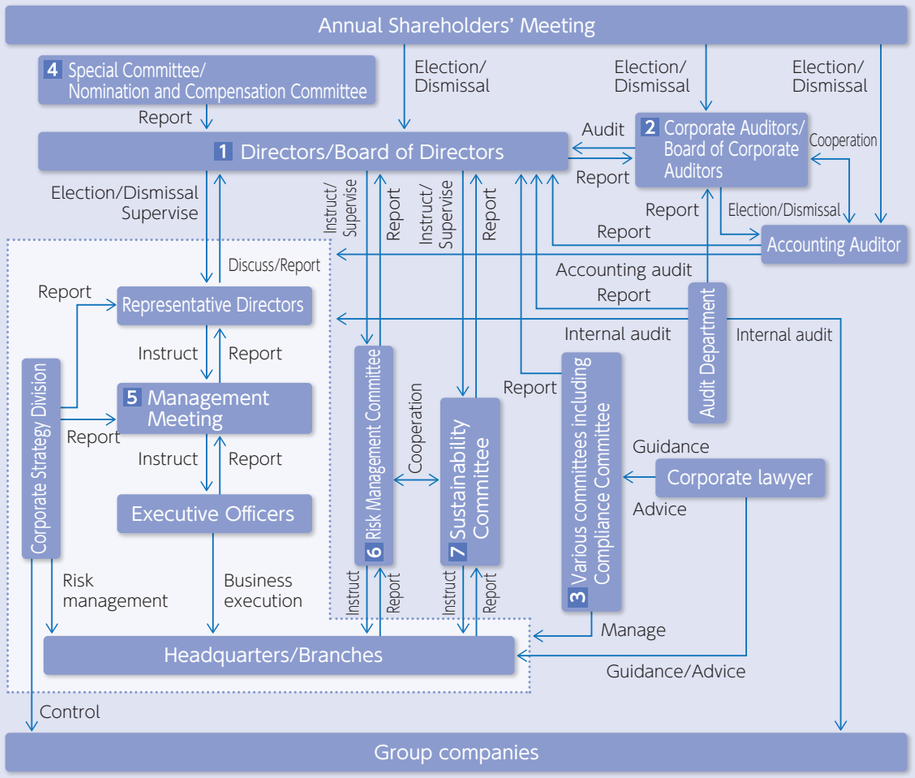
Corporate Governance

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, 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 the transparency and soundness of management through efforts such as continuous corporate development, the acquisition of social credibility, and the prevention 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 the supervision of business operations.



Summary of our corporate governance system

1 Directors/ Board of Directors	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.
2 Corporate Auditors/ Board of Corporate Auditors	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.
3 Compliance Committee	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. As a general rule, meetings are held at least four times a year.
4 Special Committee/ Nomination and Compensation Committee	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 six members: (Chair) Independent Outside Director (Members) President & Representative Director, four (4) independent Outside Directors, one (1) Corporate Auditor
5 Management Meeting	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.
6 Risk Management Committee	In addition to managing the progress of the risk management program in each department, the committee discusses and approves issues and measures related to company-wide risk management. As a general rule, meetings are held at least four times a year.
7 Sustainability Committee	In addition to assessing the risks and opportunities presented by changes in the surrounding environment, the committee identifies materiality (key issues) that affect our operations and discusses measures to address them. As a general rule, meetings are held at least four times a year.

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 2025 for all members of the Board of Directors (ten Directors including four 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 24, 2025. While there are remaining issues, the evaluation was generally positive, including matters such as the balance of internal and outside Directors and Corporate Auditors, the frequency of meetings, the time taken for deliberation, and the content of discussions. 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 responses to this questionnaire also included opinions regarding the Board of Directors composition (knowledge, experience, expertise, gender, etc.) and operation (timing of providing pre-meeting materials), discussions by Directors (improvement of discussion content), monitoring by the Board of Directors (establishment of a risk management system including the entire Group), the provision of training opportunities for officers, and feedback on the status of dialogue with shareholders (investors). In light of these opinions, the Company will work on the early provision of pre-meeting materials, conducting discussions with an awareness of the Medium-Term Management Plan, capital efficiency, and sustainability, and further strengthening the internal control monitoring of subsidiaries. Additionally, we will strive to enhance training for officers by utilizing external seminars and other resources, while also strengthening our information dissemination structure by continuing to hold financial results briefings and establishing a new public relations department within the Corporate Strategy Division. Going forward, the Company's Board of Directors will continue to 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

① Policy for determining the content of compensation, etc. for individual Directors

As an advisory body to the Board of Directors, the Company has established the Nomination and Compensation Committee, which mainly consists of independent Outside Officers (chaired by an independent Outside Director and composed of a majority of independent officers). The committee deliberates on the nomination and compensation of Directors and others for the Company and the NITTOC Group. The policy for determining Directors' individual compensation is determined upon deliberation by the Board of Directors after receiving a recommendation from the Nomination and Compensation Committee. The compensation system is based on the basic policy of improving corporate performance and shareholder value in a sustainable manner. Based on the analysis and advice of external consulting firms, the Company sets compensation levels and systems commensurate with responsibilities that make it possible to recruit and retain outstanding human resources, in comparison with other Japanese companies of a similar industry and scale. Officer compensation is composed of fixed compensation (basic compensation), performance-linked compensation (officer bonuses), and non-monetary compensation. In view of their duties, non-executive Directors and Corporate Auditors are only paid basic compensation. The ratios of fixed compensation, performance-linked compensation, and non-monetary compensation are set to be approximately 70%, 20%, and 10%, respectively, when calculated based on the maximum amount of performance-linked compensation.

② Resolutions of the Shareholders' Meeting regarding compensation, etc. for Directors and Corporate Auditors

At the Annual Shareholders' Meeting held on June 27, 2003, it was resolved that the maximum total annual compensation for Directors shall be ¥300 million. The maximum number of eligible Directors stipulated in the Articles of Incorporation is eleven (11), and the number of Directors at the close of the Shareholders' Meeting was ten (10), including four (4) Outside Directors. Furthermore, in a separate category from such monetary compensation, at the 76th Annual Shareholders' Meeting held on June 23, 2023, it was resolved that monetary compensation claims for the grant of restricted shares shall be up to ¥50 million per annum, and the total number of common shares to be newly issued or disposed of by the Company shall be up to 100,000 shares per annum. The number of eligible Directors (excluding Outside Directors) for the grant of restricted shares at the close of that Annual Shareholders' Meeting was five (5). The lifting of transfer restrictions under this system occurs immediately after the eligible Director's retirement or resignation. At the Annual Shareholders' Meeting held on June 29, 1994, it was resolved that the maximum total annual compensation for Corporate Auditors shall be up to ¥50 million. The maximum number of eligible Corporate Auditors stipulated in the Articles of Incorporation is four (4), and the number of Corporate Auditors at the close of the Shareholders' Meeting was three (3).

③ Delegation of authority for decisions on compensation, etc., to individual Directors

Not applicable.

Reasons for the appointment of Outside Directors

Name	Reasons for appointment and expected roles	Years served	Attendance at the Board of Directors meetings in fiscal 2024
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.	9 years	17/17 (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.	8 years	17/17 (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.	3 years	17/17 (100%)
Sayaka Mori	Sayaka Mori has a wealth of experience as a corporate manager and a career consultant. The Company has appointed her as an Outside Director as it believes that, by making use of her broad insight regarding human resources development, etc., she will be able to appropriately perform her duties as an Outside Director at the Company as well.	1 year	14/14 (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, 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating results												
Net sales	(Millions of yen)	60,703	57,638	57,174	62,943	63,264	65,516	67,955	66,076	72,918	71,880	67,216
Operating profit	(Millions of yen)	4,198	3,465	3,583	4,100	3,970	4,903	5,358	4,523	5,451	4,356	3,679
Ordinary profit	(Millions of yen)	3,905	3,431	3,555	4,119	4,004	4,880	5,419	4,626	5,462	4,397	3,764
Profit attributable to owners of parent	(Millions of yen)	1,664	2,110	2,342	2,688	2,721	3,258	3,500	3,329	3,526	3,066	2,408
Financial position												
Current assets	(Millions of yen)	33,270	33,420	37,161	39,933	39,937	41,003	42,282	42,526	42,431	42,222	40,342
Total assets	(Millions of yen)	42,306	40,385	44,225	48,142	49,048	50,159	51,971	51,712	52,809	54,425	56,946
Current liabilities	(Millions of yen)	19,372	16,429	18,285	19,962	19,633	19,214	18,931	16,790	16,559	16,422	17,547
Net assets	(Millions of yen)	18,116	19,781	21,813	23,256	24,676	26,550	28,800	30,610	32,127	34,037	34,567
Interest-bearing debt	(Millions of yen)	1,255	58	68	1,157	863	573	287	4	0	0	709
Cash flows												
Net cash provided by (used in) operating activities	(Millions of yen)	2,435	△630	2,501	△301	3,108	7,357	1,426	4,750	2,659	4,421	4,513
Net cash provided by (used in) investing activities	(Millions of yen)	△277	1,209	△393	△867	△1,252	△217	△705	△23	△1,788	△2,287	△4,005
Net cash provided by (used in) financing activities	(Millions of yen)	△775	△1,592	△321	△144	△1,624	△1,625	△1,784	△1,785	△2,171	△1,965	△1,961
Free cash flows	(Millions of yen)	2,158	579	2,107	△1,169	1,856	7,140	720	4,727	870	2,134	508
Cash and cash equivalents at end of period	(Millions of yen)	13,698	12,681	14,462	13,114	13,346	18,713	17,722	20,723	19,457	19,644	18,151
Per-share information												
Dividend per share	(Yen)	9.00	10.00	17.00	24.00	30.00	38.00	36.00	40.00	45.00	47.00	48.00
Basic earnings per share	(Yen)	39.08	49.58	55.03	64.13	65.24	78.12	83.93	79.83	84.56	73.49	57.70
Net assets per share	(Yen)	425.56	461.17	509.02	554.76	588.33	632.68	686.19	729.42	763.67	811.40	823.29
Financial indicators												
Return on assets (ROA)	(%)	9.4	8.3	8.4	8.9	8.2	9.8	10.6	8.9	10.5	8.2	6.8
Return on equity (ROE)	(%)	9.7	11.2	11.3	12.0	11.4	12.8	12.7	11.3	11.3	9.3	7.1
Equity ratio	(%)	42.8	48.6	49.0	48.1	50.0	52.6	55.1	58.8	60.3	62.2	60.4
Other												
Capital expenditure	(Millions of yen)	358	443	350	876	1,157	381	381	900	1,352	918	1,386
Depreciation	(Millions of yen)	257	276	284	269	324	380	402	507	583	781	868
Research and development expenses	(Millions of yen)	162	188	201	169	241	372	336	391	387	527	454

Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	77th fiscal year (March 31, 2024)	78th fiscal year (March 31, 2025)
Assets		
Current assets		
Cash and deposits	19,644	18,151
Notes receivable, accounts receivable from completed construction contracts and other	17,992	17,721
Electronically recorded monetary claims - operating	2,979	2,470
Merchandise and finished goods	29	17
Real estate for sale	0	0
Costs on construction contracts in progress	235	349
Raw materials and supplies	698	807
Other	641	825
Allowance for doubtful accounts	–	△1
Total current assets	**42,222**	**40,342**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,632	1,646
Machinery, vehicles, tools, furniture and fixtures, net	1,731	2,320
Land	2,578	5,219
Construction in progress	654	681
Other, net	2	11
Total property, plant and equipment	**6,598**	**9,879**
Intangible assets	**557**	**476**
Investments and other assets		
Investment securities	3,119	4,288
Deferred tax assets	1,555	1,317
Other	393	678
Allowance for doubtful accounts	△21	△37
Total investments and other assets	**5,046**	**6,247**
Total non-current assets	**12,202**	**16,603**
Total assets	**54,425**	**56,946**

	77th fiscal year (March 31, 2024)	78th fiscal year (March 31, 2025)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	12,133	12,359
Current portion of long-term borrowings	–	177
Lease liabilities	–	11
Income taxes payable	658	768
Advances received on construction contracts in progress	980	1,258
Provision for warranties for completed construction	172	171
Provision for loss on construction contracts	248	20
Provision for bonuses	845	1,071
Provision for bonuses for directors (and other officers)	35	9
Other	1,349	1,698
Total current liabilities	**16,422**	**17,547**
Non-current liabilities		
Long-term borrowings	–	519
Retirement benefit liability	3,866	4,126
Provision for retirement benefits for directors (and other officers)	–	77
Other	98	106
Total non-current liabilities	**3,964**	**4,830**
Total liabilities	**20,387**	**22,378**
Net assets		
Shareholders' equity		
Share capital	6,064	6,076
Capital surplus	1,765	1,777
Retained earnings	25,024	25,471
Treasury shares	△3	△4
Total shareholders' equity	**32,850**	**33,321**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	709	655
Foreign currency translation adjustment	56	35
Remeasurements of defined benefit plans	241	359
Total accumulated other comprehensive income	**1,007**	**1,050**
Non-controlling interests	**179**	**196**
Total net assets	**34,037**	**34,567**
Total liabilities and net assets	**54,425**	**56,946**

Consolidated Statements of Income

(Millions of yen)

	77th fiscal year (April 1, 2023 to March 31, 2024)	78th fiscal year (April 1, 2024 to March 31, 2025)
Net sales		
Net sales of completed construction contracts	71,752	67,076
Sales in other businesses	127	139
Total net sales	**71,880**	**67,216**
Cost of sales		
Cost of sales of completed construction contracts	59,102	54,559
Cost of sales in other businesses	69	94
Total cost of sales	**59,172**	**54,653**
Gross profit		
Gross profit on completed construction contracts	12,650	12,516
Gross profit - other business	58	45
Total gross profit	**12,708**	**12,562**
Selling, general and administrative expenses	**8,351**	**8,883**
Operating profit	**4,356**	**3,679**
Non-operating income		
Interest income	10	3
Dividend income	66	125
Patent income	12	8
Foreign exchange gains	17	–
Compensation income	39	–
Other	11	38
Total non-operating income	**157**	**175**
Non-operating expenses		
Interest expenses	13	2
Guarantee commission	42	27
Foreign exchange losses	–	46
Commission for syndicated loans	11	10
Settlement payments	43	–
Other	6	3
Total non-operating expenses	**116**	**90**
Ordinary profit	**4,397**	**3,764**
Extraordinary income		
Gain on sale of non-current assets	8	5
Gain on sale of businesses	99	–
Gain on bargain purchase	–	115
Total extraordinary income	**107**	**121**
Extraordinary losses		
Loss on sale of non-current assets	–	0
Loss on retirement of non-current assets	2	76
Compensation for damage	–	93
Total extraordinary losses	**2**	**171**
Profit before income taxes	**4,503**	**3,714**
Income taxes - current	**1,500**	**1,367**
Income taxes - deferred	**49**	**△92**
Total income taxes	**1,550**	**1,275**
Profit	**2,952**	**2,438**
Profit (loss) attributable to non-controlling interests	**△113**	**30**
Profit attributable to owners of parent	**3,066**	**2,408**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	77th fiscal year (April 1, 2023 to March 31, 2024)	78th fiscal year (April 1, 2024 to March 31, 2025)
Profit	**2,952**	**2,438**
Other comprehensive income		
Valuation difference on available-for-sale securities	571	△54
Foreign currency translation adjustment	59	△32
Remeasurements of defined benefit plans, net of tax	264	116
Total other comprehensive income	**895**	**29**
Comprehensive income	**3,848**	**2,468**
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,946	2,451
Comprehensive income attributable to non-controlling interests	△98	16

Financial Statements

Consolidated Statements of Changes in Net Assets

(Millions of yen)

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,052	1,753	23,918	△2	31,722	138	17	△29	126	278	32,127
Changes during period											
Issuance of new shares	12	12			24						24
Dividends of surplus			△1,960		△1,960						△1,960
Profit attributable to owners of parent			3,066		3,066						3,066
Purchase of treasury shares				△0	△0						△0
Net changes in items other than shareholders' equity					–	571	38	270	880	△98	781
Total changes during period	12	12	1,105	△0	1,128	571	38	270	880	△98	1,910
Balance at end of period	6,064	1,765	25,024	△3	32,850	709	56	241	1,007	179	34,037

Fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,064	1,765	25,024	△3	32,850	709	56	241	1,007	179	34,037
Changes during period											
Issuance of new shares	12	12			24						24
Dividends of surplus			△1,961		△1,961						△1,961
Profit attributable to owners of parent			2,408		2,408						2,408
Purchase of treasury shares				△1	△1						△1
Net changes in items other than shareholders' equity					–	△54	△20	118	43	16	59
Total changes during period	12	12	447	△1	470	△54	△20	118	43	16	529
Balance at end of period	6,076	1,777	25,471	△4	33,321	655	35	359	1,050	196	34,567

Consolidated Statements of Cash Flows

(Millions of yen)

	77th fiscal year (April 1, 2023 to March 31, 2024)	78th fiscal year (April 1, 2024 to March 31, 2025)
Cash flows from operating activities		
Profit before income taxes	4,503	3,714
Depreciation	781	868
Gain on bargain purchase	–	△115
Increase (decrease) in allowance for doubtful accounts	△2	1
Increase (decrease) in provision for warranties for completed construction	2	△0
Increase (decrease) in provision for loss on construction contracts	220	△227
Increase (decrease) in provision for bonuses	△293	204
Increase (decrease) in provision for bonuses for directors (and other officers)	△4	△26
Increase (decrease) in retirement benefit liability	231	161
Loss (gain) on sale of property, plant and equipment	△8	△4
Loss (gain) on sale of businesses	△99	–
Loss on retirement of non-current assets	2	76
Interest and dividend income	△76	△128
Interest expenses	13	2
Foreign exchange losses (gains)	△17	62
Decrease (increase) in trade receivables	869	1,672
Decrease (increase) in costs on construction contracts in progress	48	△109
Decrease (increase) in other assets	△417	△768
Increase (decrease) in trade payables	661	△588
Increase (decrease) in advances received on construction contracts in progress	551	313
Increase (decrease) in accrued consumption taxes	118	△209
Increase (decrease) in other liabilities	△579	908
Subtotal	**6,505**	**5,807**
Interest and dividends received	76	128
Interest paid	△13	△2
Income taxes paid	△2,147	△1,420
Net cash provided by (used in) operating activities	**4,421**	**4,513**
Cash flows from investing activities		
Payments into time deposits	–	△200
Purchase of investment securities	△1,256	△1,191
Purchase of property, plant and equipment	△976	△1,339
Proceeds from sale of property, plant and equipment	0	16
Purchase of intangible assets	△107	△28
Payments for asset retirement obligations	△1	–
Payments of guarantee deposits	△44	△35
Proceeds from refund of guarantee deposits	11	32
Proceeds from sale of businesses	99	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	△1,258
Other payments	△11	△0
Net cash provided by (used in) investing activities	**△2,287**	**△4,005**
Cash flows from financing activities		
Repayments of lease obligations	△5	–
Purchase of treasury shares	△0	△1
Dividends paid	△1,958	△1,960
Net cash provided by (used in) financing activities	**△1,965**	**△1,961**
Effect of exchange rate change on cash and cash equivalents	**18**	**△38**
Net increase (decrease) in cash and cash equivalents	**187**	**△1,492**
Cash and cash equivalents at beginning of period	**19,457**	**19,644**
Cash and cash equivalents at end of period	**19,644**	**18,151**

Figures Used in Corporate Value Analysis Note 1

Structure of ROIC, lean ROIC, and ROE Note 2

(Millions of yen)

Calculation formula	[Number]	Item	FY3/22	FY3/23	FY3/24	FY3/25	target FY3/26
	【1】	Net sales / operating revenue	66,076	72,918	71,880	67,216	76,000
	【3】	Cost of sales ratio	81.6%	81.2%	82.3%	81.3%	80.4%
	【4】	Selling, general and administrative expenses ratio	11.5%	11.3%	11.6%	13.2%	13.1%
	【5】	Operating profit	4,523	5,451	4,356	3,679	5,000
【5】÷【1】=	【6】	**Operating profit margin**	**6.8%**	**7.5%**	**6.1%**	**5.5%**	**6.6%**
	【7】	Depreciation and depletion ratio	0.8%	0.8%	1.1%	1.3%	1.3%
【6】+【7】=	【8】	**EBITDA margin**	**7.6%**	**8.3%**	**7.1%**	**6.8%**	**7.9%**
	【9】	(1 - Effective tax rate)	69.0%	69.0%	69.0%	69.0%	69.0%
	【10】	NOPAT	3,121	3,761	3,006	2,539	3,450
【6】x【9】=	【11】	**NOPAT margin**	**4.7%**	**5.2%**	**4.2%**	**3.8%**	**4.5%**
	【13】	Interest-bearing debt	287	4	0	0	707
【13】÷【1】=	【14】	**Ratio of net sales to interest-bearing debt**	**0.4%**	**0.0%**	**0.0%**	**0.0%**	**0.93%**
	【15】	Shareholders' equity	28,620	30,422	31,849	33,858	34,371
【15】÷【1】=	【16】	**Ratio of net sales to shareholders' equity**	**43.3%**	**41.8%**	**44.4%**	**50.4%**	**45.2%**
【13】+【15】=	【17】	Simple invested capital	28,907	30,426	31,849	34,511	35,078
【17】÷【1】=	【18】	**Ratio of net sales to simple invested capital**	**43.7%**	**41.9%**	**44.4%**	**51.3%**	**46.2%**
【11】÷【18】=	【19】	**Simple ROIC**	**10.8%**	**12.4%**	**9.4%**	**7.5%**	**9.8%**
	【21】	Total assets	51,971	51,712	52,809	54,425	56,946
	【22】	Liquidity on hand[3]	8,260	9,087	8,969	8,402	9,500
	【23】	Other current assets[4]	24,560	21,803	22,974	22,578	22,191
	【24】	Current liabilities excluding interest-bearing debt	18,650	16,790	16,559	16,422	17,359
【22】+【23】−【24】=	【25】	Net working capital	14,170	14,100	15,384	14,558	14,332
【25】÷【1】=	【26】	**Ratio of net sales to net working capital**	**21.4%**	**19.4%**	**21.4%**	**21.7%**	**18.9%**
	【27】	Goodwill	0	0	0	0	0
【27】÷【1】=	【28】	**Ratio of net sales to goodwill**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
	【29】	Investment securities	974	417	1,040	3,119	4,288
	【30】	Deferred gains or losses on hedges	0	0	0	0	0
	【31】	Revaluation reserve for land	0	0	0	0	0
	【32】	Foreign currency translation adjustment	-34	3	17	56	35
【21】−Cash and deposits+【22】−【24】−【25】−【27】−【29】−【30】−【31】−【32】=	【33】	Net non-current assets	8,749	8,766	9,321	9,028	12,281
【33】÷【1】=	【34】	**Ratio of net sales to net non-current assets**	**13.2%**	**12.1%**	**13.0%**	**13.4%**	**16.2%**
【25】+【27】+【33】=	【35】	Lean invested capital	22,919	22,866	24,705	23,586	26,613
【35】÷【1】=	【36】	**Ratio of net sales to lean invested capital**	**34.7%**	**31.5%**	**34.4%**	**35.1%**	**35.0%**
【11】÷【36】=	【37】	**Lean ROIC**	**13.6%**	**16.4%**	**12.2%**	**10.8%**	**13.0%**
	【38】	Profit	3,329	3,526	3,066	2,408	3,350
【38】÷【15】=	【39】	**ROE**	**11.6%**	**11.6%**	**9.6%**	**7.1%**	**9.7%**
【37】÷【19】=	【40】	**Lean/simple ROIC ratio**	**1.26**	**1.33**	**1.29**	**1.44**	**1.32**

Note 1: Compiled from FactSet data with assistance from J-Phoenix Research Inc. The data covers all listed companies. WACC estimated based on stock price data for the past five years. On company target basis. Invested capital calculated on the basis of the end of the most recent fiscal year. The figures used on this page are theoretically processed to accurately calculate shareholder value and may differ from their respective general definitions. At NITTOC, the Simple ROIC used as a KPI is calculated on a period-end basis for the sake of clarity. However, as the above figures are based on the beginning of the period, there is a discrepancy with the ROIC mentioned in the main text.
Note 2: All balance sheet related figures are those at the beginning of the fiscal year (the end of the previous fiscal year). Shareholders' equity calculated using the formula, "net assets - non-controlling interests"
Note 3: Liquidity on hand = Net sales ÷ 12 × 1.5 (Only cash and deposits equivalent to 1.5 months of monthly sales are included. If the balance of cash and deposits is less than this value, all cash and deposits are treated as cash on hand.)
Note 4: Calculated as current assets minus short-term securities minus cash and deposits.
Note 5: There are discrepancies as figures are based on rounded numbers from the Annual Securities Report.

Calculation of WACC

(%, millions of yen)

β[1]

	【1】	Attributes of VI[2]	NITTOC observation figure[3]	NITTOC adjusted figure[5]	Industry weighted average[4]	NITTOC observation figure[3]	NITTOC adjusted figure[5]	Industry weighted average[4]
	【2】	VI	101.51	121.16	127.86	101.51	121.16	127.86
	【3】	Attributes of correlation coefficient	Industry weighted average[4]	Industry weighted average[4]	Industry weighted average[4]	NITTOC observation figure[3]	NITTOC observation figure[3]	NITTOC observation figure[3]
	【4】	Correlation coefficient	43.1	43.1	43.1	55.3	42.5	55.3
【2】x【4】=	【5】	Unlevered β[6]	43.8	52.2	55.1	56.2	51.4	70.8
	【6】	Debt effect coefficient[7]	100.8	100.8	100.8	100.8	100.8	100.8
【5】x【6】=	【7】	Levered β[8]	44.1	52.7	55.6	56.7	51.4	71.4

COE : Cost of equity

	【8】	Risk premium[9]	8.53	8.53	8.53	8.53	8.53	8.53
	【9】	RFR[10]	1.61	1.61	1.61	1.61	1.61	1.61
【7】x【8】+【9】=	【10】	COE	5.38	6.11	6.35	6.45	6	7.7

COD : Cost of debt

	【12】	Pretax interest rate[11]	1.76	1.76	1.76	1.76	1.76	1.76
	【13】	Effective tax rate	31	31	31	31	31	31
【12】×(1−【13】)=	【14】	COD	1.22	1.22	1.22	1.22	1.22	1.22

WACC: Weighted average cost of capital

	【15】	E=Market capitalization	53,890	53,890	53,890	53,890	53,890	53,890
	【11】	D=Interest-bearing debt	707	707	707	707	707	707
	【16】	E/(E+D)	98.7	98.7	98.7	98.7	98.7	98.7
	【17】	D/(E+D)	1.3	1.3	1.3	1.3	1.3	1.3
【11】x【17】+【11】x【14】=	【18】	WACC	5.5	6.0	6.2	6.3	6.0	7.6
	【19】	Values adopted in this report		●				

Source: Compiled by JPR from FactSet data. The data covers all listed companies. WACC estimated based on stock price data for the past five years. On company target basis. Invested capital calculated on the basis of the end of the most recent fiscal year.
1: β[1] is a coefficient obtained by regressing the daily returns of individual stock prices over the past five years by the TOPIX daily return.
2: VI[2] stands for volatility index and is defined as standard deviation of the dependent variable ÷ standard deviation of the explanatory variable. As there is a relationship of β = VI × the correlation coefficient of the dependent variable and the explanatory variable, it is calculated by the formula β ÷ correlation coefficient = VI.
3: The observation figure[3] is the data estimated by regression analysis over the past five years.
4: Weighted average[4] is the value weighted by the coefficient of determination, an index that shows the level of explanatory power of the regression equation. Fully explained when the coefficient of determination is 1. Completely irrelevant if the value is 0.
5: Adjusted figure[5] is the figure adjusted by the normal distribution of the standard deviation of the VI of all listed companies multiplied by 60%. Based on the assumption of regression to more central values.
6: Unlevered β[6] is a figure that removes the leverage effect of debt.
7: Debt effect coefficient[7] is an adjustment coefficient to remove the leverage effect of corporate debt. Calculated by the following formula for each company: 1 + (1 - t) * D / E = lβ / uβ. Where u indicates unlevered (no debt). "l" indicates levered.
8: Levered β[8] is the figure obtained by multiplying unlevered β by the debt effect coefficient. The increase in shareholder value fluctuation risk due to debt is taken into account.
9: Risk premium[9] is set at 5% for market capitalization of 800 billion yen or more and 9% for market capitalization of 5 billion yen or less, with sloped allocation according to market capitalization applied for all others. Based on the assumption that risks vary according to the size. Set as a number that increases the coefficient of determination in regression analysis.
10: RFR[10] (risk-free rate) is set by taking into consideration such factors as the average of 10-year JGB yields over the past five years.
11: Pretax interest rate[11] is calculated from the average balances of interest-bearing debt at the beginning and end of the fiscal year, interest expenses, and the effective tax rate.

Corporate Overview and Stock Information (As of March 31, 2025)

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	¥6,076 million
Stock exchange	Tokyo Stock Exchange Prime Market
Number of employees	1,196 persons

Status of Stock

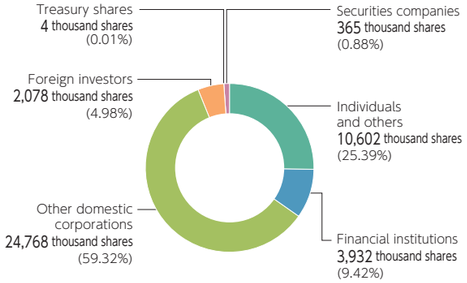
Total number of authorized shares	50,000,000 shares
Total number of issued shares	41,753,765 shares (including 4,738 treasury shares)
Number of shareholders	17,808 persons

Major shareholders

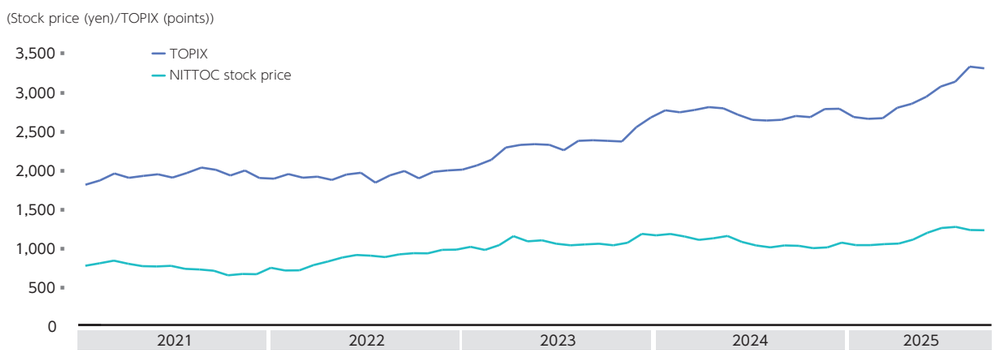
Name	Number of shares held (thousand shares)	Shareholding ratio (%)
AN Holdings Corp.	24,155	57.85
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,679	6.41
NITTOC Employee Shareholding Association	1,350	3.23
Custody Bank of Japan, Ltd. (Trust Account)	1,053	2.52
NITTOC Shareholding Cooperative Association	497	1.19
BNYM RE BNYMLB RE GPP CLIENT MONEY AND ASSETS AC	400	0.95
Masato Takeuchi	275	0.65
BNYM AS AGT/CLTS NON TREATY JASDEC	135	0.32
THE BANK OF NEW YORK MELLON 140040	133	0.31
BNYM SANV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	123	0.29

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.

● Number of shares by shareholder



Stock Chart



Group Companies

ASO FOAM CRETE Co., Ltd.
36-1, Kariyado, Nakahara-ku, Kawasaki-shi, Kanagawa 211-0022, Japan TEL: +81-44-422-2061

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	4F, 5F, 6F, Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	TEL: +81-3-5645-5050
Sapporo Branch	7F, 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	2F, 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	8F, Nagoya Sanzo Bldg., 1-16-6, Sakae, Naka-ku, Nagoya-shi, Aichi 460-0008, Japan	TEL: +81-52-202-3211
Osaka Branch	10F, Sanyo Senko Kawaramachi Bldg., 2-2-7, Kawaramachi, Chuo-ku, Osaka-shi, Osaka 541-0048, Japan	TEL: +81-6-6232-2109
Hiroshima Branch	7F, Wako Inarimachi Bldg., 2-14, Inarimachi, Minami-ku, Hiroshima-shi, Hiroshima 732-0827, Japan	TEL: +81-82-506-2109
Kyushu Branch	8F, Chofu Hakata Business Center, 9-20, Tsunabamachi, Hakata-ku, Fukuoka-shi, Fukuoka 812-0024, Japan	TEL: +81-92-271-6461
Direct Control Grout Division	5F, Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	TEL: +81-3-5645-5111
Overseas Business Division	5F, 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, Saitama, Chiba, Yokohama, Nagano, Toyama, Kanazawa, Fukui, Sado, Joetsu, Gifu, Shizuoka, Mie, Keiji, Kobe, Nawa, Takamatsu, Matsuyama, Kochi, Tottori, Matsue, Okayama, Yamaguchi, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa	
Sub-branch	Noto	
Laboratory	Tojo	
Equipment Centers, etc.	Chuo (Saitama), Eniwa, Natori, Toyama, Koshoku, Haibara, Tojo, Hiroshima, Tosu, Grout/NITTOC Sashima General Center/NITTOC Hasuda General Center