NITTOC CONSTRUCTION CO., LTD.

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NITTOC
NITTOC CONSTRUCTION CO., LTD.

Integrated Report 2024

CONTENTS

What is NITTOC?

Value Creation Growth Story

Sustainability

Databook

Editorial Policy

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

Guidelines

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

Period Covered by This Report

April 1, 2023 to March 31, 2024
(The report also includes some activities before and after this period.)

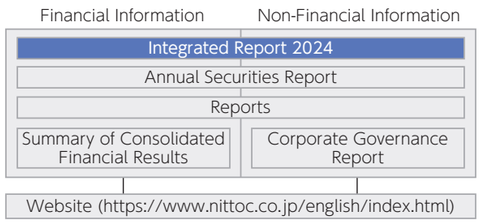
Scope of This Report

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 and 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

Belief System

Management Philosophy

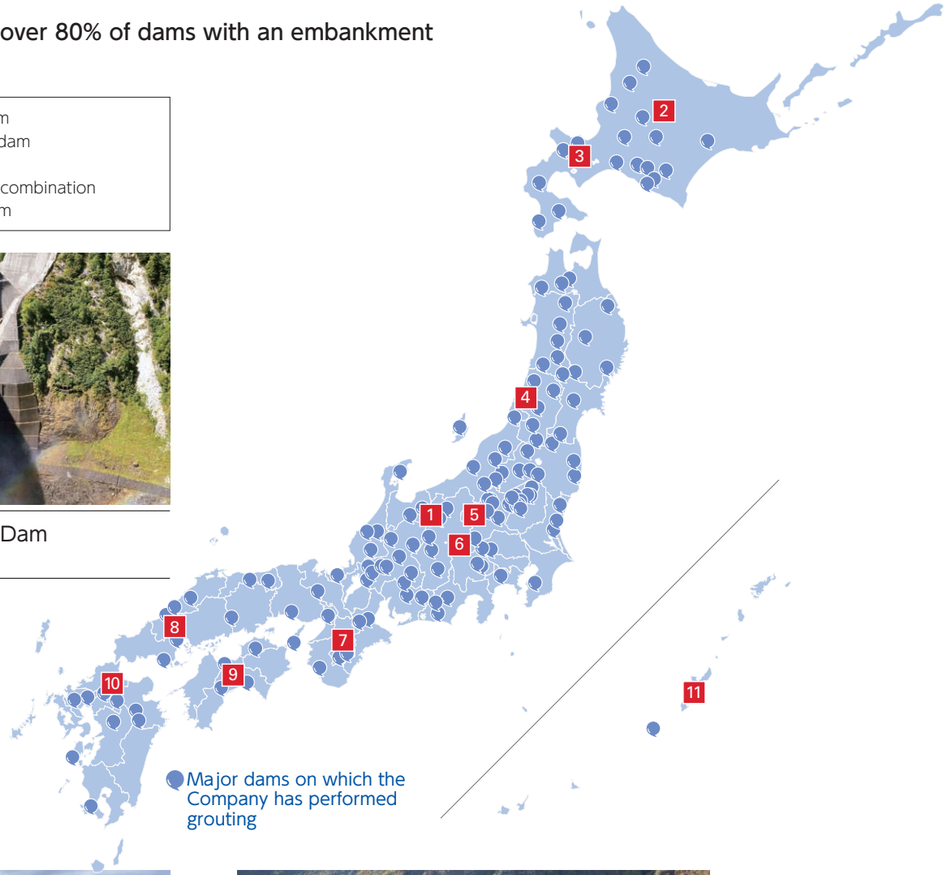
Dam Performance

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

NITTOC has been performing grouting on major dams in Japan since its establishment in 1947.
We have in fact worked on over 80% of dams with an embankment height of 100 m or more.

Type of Dam	
	G Concrete gravity dam
	A Arch-type concrete dam
	R Rockfill dam
	GF Concrete gravity/fill combination
	CSG Trapezoidal CSG dam

1 Toyama Prefecture Kurobe Dam
A Embankment: 186 m



2 Hokkaido Chubetsu Dam
GF Embankment: 86 m

3 Hokkaido Houheikyo Dam
A Embankment: 102.5 m

4 Yamagata Prefecture Gassan Dam
GF Embankment: 123 m

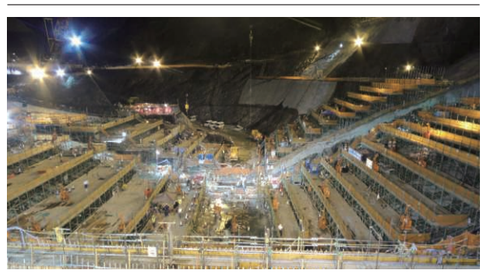
5 Gunma Prefecture Yamba Dam
G Embankment: 116 m

6 Nagano Prefecture Minamiaiki Dam
R Embankment: 136 m

7 Nara Prefecture Otaki Dam
G Embankment: 100 m

8 Hiroshima Prefecture Nukui Dam
A Embankment: 156 m

9 Kochi Prefecture Sameura Dam
G Embankment: 106 m



10 Fukuoka Prefecture Koishiwaragawa Dam
R Embankment: 139 m

11 Okinawa Prefecture Kin Dam
CSG Embankment: 39 m

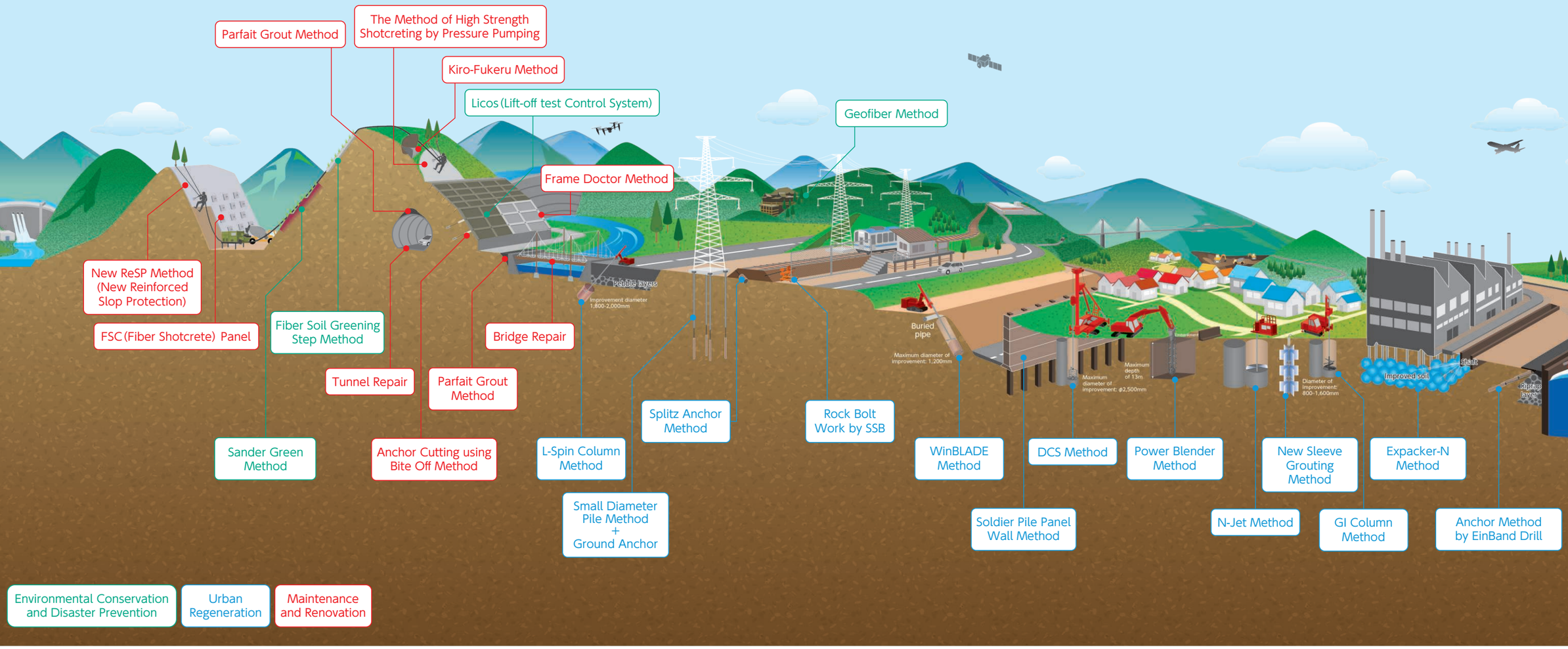
Business development from dam foundation work

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.



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-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 construction centered on environmental conservation and disaster prevention projects, cultivated through comprehensive technical capabilities in foundation construction, 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, w 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 the technology for 80% of the dams 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

What is NITTOC?

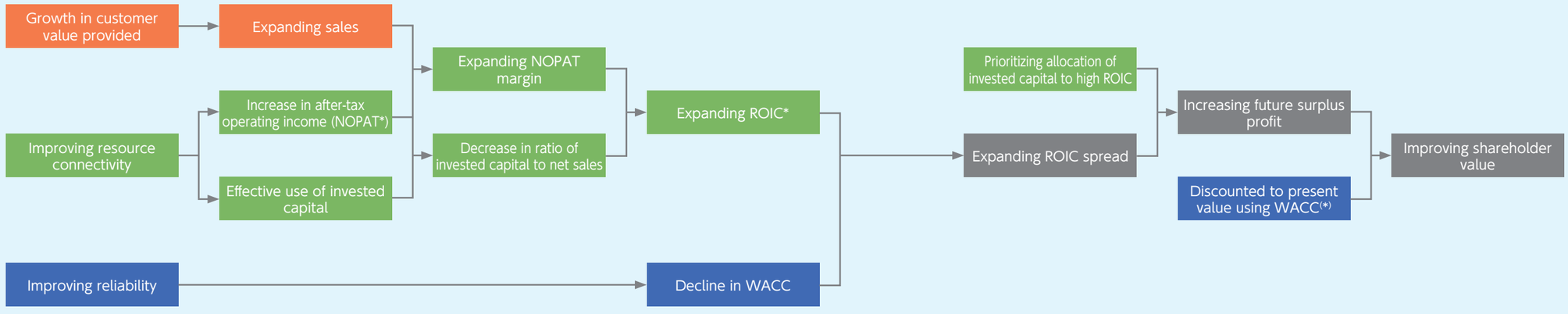
NITTOC's management philosophy and ability to deploy technology

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 income x (1 - effective tax rate)) / (shareholders' equity + interest-bearing debt). Operating income 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 income - 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 waterproofing, 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

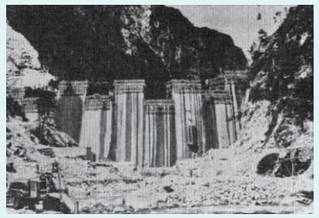
Growth Period

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 100m.

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

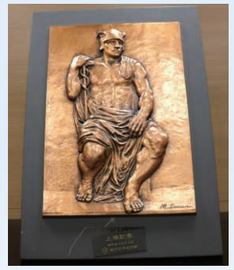
Events

■ 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 obtained ISO 9001 certification
  October 2001: The Nagoya Branch 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.

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

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:** Listed on the Prime Market of the Tokyo Stock Exchange
- **January 2023:** Completed construction of Minamiboso PDC

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**

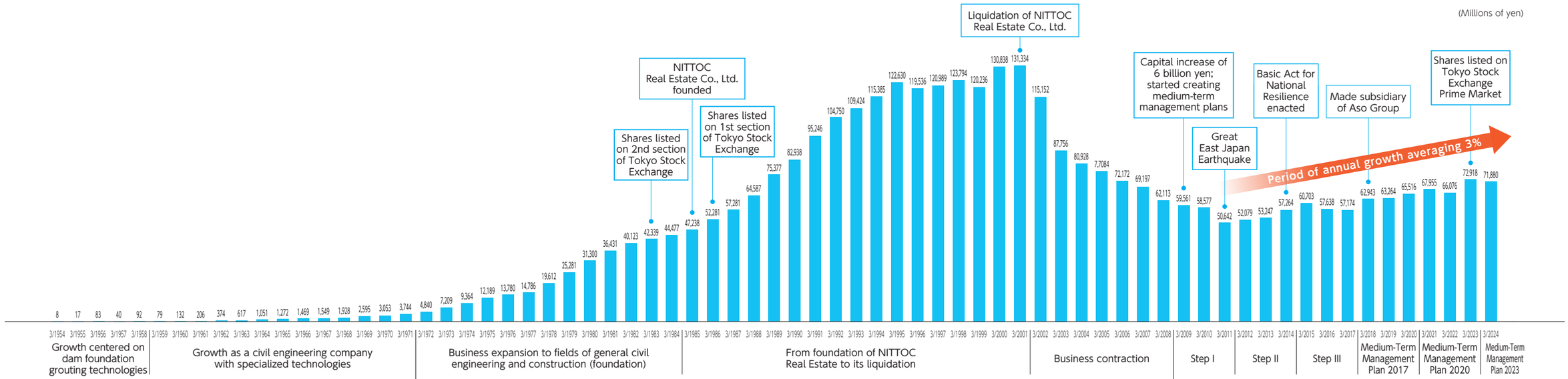
Looking Back on Medium-Term Management Plans So Far

Medium-Term Management Plan		Medium-Term Management Plan [Step I] Creation of a Newborn NITTOC	Medium-Term Management Plan [Step II] Establishment of Stable Management Foundations	Medium-Term Management Plan [Step III] Challenge for Growth	Medium-Term Management Plan 2017 Next Challenge Stage I	Medium-Term Management Plan 2020 Next Challenge Stage II	Medium-Term Management Plan 2023 Next Challenge Stage III
		FY2008 to FY2010	FY2011 to FY2013	FY2014 to FY2016	FY2017 to FY2019	FY2020 to FY2022	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.	During this period, the Company established 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 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, 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 20% (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% • Strengthen sales in the repair field • Expand 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 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) Target of return to shareholders • 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) Business 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) Target of return to shareholders 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 • Increased 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 → 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) Business 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) Target of return to shareholders 1) Dividend payout ratio (40% or higher)→ 53.2% in fiscal 2022	Orders received and net sales in fiscal 2023: Orders received for foundation and ground improvement works and slope protection works decreased year on year, and overall orders received were ¥73,861 million (down 1.5% year on year). Net sales were ¥71,880 million (down 1.4% year on year), roughly on par with the previous fiscal year. Operating profit decreased by 20.1% year on year to ¥4,356 million due to orders for large-scale, unprofitable construction projects. PBR was 1.3 as of September 25, 2024. Dividends are expected to increase from the previous fiscal year.
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 ground 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.	In the first fiscal year of the plan, results were generally lower than the average set under the plan. In addition to the impact of the reactionary decrease in sales after the large-scale projects in the previous fiscal year, profit margin also declined due to the impact of redoing plans in new and challenging fields that we took on. 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

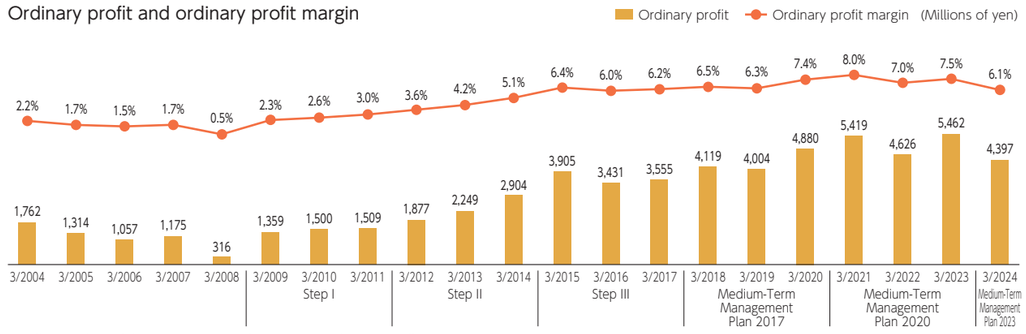
Net sales have grown at a steady pace of 3% annually since 2011 (after the Great East Japan Earthquake) in response to the government policy to enhance national resilience. Profit margins have been improving over a long term. Interest-bearing debt has dropped significantly and the Company has built a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

Historical net sales since founding

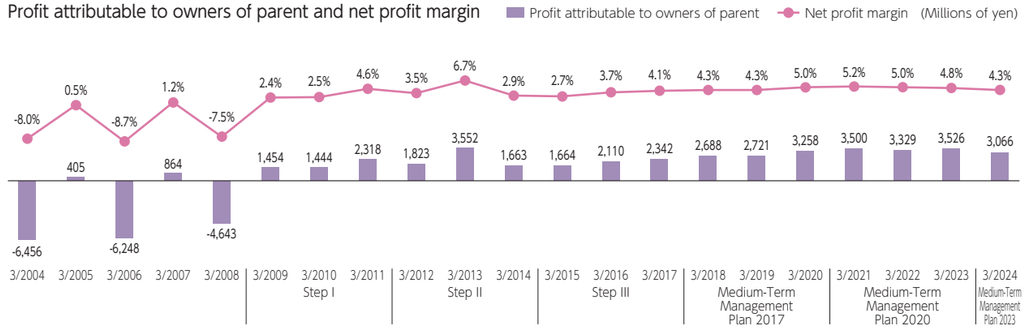


Historical profits and balance sheet items over past two decades

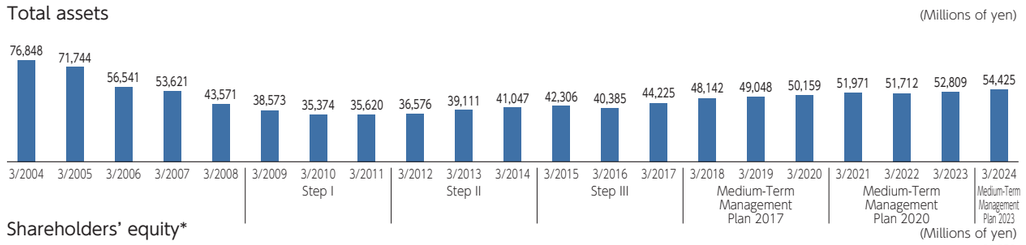
Ordinary profit and ordinary profit margin



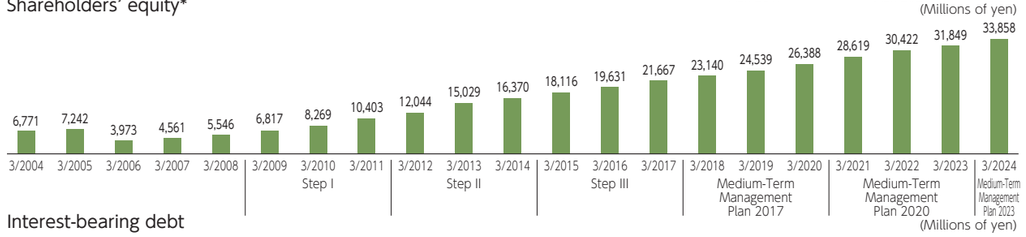
Profit attributable to owners of parent and net profit margin



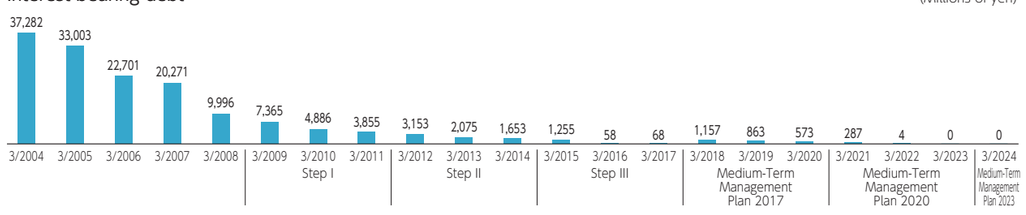
Total assets



Shareholders' equity*



Interest-bearing debt



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

Industry scale growth potential: Stable growth at about 3% Growth drivers are the labor shortage, national land resilience, and the environment

Japan's Construction Market Outlook and NITTOC's Strategy

The forecast for Japan's construction market is for steady growth at an annual rate of about 3%. Significant changes are about to occur, however, in such areas as response to the labor shortage, national land resilience (constructing safe, secure national land, maintenance and renovation), and response to the environment (climate change, resource conservation, and environmental disaster prevention). We believe that companies that are extremely competent in these areas will achieve higher growth. NITTOC will address the labor shortage through ICT, mechanization, and remote control, and strengthen its handling of national land resilience and the environment by focusing on intellectual and human capital in specialized civil engineering fields including slope protection and ground improvement, where it has established one of the best track records in Japan.

The term "specialized civil engineering" refers to complex civil engineering projects that require advanced technology. Examples of such projects include construction to prevent slope rockfall, collapse, and landslides; slope greening; reinforcement of soft ground; renovation and reinforcement of facilities to extend service life; and environmental measures. This field plays a key role in the areas of land resilience and the environment.

Ground Improvement Market Outlook

Ground reinforcement is important in ensuring structural safety and stability. This is an important business area in addressing national land resilience and the environment, and is expected to grow at a rate surpassing that of the construction market overall. We aim for a higher growth rate than the market through our ability to address the labor shortage, to cope with national land resilience, and to respond to environmental issues.

Slope Protection Market Outlook

The goal of slope protection is to stabilize slopes and prevent landslides. Like ground improvement, this is an important business domain for dealing with national land resilience and the environment, and is expected to achieve a higher rate of growth than the construction market overall. The company aims to grow faster than the market on the strength of a strategy resembling that of ground reinforcement.

What is the National Land Resilience Plan?

Past initiatives

The National Land Resilience Plan is an initiative to prepare Japan for large-scale natural disasters including earthquakes, typhoons, and tsunamis, and to transform national land, regions, and social economy into a structure that is more resilient in the face of these disasters. The legal framework was established in 2014, following the Great East Japan Earthquake. The first plan was created in 2014. In addition, the "Three-Year Emergency Response Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience" and other measures formulated to promote national land resilience have been implemented, and the national government is cooperating with municipalities in implementation. The year 2026 will mark the final year of the "Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience" launched in 2021.

Future Outlook

The Ministry of Land, Infrastructure, Transport and Tourism (https://www.mlit.go.jp/page/content/001760274.pdf) has announced its budget request for fiscal 2025, currently under deliberation by the Cabinet Secretariat. To ensure continuous, stable, and seamless progress in our efforts after FY2025, the study for the "Medium-term Plan for Implementation of National Land Resilience" is being accelerated to the maximum extent possible, including evaluation of the implementation status of measures. The plan may be formulated as early as FY2024. The objective of this plan is to preserve life, mitigate damage, and realize swift recovery and reconstruction in the event disaster strikes. The background of the National Land Resilience Plan is Japan being situated in a region prone to natural disasters including earthquakes, extreme winds, flooding, and volcanic eruptions. The risk always exists of large-scale disasters such as the Noto Peninsula earthquake, disasters caused by linear precipitation zones and typhoons, which are increasing in frequency and scale, as well as earthquakes along the Nankai Trough, earthquakes directly under the Tokyo metropolitan area, and eruptions of Mt. Fuji, and there is concern regarding the tremendous human and economic losses associated with this. Given these circumstances, expectations are that public efforts for national land resilience will continue over the medium to long term.

Construction Market Growth Factors and Future Outlook

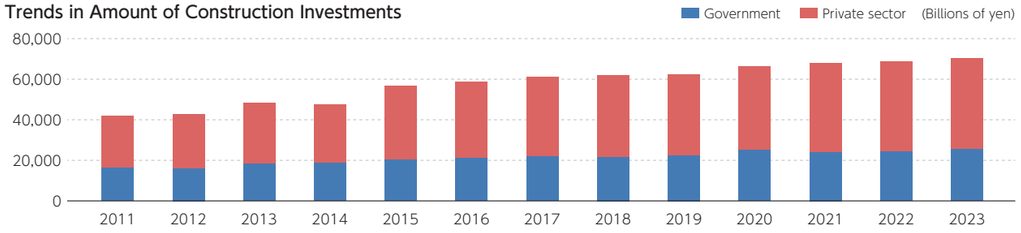
Aging of infrastructure and demand for maintenance

One of the Japanese construction market's key drivers of growth is the need to maintain and renovate aging infrastructure. Japan aggressively promoted infrastructure development during the period of high economic growth, but today finds those facilities and infrastructure in need of renewal and renovation. As social infrastructure such as highways, bridges, and water supply and sewage systems in particular are directly related to the lives of residents, the maintenance and management of this infrastructure is viewed as a national priority, and public investment in this area is on the rise.

Transition to Sustainable Development and Green Building

Demand for sustainable development and green building is increasing in line with the growth in environmental awareness. Major trends in the construction industry going forward will include energy conservation, the use of renewable energy, and the adoption of environmentally friendly construction materials. Demand for sustainable buildings and infrastructure in particular is expected to continue growing, driven by government-led environmental incentives and increasingly stringent regulations. Investments in these types of technologies and projects that consider the environment open up new eco-friendly markets and bolster corporate competitiveness, while also encouraging long-term growth.

Trends in Amount of Construction Investments



Source: "Construction Investment Outlook for Fiscal 2024," Ministry of Land, Infrastructure, Transport and Tourism (https://www.mlit.go.jp/report/press/content/001760431.pdf)
*The graph is based on the FY2024 Construction Investment Outlook Summary, and the format has been adjusted for presentation.

Specialized civil engineering market: Growth expected to surpass that of the overall construction market due to the National Land Resilience Plan

(Billions of yen)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Average annual growth rate
Budget	3,609.4	4,335.1	3,669.8	3,716.5	3,828.7	3,960.9	4,045.5	4,403.6	4,557.7	4,745.5	5,213.1	6,433.7	
Growth rate		120.1%	84.7%	101.3%	103.0%	103.5%	102.1%	108.9%	103.5%	104.1%	109.9%	123.4%	105.4%

Source: Cabinet Office, Government of Japan, Budget Taxation System for Building National Resilience website
The table was created by citing figures for each fiscal year from the following URL: https://www.cas.go.jp/jp/seisaku/kokudo_kyoujinka/yosan.html

Impact of the National Resilience Plan on Ground Reinforcement and Slope Protection

The construction market as a whole is forecast to grow at about 3% annually, but the specialized civil engineering projects that NITTOC Corporation handles—such as slope protection—are seen growing at a comparatively higher rate due to the impact of the National Resilience Plan. The National Resilience Plan is a federal project, the aim of which is to heighten infrastructure durability in preparation for natural disasters such as earthquakes and typhoons. Its budget continues rising at an annual rate in excess of 5%. This plan is expected to heighten demand for specialized civil engineering work including the prevention of slope disasters and the development of infrastructure in mountainous regions, as well as for slope protection and ground improvement, which are domains of NITTOC Corporation's business.

Slope protection and ground improvement are at the core of disaster countermeasures and infrastructure preservation, and demand technical expertise in specialized civil engineering fields. Since FY2011, NITTOC has steadily achieved a compound annual growth rate (CAGR) of around 3%.

In addition to increased government budgets for national land resilience, it is believed that countermeasures for aging infrastructure and dealing with disaster risk will generate long-term demand. As a result, NITTOC's sales should continue to grow steadily. Assuming the National Land Resilience Plan will continue for the next decade, NITTOC can be expected to continue to achieve a CAGR of 3% over that period, and perhaps even surpass that rate.

Key points for achieving sustainable shareholder value growth over the next 10 years

Achieving growth in sales through growth in customer value provided	Assuming that the national land resilience policy continues for 10 years, NITTOC's sales should maintain a 3% average annual growth scenario, with the potential for further upside.
Improving ROIC through improved resource connectivity	Enhance human capital by bolstering expertise and technical capabilities, and heighten the efficiency of invested capital, including the effective use of surplus cash and cash equivalents, to improve ROIC.
Reducing WACC through improved trust	By contributing to the sustainable development of society and the environment through environmentally friendly national land resilience, trust in NITTOC will increase and the WACC will fall.

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 2023)

NO.2 industry share in slope protection work

Ranking	Company name	Net sales (Millions of yen)	YoY
1	RAITO KOGYO	30,944	(7.3)%
2	**NITTOC**	**30,824**	**(6.0)%**
3	Toko Geotech	9,479	(10.4)%
4	IBIDEN GREENTEC	7,633	(6.8)%
5	Japan Foundation Engineering	6,084	(9.3)%

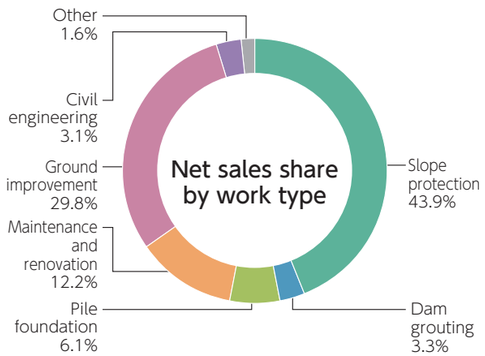
* Non-consolidated net sales from the September 2024 issue of Nikkei Construction

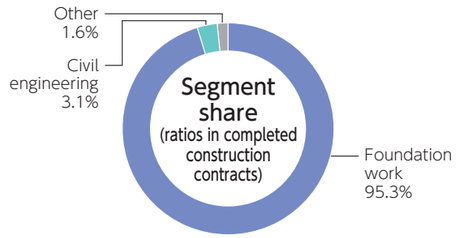
● Ground improvement work (fiscal 2023)

NO.3 industry share in ground improvement work

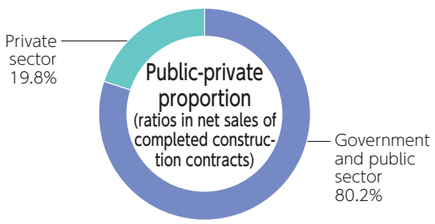
Ranking	Company name	Net sales (Millions of yen)	YoY
1	RAITO KOGYO	42,995	5.2%
2	Fudo Tetra	38,508	6.5%
3	**NITTOC**	**20,692**	**3.1%**
4	Onoda Chemico	16,457	(0.7)%
5	Chemical Grouting	11,793	21.3%

* Non-consolidated net sales from the September 2024 issue of Nikkei Construction

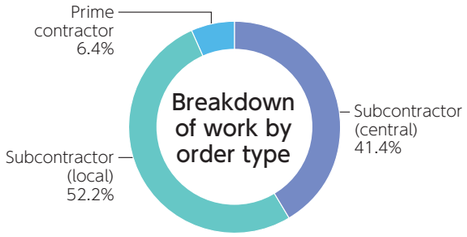




Foundation work such as slope protection and ground improvement work accounts for over 90% of the total work of the Company.



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): 2022: 34,055; 2023 (Fiscal year): 31,553

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): 2022: 21,743; 2023 (Fiscal year): 21,448

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): 2022: 6,605; 2023 (Fiscal year): 8,734

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): 2022: 4,712; 2023 (Fiscal year): 4,389

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): 2022: 2,490; 2023 (Fiscal year): 2,386

Civil engineering

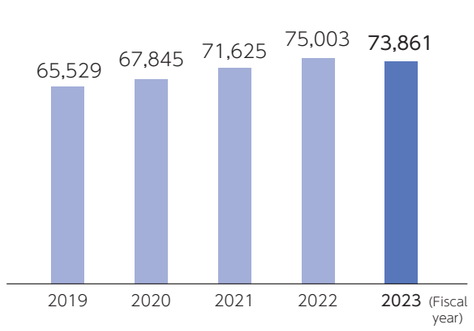
We handle the full range of civil engineering work for water and sewerage systems such as pipe jacking, tunnels, bridges, and land development.
In recent years, we have also been building up a track record of pipe-jacking construction projects overseas.

Net sales (Millions of yen): 2022: 2,100; 2023 (Fiscal year): 2,209

Financial and Non-Financial Highlights

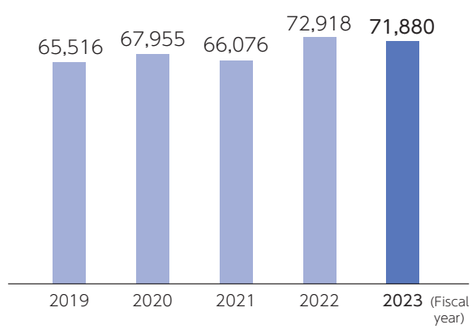
Orders received (consolidated)

¥73,861 million



Net sales (consolidated)

¥71,880 million

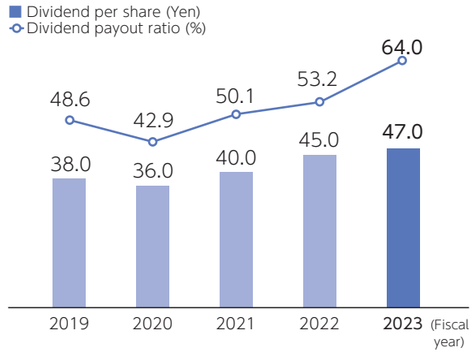


Dividend per share

¥47.0

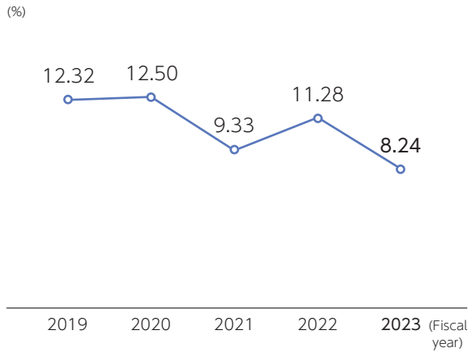
Dividend payout ratio

64.0%



ROIC

8.24%

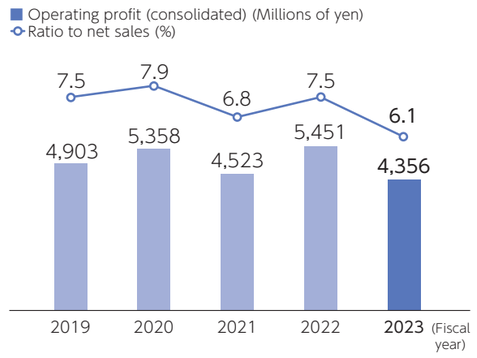


Operating profit (consolidated)

¥4,356 million

Ratio to net sales

6.1%

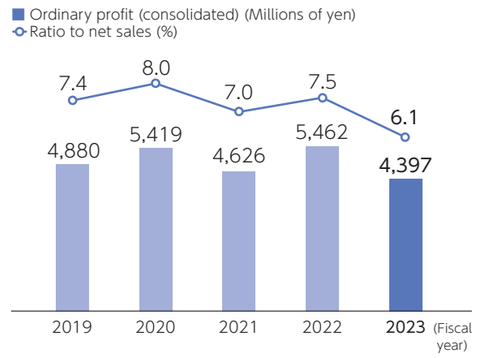


Ordinary profit (consolidated)

¥4,397 million

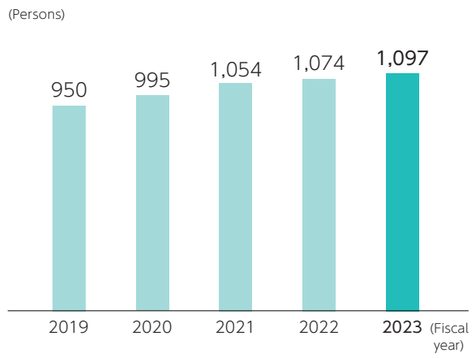
Ratio to net sales

6.1%



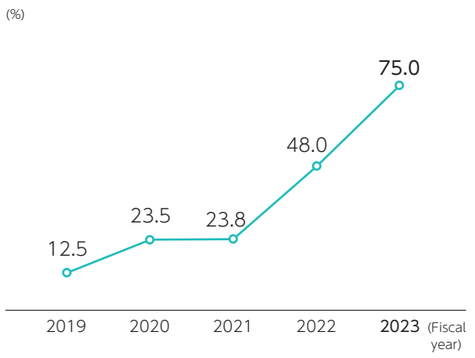
Number of employees

1,097



Childcare leave acquisition rate

75.0%

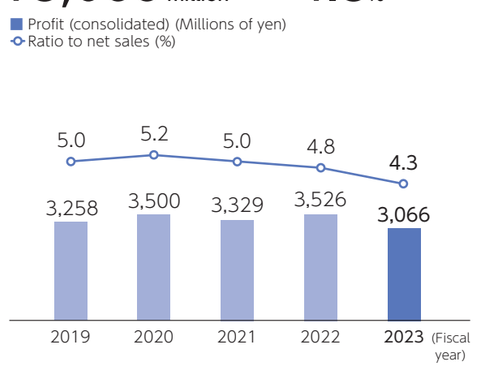


Profit (consolidated)

¥3,066 million

Ratio to net sales

4.3%

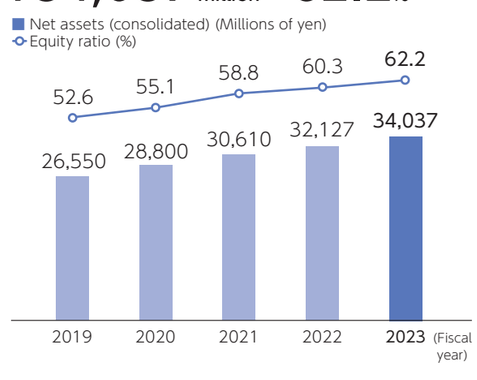


Net assets (consolidated)

¥34,037 million

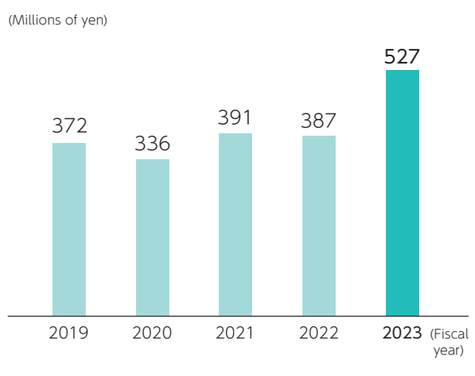
Equity ratio

62.2%



Research and development expenses

¥527 million

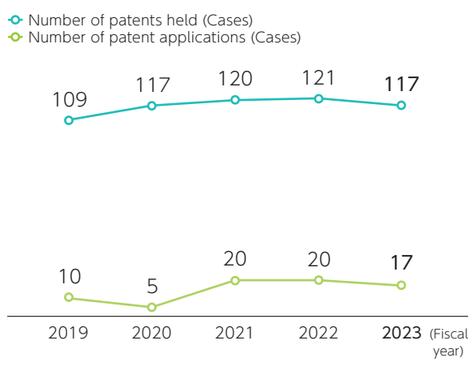


Number of patents held

117

Number of patent applications

17



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		Creation of corporate value through the construction of a patent portfolio
Slope protection	Ground anchors	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
	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	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
Ground improvement	Products containing hydraulic cement other than calcium sulfate	

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	E02D17/20	E02D17/18	E02B3/12	E02D3/12	C04B28/02
International Patent Classification (IPC)	Ground anchors	Stabilization of slopes and sloping land	Wall and embankment construction	Revetment of dikes, dams, waterways and similar structures	Ground strengthening through the application of solidifying or gap-filling material into the ground	Products containing hydraulic cement other than calcium sulfate
Company A	73	276	13	9	214	11
NITTOC	**132**	**179**	**38**	**22**	**171**	**16**
Company B	4	25	—	—	22	—
Company C	8	53	—	8	—	—
Company D	67	33	1	—	87	1
Main technologies based on patents	• Anchors for the seismic reinforcement of dams • Licos • Aki-Mos • Load Releaser	• 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	• High-Grade Soil • Flood slope protection, greening • Water barrier structures for disposal sites	• New Sleeve Grouting Method • Expacker-N Method • N-Roll Column Method • Ultrafine Cement • CDM-EXCEED • Dynamic injection into bedrock • Grouting management system	• Parfait Grout Method • Kiro-Fukeru Method

- The above data is as of May 31, 2024.
- 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

Kamiudo Bridge Park Municipal Road Improvement Project

Isahaya City, Nagasaki Prefecture

The project consisted of cut slope reinforcement work on the north slope of Isahaya Park, associated with the city road widening work. The Isahaya City Shiroyama Warm-region Grove, a nationally designated natural monument, covers the entire hill in Isahaya Park. We therefore implemented slope protection works using the Geofiber Method and the KAERUDO-Green Method, which enabled us to restore the area to match the surrounding landscape.

Client
Isahaya City

Orderer
YAMAMOTO KENSETU

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, five 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

Kajiyado Municipal Road Disaster Recovery Project (Stage 2)

Gujo City, Gifu Prefecture

In July 2020, landslide disasters occurred in various parts of Gifu Prefecture due to heavy rain. At this site, soil and sand flowed into the road due to the collapse of the slope and block area caused by the landslide, completely blocking the road. We mainly installed ground anchors in the affected slope.

Client
Gujo City

Orderer
K.K. Maeda Doboku

Kuji North Area Disaster Prevention Project

Kuji City, Iwate Prefecture

The project was a restoration project on the slopes of the Hachinohe and Kuji Expressways that were damaged by heavy rain in August 2022. In a location where the Expressway was on the upper part of the slope and the Hachinohe Line on the lower part, ground anchor works and sprayed frames were constructed using a temporary monorail and cable crane.

Client
Ministry of Land, Infrastructure, Transport and Tourism
Tohoku Regional Development Bureau
Sanriku National Highway Office

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

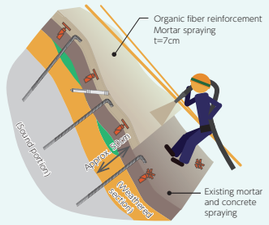
NITTOC contributes to achieving the Sustainable Development Goals (SDGs). Based on our management philosophy of providing a safe and secure society and contributing to countries through comprehensive technical capabilities in foundation work and efficient management, we are engaged in addressing social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

Developing and maintaining social infrastructure

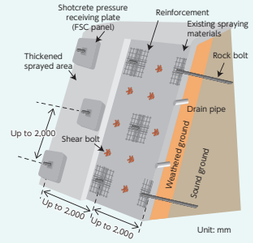
Spreading technology to improve the functions of social infrastructure and extending its lifespan Soundness evaluation and countermeasures for slope structures

● 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

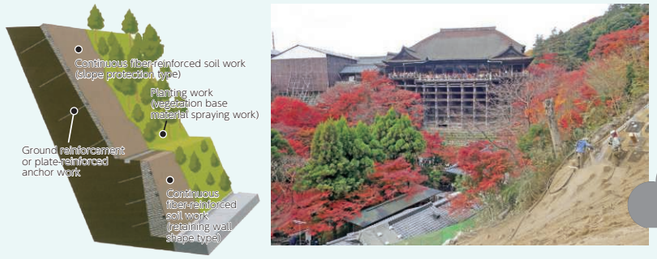
In the site development work on Yonaguni Island ordered by the Okinawa Defense Bureau, the following issues were encountered in the context of efforts to conserve the precious ecosystem and natural environment of the island.

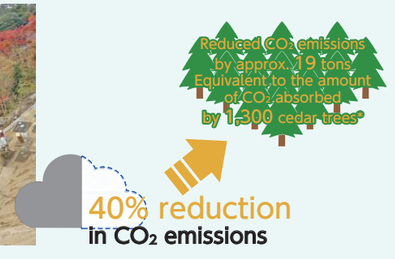
- No plants or soil could be brought onto the island
- Soil removed during site development (topsoil) should be reused
- Construction waste materials could not be taken off the island.
- Red clay could not be spilled into the sea.
- The construction had to be capable of withstanding severe weather conditions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

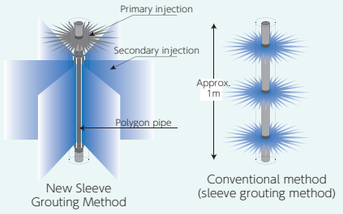
The Geofiber Method is used to protect slopes in place of concrete spaying. Because the soil is reinforced with fibers and sand, it does not require the use of cement, which emits a large amount of CO_2. As a result, it is possible to reduce CO_2 emissions by 40% compared with concrete spaying, which 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.

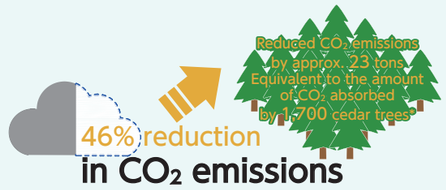




New Sleeve Grouting Method

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 20-30m in height) absorbs about 14kg 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

Wakuraku Shot	Technology that mechanizes the spraying work of frame spraying	9 11 12
JET-Track.Nav [Tranavi]	Technology that utilizes ICT for jet grouting work	9 11
N-Roll Column Method	Ground improvement method combining high-pressure jet mixing with mechanical mixing	9 11
SGZAs	Drilling machine guidance system	9 11
JeSP Method	Method using resin spraying to prolong the life of existing sprayed slopes	9 11
GeOrchestra	3D sharing system for anchor construction information	9 11

ICT Utilization and Mechanization

Slope Savior	Labor-saving technology using specialized spray attachments for sprayed slopes	9 11 12
Shot Savior	Spray plant automation and labor-saving technology	9 11 12
Slope 3D	Technology that creates a three-dimensional model of the slope surface from drone photographs	9 11
Grout Conductor	Chemical grouting control and monitoring equipment	9 11 12
Grout Producer	Automatic injection control system with displacement suppression	9 11 12
ISD Grouting	Grouting management system that enables real-time, remote confirmation of injection status, schedules, and daily reports	7 9 13 15

Maintenance and Renovation

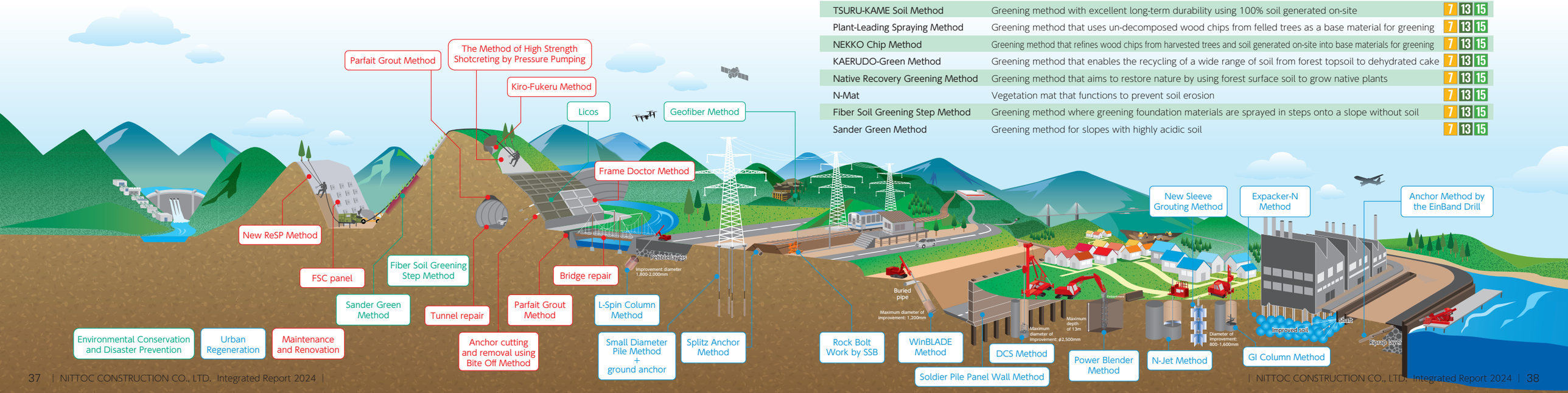
Frame Doctor Method	Preventive maintenance method for frame spraying	9 11
EGN Anchor Method	Ground reinforcement method suitable for embankment ground	9 11
New ReSP Method	Method for renewing deteriorated sprayed slopes without replacing them	9 11 12
Shotcrete Pressure Receiving Plate Method (FSC Panel)	Method for reinforcing slopes by combining shotcrete pressure-receiving plates and ground-strengthening earthworks	9 11 12
Bite Off Method	Japan's first method for cutting and removing anchored steel wire	9 11
Parfait Grout Method	Cavity filling method where anti-washout flexible grout is injected under automatic control	9 11
Kiro-Fukeru Method	Method that enables mortar spraying at 18N/mm² or more over a long distance (1 km) under pressure	9 11
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	9 11
Load Releaser	Device for safely removing the load of an existing nut-type anchor	9 11
Slope Doctor	Technology for diagnosing the soundness of deteriorated sprayed slopes	9 11

Urban Regeneration

Grout Conductor	Chemical grouting control and monitoring equipment	9 11 12
Grout Producer	Automatic injection control system with displacement suppression	9 11 12
New Sleeve Grouting Method	Chemical grouting method for high-speed, high-quality ground improvement over a long penetrative grouting section	9 11 13
Expacker-N Method	Liquefaction countermeasure injection method that enables large-capacity, rapid construction	9 11
GI Column Method	Mechanical mixing method that can be applied even in narrow areas	9 11
Power Blender Method	Middle-depth layer mixing method using a trencher-type mixing machine	9 11
CDM-EXCEED Method	Φ1,600 2-axis large bore deep mixing method	9 11
WinBLADE Method	Improved ground mixing method using underground expansion blades, enabling horizontal and oblique construction	9 11
DCS Method	Deep-layer mixing method with opposite direction mixing for hard ground	9 11
N-Jet Method	High-pressure injection mixing method enabling a wide range of design improvement sizes and excellent economy	9 11
SUPERJET Method	High-pressure injection mixing method for creating high-quality, large-diameter piles at high speed	9 11
L-Spin Column Method	High-pressure injection combined-use mechanical mixing method using underground expansion blades to enable the diagonal construction method or the wrapping construction method	9 11
MX Grout	Turbid ground-grouting material made mainly from blast furnace slag	9 11
Ultrafine Cement	Cement-based ground grouting material with high permeability close to that of a solution	9 11
Hy Glanz Drill	Large bore drilling machine with twin head specifications (rotary percussion head and rotary head)	9 11
Ein Band Drill	One of the largest double-pipe drilling machines in Japan, capable of drilling to a depth of 130m	9 11
SSB(Short Span Boring)	One of the smallest double-bore drilling machines in Japan that is capable of drilling holes with a width of 1.5m	9 11
Re-Born Pile Method	Method for horizontally cutting and removing existing piles and underground structures	9 11
Small Diameter TEP Pile Method	Construction method that can create piles with high load-bearing capacity under various conditions	7 13 15
Soldier Pile Panel Wall Method	Retaining wall construction method that combines soldier piles and concrete panels	9 11 13
Splitz Anchor Method	Enlarged diameter anchor method that enables anchoring to soft ground	9 11
DSS Ground Survey Technology	Technology to measure ground conditions in real-time from various data during drilling	9 11
Building Anchor technology	Anchoring methods that prevent structures from becoming dislodged or overturning during earthquakes	9 11

Environmental Conservation and Disaster Prevention

Geofiber Method	Method that protects slopes and the environment through ground reinforcement using sand and fiber	7 13 15
Licos	Ground anchor testing and tension management system	9 11
Aki-Mos	Anchor tension monitoring system that can be attached to existing anchors	9 11
NINJA panel	Pressure receiving plate for rock bolts made from 100% recycled plastic	9 11 13
TSURU-KAME Soil Method	Greening method with excellent long-term durability using 100% soil generated on-site	7 13 15
Plant-Leading Spraying Method	Greening method that uses un-decomposed wood chips from felled trees as a base material for greening	7 13 15
NEKKO Chip Method	Greening method that refines wood chips from harvested trees and soil generated on-site into base materials for greening	7 13 15
KAERUDO-Green Method	Greening method that enables the recycling of a wide range of soil from forest topsoil to dehydrated cake	7 13 15
Native Recovery Greening Method	Greening method that aims to restore nature by using forest surface soil to grow native plants	7 13 15
N-Mat	Vegetation mat that functions to prevent soil erosion	7 13 15
Fiber Soil Greening Step Method	Greening method where greening foundation materials are sprayed in steps onto a slope without soil	7 13 15
Sander Green Method	Greening method for slopes with highly acidic soil	7 13 15



New Technologies

Here, we present newly developed technologies and technologies under development.

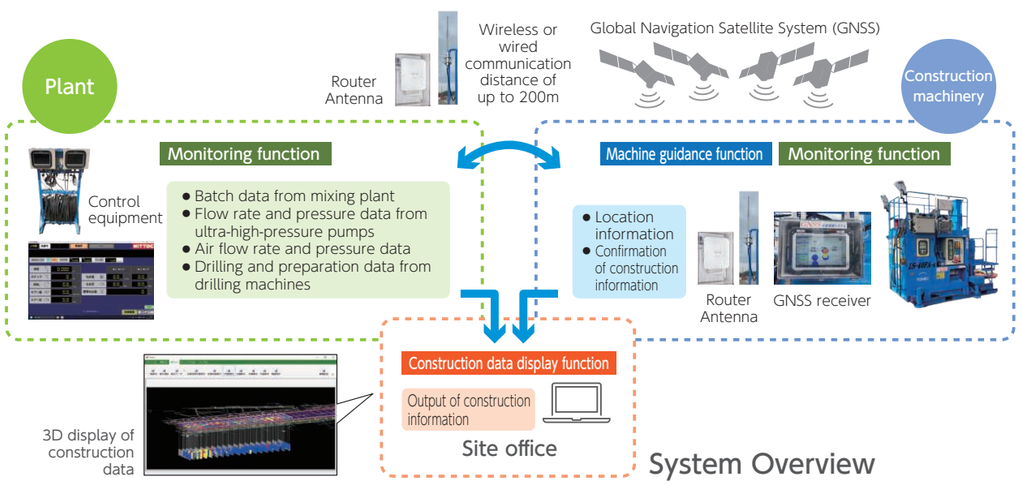
Technology that mechanizes the spraying work of frame spraying — Wakuraku Shot

Wakuraku Shot mechanizes spraying work in frame spraying. A spraying frame is constructed by spraying mortar onto the formwork installed on the slope using a backhoe with a dedicated spraying attachment.

Through mechanized spraying, we have realized labor savings in spraying work and increased the volume sprayed. This method is expected to be more effective for spray-coated frames that have a large cross-section.

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

JET-Track. Nav [Tranavi] is a system that enables users to visualize the status of jet grout construction using ICT. Its machine guidance function, monitoring function, and construction data display function enable accurate and safe construction management.

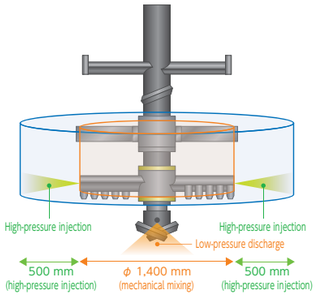


System Overview

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.

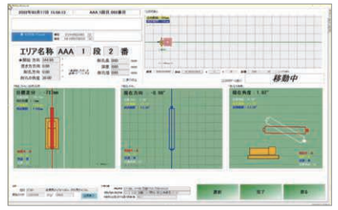
- High-pressure injection enables adhesion between ground improvement materials, existing structures and retaining walls
- High-pressure injection enables the lapped construction of ground improvement materials
- More economical construction is possible because large-diameter improvement can be achieved using a small machine with high mobility
- Standard improved diameter: ϕ2,400mm



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

Drilling machine guidance system — SGZAs

SGZAs is a system that uses a network RTK-GNSS positioning system and an inclination sensor to measure the position, direction and angle of a drilling machine in real-time with high accuracy. It enables machine guidance in non-vertical construction such as ground anchors. It is expected to improve productivity by eliminating the need for the transit and other surveying work previously required when installing drilling machines.

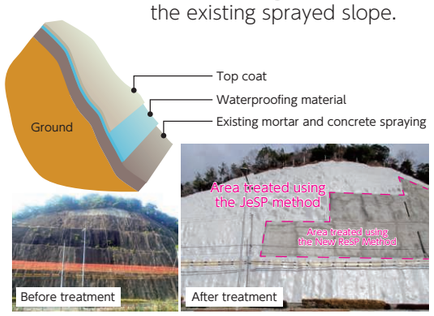


[Elemental technologies]
- Location information: Network RTK-GNSS positioning
- Drilling direction: GNSS, Gyro
- Drilling angle: Uniaxial inclination sensor

JeSP Method for surface protection by resin spraying

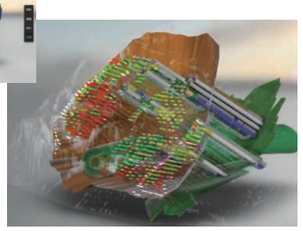
The JeSP Method uses a mechanized spray system to spray super-fast-curing polyurethane resin-coated waterproofing material that extends the service life of existing sprayed surfaces.

In addition to the New ReSP Method and our lineup of other products, we propose the most appropriate countermeasure according to the condition of the existing sprayed slope.



GeOrchestra 3D sharing system for anchor construction information

We have developed a system to share ground anchor construction information in three dimensions. The system is installed at ground anchor construction sites to enable the real-time sharing of construction information.



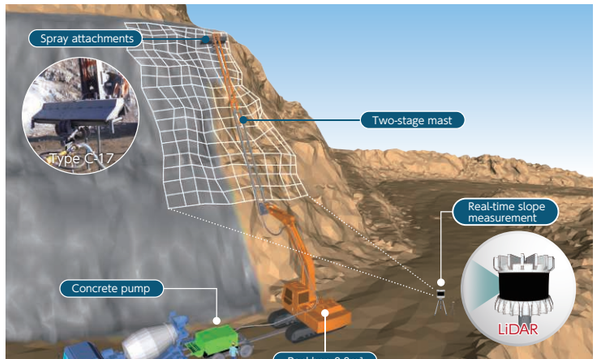
*This system is a technology developed jointly with HAZAMA ANDO CORPORATION

Improving Operational Efficiency through ICT Utilization and Mechanization

Labor-saving technology for slope spraying — Slope Savior

NETIS No.KT-220070-A

Slope Savior is a mortar spraying method that can be expected to significantly improve productivity through robotic construction using spraying attachments and backhoes. Compared with conventional manual spraying work, this system significantly shortens the construction period and enables labor and personnel savings. It is also possible to measure spray thickness in real time using LiDAR. We are currently developing a system to automatically create construction management documents based on these measurement results.

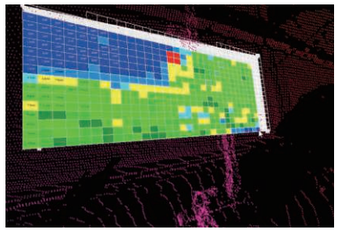


- **No manual slope work required**
  The mechanization of spraying work eliminates manual slope work, which poses a risk of falling.
- **40–70% reduction in construction period***
  The use of a large-capacity concrete pump increases the spraying capacity to around three to five times that of manual spraying work, resulting in a significant reduction in construction periods.
- **50–80% labor saving***
  Through centralized operation using mechanization and ICT, the number of construction personnel required during spraying is reduced to three or four. This, together with the effect of shorter construction periods, enables the realization of significant labor savings.
- **Can also be applied for greening methods***
  Large-volume spraying is also possible with environmentally friendly greening methods.

*The results may differ significantly depending on the site conditions

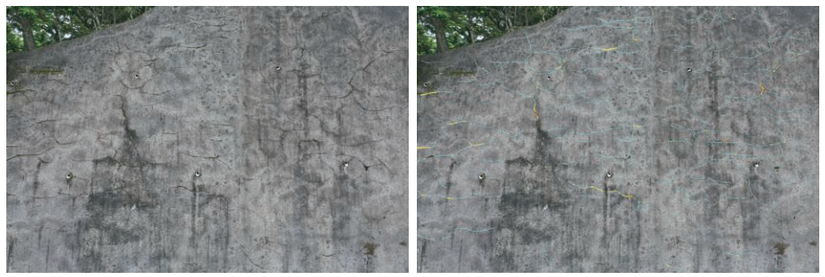

During spraying


Spray attachment


Example of measurement results of spray thickness using LiDAR

Using AI to investigation cracks on slopes

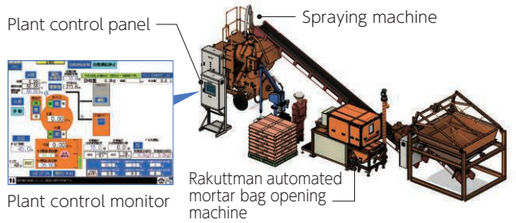
The automatic detection of large cracks in a slope through images such as those taken using a drone makes it easier to confirm the slope's safety. For flat concrete structures such as bridges and walls, AI can detect cracks from photographs. Development is underway to enable automatic detection of cracks even on uneven slopes or those covered with vegetation.


Example of automatic crack detection using AI

Automation and labor-saving technology for spraying plants — Shot Savior

Shot Savior is a technology that achieves automation and labor-saving in spraying plants. In the past, it was difficult to automate the operation of spraying machines because many of the operations of spraying machines in the spraying industry depended on the senses of skilled workers.

The Shot Savior system is a technology that enables the control and management of the entire plant by combining a dedicated program with electronic control of air valves. It enables the touch-panel control of processes such as starting and stopping material production and pressure feeding.



- **Developed a control program for the automatic operation of spraying machines**
  Enables continuous and stable spraying regardless of the operator's skill level ➡ This ensures the quality of the sprayed material
- **Developed an automated cement bag opening-machine**
  Reduces the heavy labor required to open and load bagged cement

Rakuttman automated mortar bag opening machine

Rakuttman is a machine that automates the process of opening and loading cement bags, which was previously done manually in mortar spraying.

- **After placing the cement on the loading platform, all operations are automatic**
- **Opened cement is automatically loaded into the spraying machine by the cement powder conveyor**
- **Empty cement bags are pushed out by the plate and automatically discharged to the outside of the machine**
- **The use of cement bag handling machines saves on the labor required for cement storage**


Rakuttman


Cement powder conveyor


Cement bag storage


Automatic opening


Automatic loading into the spraying machine

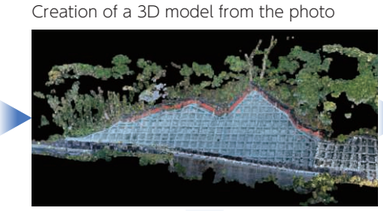

Discharge of empty bags

Utilization of 3D slope models — Slope 3D

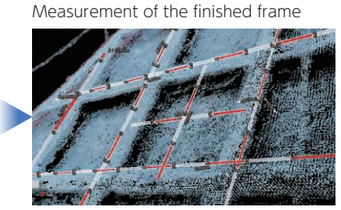
Slope 3D creates a three-dimensional model of slope surfaces from drone photographs. By running this software on a PC, it is possible to check site conditions and finished forms without climbing the slope, as well as create arbitrary section lines and slope development diagrams.

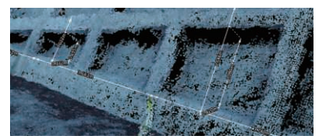
Slope surface photographed by drone

Creation of a 3D model from the photo



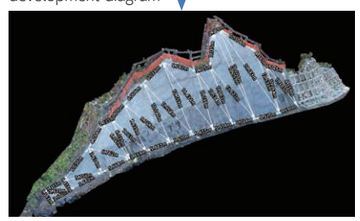
Measurement of the finished frame





*Conventional measurement of finished frame

Creation of a slope development diagram



Improving Operational Efficiency through ICT Utilization and Mechanization

i-Construction

Using 3D models to visualize ground improvement

We have developed a system that utilizes the historical data of soil improvement works to improve the efficiency of processes such as construction and completion management. We implement this system on our worksites.

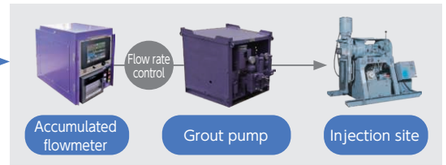
A single Grout Conductor (NETIS No. KT-220039-A) chemical grouting control and monitoring device can automatically control up to eight sets of flow meters and grout pumps. Flow rate and pressure can be displayed three-dimensionally by reading the injection amount and injection pressure data output from the Grout Conductor into the Chemical Injection Data Management System. In addition, users can output daily reports and charts, saving on day-to-day management work.

The Grout Producer, an automatic injection control system with displacement suppression, automatically controls the injection speed of chemical grouts based on the results of continuing measurement of displacement of the surrounding ground. This enables the suppression of ground displacement, which is a concern during the implementation of chemical grout injection methods.

● Automated control using Grout Conductor

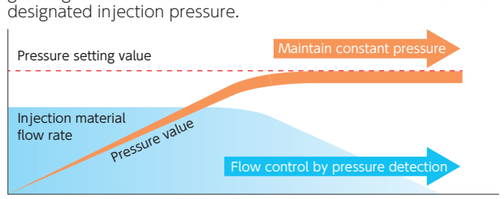
Chemical grouting control and monitoring device

Grout Conductor monitors the accumulated flow rate and injection pressure.
Up to eight sets of flow meters and grout pumps can be controlled by a single unit.



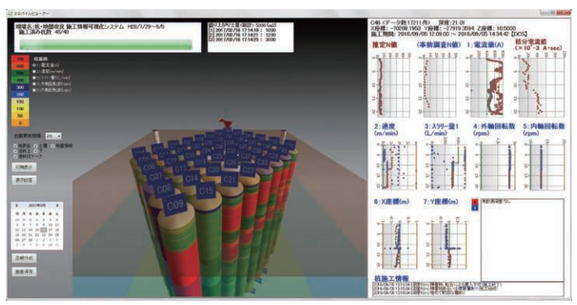
One unit can control up to eight sets

Grouting control
The system detects the pressure and automatically controls* the grouting material flow rate so as not to exceed the maximum designated injection pressure.

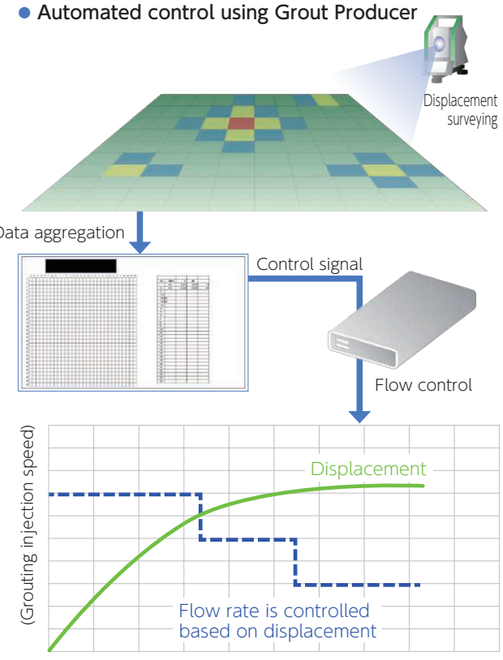


*Pressure-controlled grouting injection method utilizing the results of dam grouting

Three-dimensional construction information can be displayed in real-time, even for jet grouting and mechanical mixing methods.



● Automated control using Grout Producer



By controlling the injection speed, the system avoids excessive grouting pressure, suppresses ground displacement, and enables penetrative grouting injection for more uniform and higher-quality ground improvement.

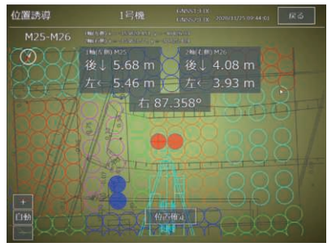
ICT Ground Improvement

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.

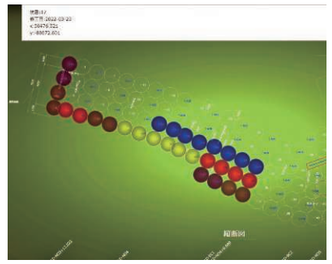
● Machinery equipped with GNSS antennas

● Machine guidance function

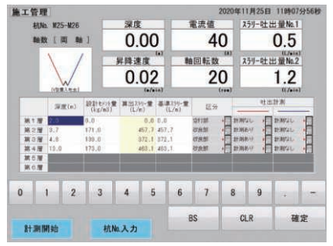


The CDM-Navigate (NETIS No. CBK-220001-A) CDM machine guidance system
The operator can operate the machine while checking the guide on the monitor screen, and move the machine to the correct construction position.

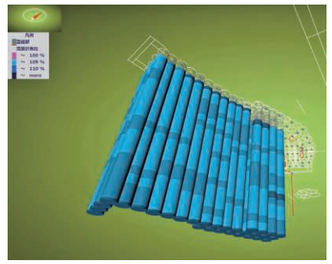
● Example of screen display



● Display of information required for construction



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.

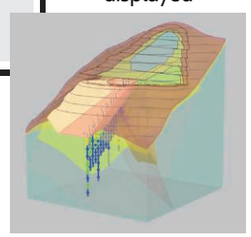


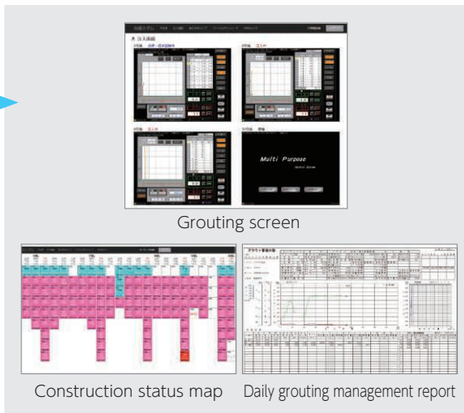
Grouting Management System — ISD Grouting

For dam grouting, we have adopted 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 situation using a web camera. In addition, injection information is displayed and visualized in a three-dimensional model that also includes geological information.

● The management screen is displayed on the Web browser

● A 3D model is displayed

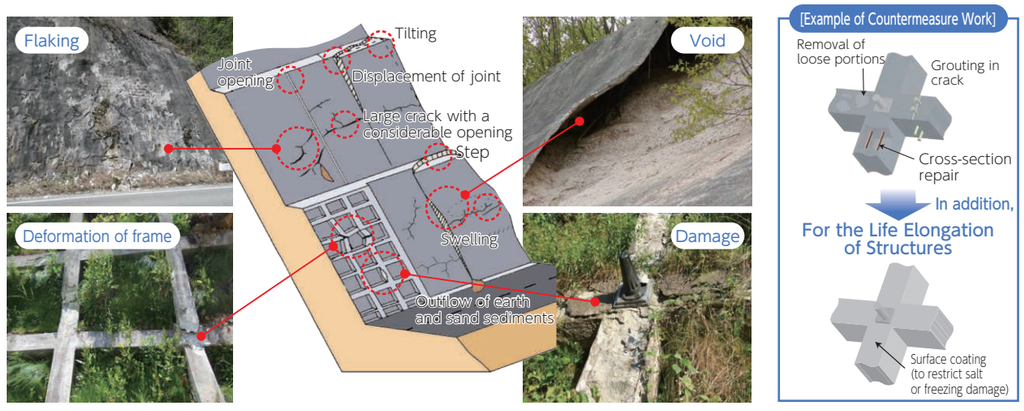




Maintenance and Renovation

Technology for Extending the Life of Slope Structures — Frame Doctor

The large number slope structures which were constructed during Japan's period of high economic growth are now aging and require work to extend their lives.
We propose appropriate countermeasures depending on the degree of deterioration for each slope structure.



Reference: Draft of the Overall Inspection Manual [Part: Road slope, earth work structures]
(Reference Material) Issued in February 2013 by the Road Bureau, Ministry of Land, Infrastructure, Transport and Tourism,

Before construction

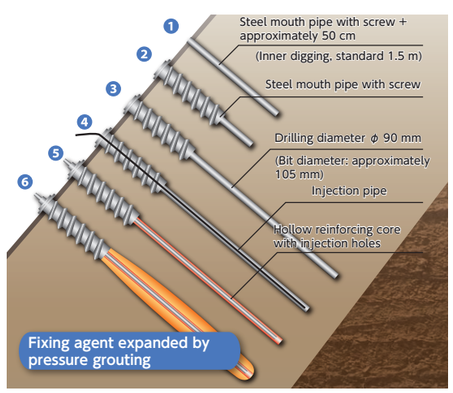
Completed construction

Work Flow
- Shaving off deteriorated portions
- Washing
- Grinding and rustproofing of reinforcing bars
- Renovation of the cross-section
- Surface coating

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.

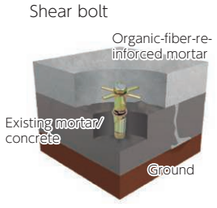
- Expansion of the fixing agent and pressure dehydration effects using pressure grouting provide high pull-out resistance.
- Dedicated grouting materials with a pressure dehydration resistance function maintains fluidity and allows expansion of the fixing agent.
- Reduces construction period by reducing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



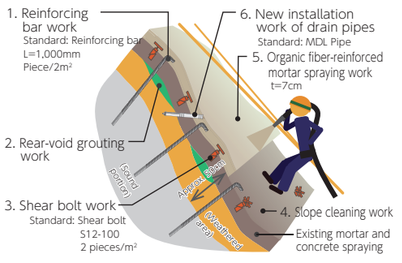
Received the Inventive Idea & Development Technology Award at the 18th National Land Technology Development Award

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



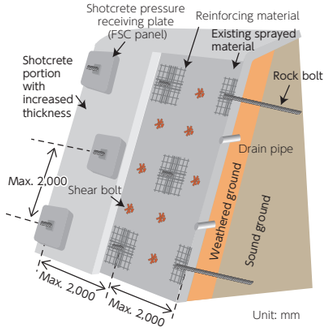
NETIS No.KT-200077-A Reinforcing Slopes with Shotcrete Pressure Receiving Plates and Rock Bolts — Shotcrete Pressure-Receiving Plate Method (FSC Panel)

- 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 2m

Installation of reinforcing material

Spraying of fiber-reinforced mortar

Completion of work

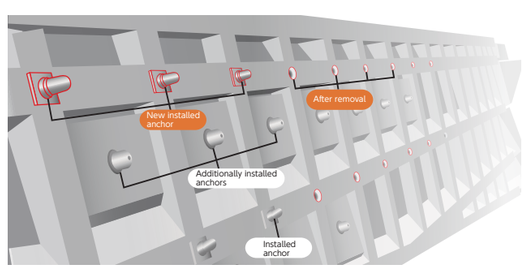


* The technology was jointly developed with the Railway Technical Research Institute

Japan's First Steel Wire Cutting & Removal Method for Installed Anchors — Bite Off Method

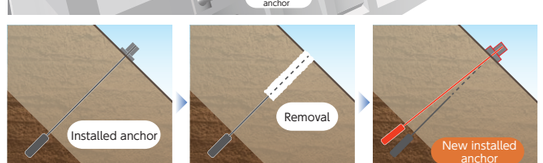
Method to cut and remove installed anchors using proprietary bits

- Japan's first dedicated system for cutting ground anchors
- Cuts off steel wires of anchors using exclusive cutting tools and a general-purpose drill machine.
- Enables removing installed anchors and installing new anchors (possible to use existing pressure receiving structures as well).



CD Type bit (for covered drilling)

SH Type bit (for steel wire cutting)



Maintenance and Renovation

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.

Pumping distance: Approximately up to 2,000 m (differs depending on the mixture variation)
Design strength: 1.5 to 24 N/mm² or more

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:
1,000 m (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

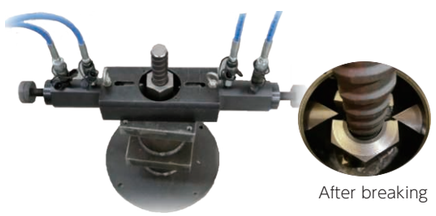
- Makes shotcrete possible for a long distance and at elevated places using the pumping shotcrete system (combined with air pumping).
- Ensures stable quality and high strength due to a low level of separation of materials.

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

NETIS No.KT-200007-A

Safe removal of loads on installed nut anchors — Load Releaser

- Hydraulic cylinders are used to break nuts using a cutter and safely remove loads from installed nut anchors, even for anchors without excess length or anchors which had suffered extensive corrosion.



* This technology was jointly developed with DIA Consultants Company Limited, Nippon Engineering Consultants Co., Ltd., and NIPPON INSIEK CO., LTD.

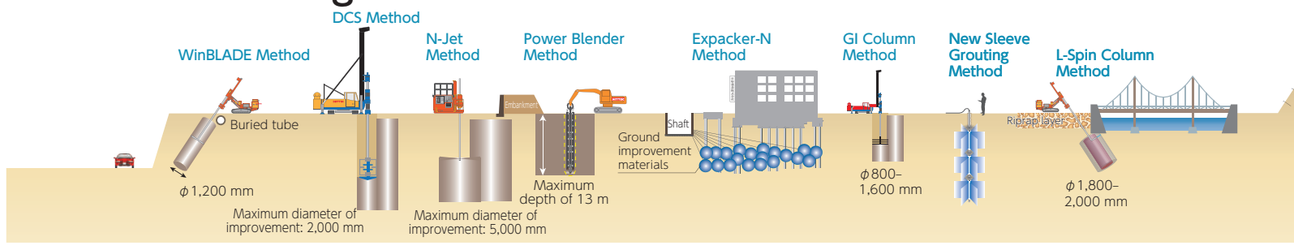
NNTD No.0366

Aged Shotcrete Slope Diagnosis System — Slope Doctor

- Precisely diagnoses the soundness of aged shotcrete slopes through the combination of several relevant surveys.
- Proposes optimum slope designs by reflecting social needs in the results of the diagnosis of aged shotcrete slopes.

Analysis method:
Thermal infrared imaging method, flexural oscillation method and coring survey (combined use depending on the site conditions)

Urban Regeneration



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

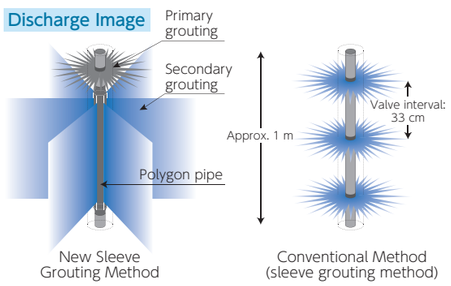
- Automatic control of grouting speed by constantly measuring the displacement of surrounding ground.
- By controlling the grouting speed, excessive grouting pressure is avoided, which suppresses ground displacement and enables penetrative grouting for more uniform and higher-quality ground improvement.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

Chemical grouting method

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

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

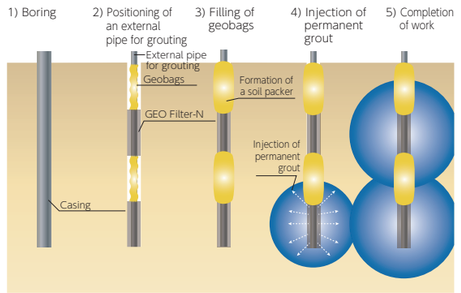
- Realizes long permeation/grouting intervals using a hexagonal "polygon pipe."
- Makes high-speed, high-quality improvement possible.
- Achieves low cost and a reduction in the construction period.



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.



Urban Regeneration

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 ϕ800–1,600 mm 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.


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 13 m in depth available.
- Makes homogeneous, improved soil via vertical mixing.

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


NETIS No.CBK-190001-VE

ϕ1,600 mm x 2 Axes Large-Diameter 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


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

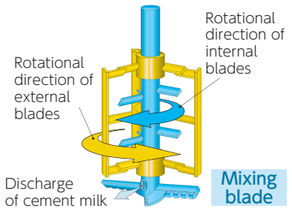
- Achieves homogeneous soil improvement using a monitoring control system.
- Avoids underground objects.
- Enables vertical, horizontal and slanting operations.

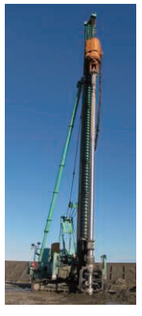
* This technology is developed jointly with Taisei Corporation

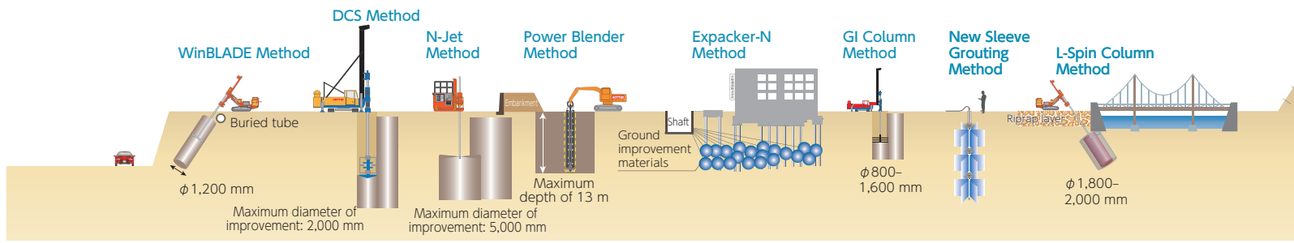
Technology Evaluation Certificate, The Society of Materials Science, Japan

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

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





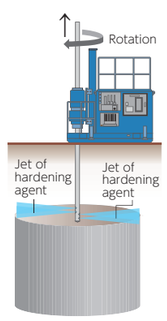


High-Pressure Injection Mixing Method

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

High-pressure Injection Mixing Method Enabling Selection of Wide Range of Improvement 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 ϕ5,000 mm (depending on ground conditions).



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

- Forms columnar, improved soil of a maximum diameter of ϕ5,000 mm (depending on the ground conditions).
- Reduces the maximum slime volume substantially (compared with previous methods).
- Achieves foundation improvement at high speed and high quality.

NETIS No.KT-170026-A

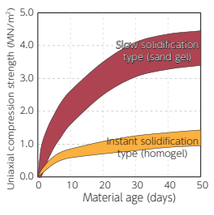
Mechanical Mixing Method Combined with High-Pressure Injection Using an Enlarged Mixing Blade — L-Spin Column Method

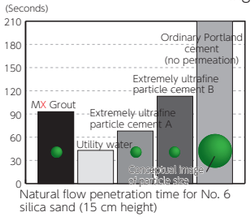
- Injects a hardening agent from the nozzle at the leading edge of an enlarged-diameter type mixing blade.
- Enables the wrapping construction method or the diagonal construction method, which has been problematic for the existing method.
- Improves the properties of soft ground below hard ground by penetrating the hard ground.


High-Penetration, High-Strength Grouting Materials

Slag Turbid Ground-Grouting Material — MX Grout

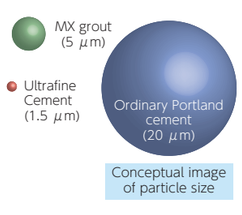
- Involves a turbid ground-grouting material of which a major ingredient is blast-furnace slag.
- Features excellent permeability and durability.
- Uniaxial compression strength: 0.8 MN/m^2 or more
- Available in "Instant solidification type" and "Slow solidification type"





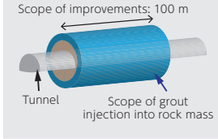
Cement Grouting Material — Ultrafine Cement

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



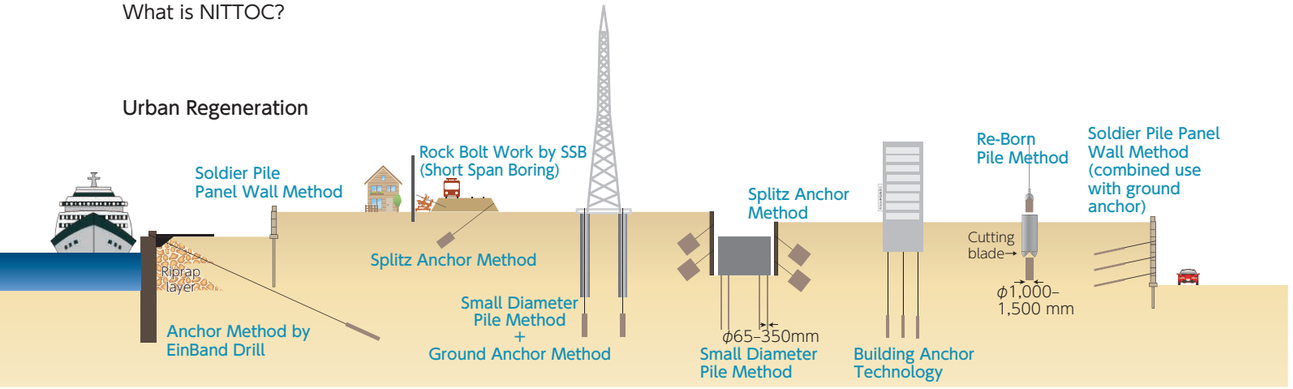
Example of application

A large amount of spring water of up to 300 t/h was emitted during the excavation of a mountain tunnel. We injected the Ultrafine Cement after the tunnel excavation as a permanent measure against spring water. As a result, we were able to significantly reduce the amount of spring water emitted, to less than 40 t/h. (Hokusatsu Tunnel Izumi Construction Area of the Hokusatsu Odan Road)



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

Urban Regeneration

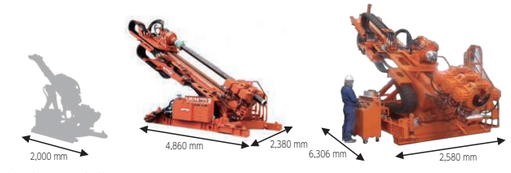


Large-Diameter Drill Machine with Twin Head Specification — Hy Glanz Drill

- 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 ϕ324 mm) and long casing (3.0 m).

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 ϕ318 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

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

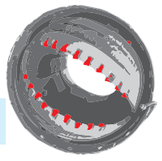
- The ultra-compact double tube drill machine enables drilling at narrow spaces.
- Width for construction work (1.5 m) less than half of a conventional lightweight drill machine.
- Drilling bores of ϕ216 mm in diameter, which was impossible with lightweight drill machines.

Enables construction with width of only 1.5 m

Enables construction during railway operation

Removal of Existing Piles — Re-Born Pile Method

- Cuts and removes existing piles and/or underground structures using two cutting blades.
- Uses a circumferential all-casing drill.
- Makes secure backfilling possible.



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. 20 m or less
Excavation diameter: 350–400 mm (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.

Crawler in spread-wheel stance (SC-TEP Drill No. 2)

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

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.
- Provides optional self-supporting type (wall height up to 4 m) and combined use with shoring (wall height up to 10 m).

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.

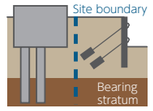
NNTD No.0371

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

Splitz Anchor | Conventional Anchor



Enlarged-diameter bit (expanded)

Enlarged-diameter bit (withdrawn)

Example of digging up an existing anchor

Building Anchor Technology — SHS Permanent Ground Anchor Method

- Prevents lifting and/or falling of buildings

Environmental Conservation and Disaster Prevention

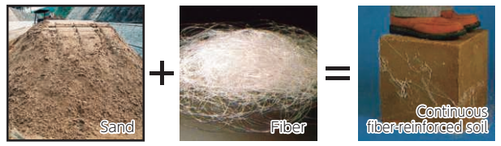
Chosen as a "Fiscal 2016 Runner-up Recommended Technology" (by the New Technology Utilization System Review Meeting, Ministry of Land, Infrastructure, Transport and Tourism)

NNTD No.0370

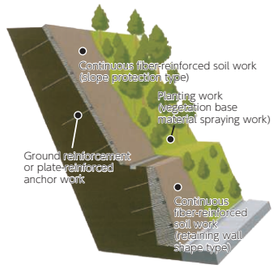
Construction Technology Review and Certification

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.



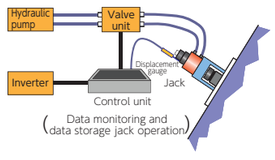
←On-site surface shear testing machine

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.

Ground Anchor Testing and Tension Control System — Licos

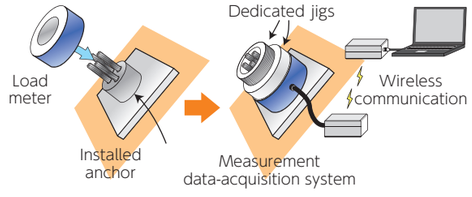
- Displays and automatically stores data on load and displacement magnitude in real-time.
- Tightens and firmly fixes several anchors simultaneously.
- Performs labor-saving via automatic control of jack operation.



Simultaneous tensioning of multiple anchors

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.

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.
- ⌀634 mm and ⌀911 mm models are added to the lineup.

Sprayed Slope Frame and Ground Anchor

Sprayed slope frames

Ground anchors

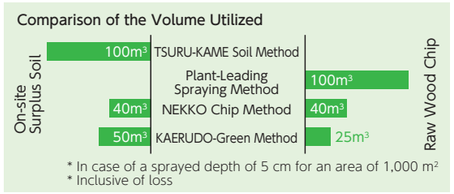
Recycling of Surplus Soil and Natural Environment-Friendly Restoration of Vegetation

Effectively Using Surplus Soil — TSURU-KAME Soil Method

- Utilizes on-site surplus soil effectively.
- Excels in long-term durability (comparison with the greening foundation mainly consisting of bark compost).

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.



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.

Nature Restoration Using Surface Soil of Forests with Consideration to the Ecosystem (for greening especially around natural parks such as national and quasi-national parks)

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.

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.

NNTD No.0374

Using Surface Soil Instead of Seeds — Native Recovery Greening Method

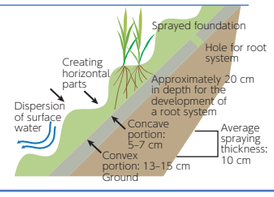
- Mixes the surface soil of forests containing buried seeds with the vegetation foundation material.
- Greening construction is possible using a general-purpose mortar spraying machine.

Nature Restoration at Places Where Greening is Difficult

NNTD No.0373

Greening of Mortar Shotcrete Surfaces and Bedrock — Fiber Soil Greening Step Method

- Full-space greening by spraying the foundation materials for greening work on a slope without soil in the form of wave-shaped steps.



Recovering Greenery on Strongly Acidic Soil Slopes — Sander Green Method

- Employs a simple method by mixes "Sander Powder," which has a neutralizing effect, with the foundation material for greening work.
- "Sander Powder" is a recycled, alkali material mainly composed of calcium silicate processed at high temperature and high pressure.

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, longevity, 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 ··· ¥54,425 million
Net assets ····· ¥34,037 million
Free cash flows ·· ¥2,134 million

Manufactured capital

Sales sites
Domestic ····· 54 sites
Overseas ····· 2 sites
Capital investment ·· ¥918 million

Intellectual capital

Number of patents held ··· 117
Number of patent applications ·· 17
Number of patent applications for developed technologies ····· 764

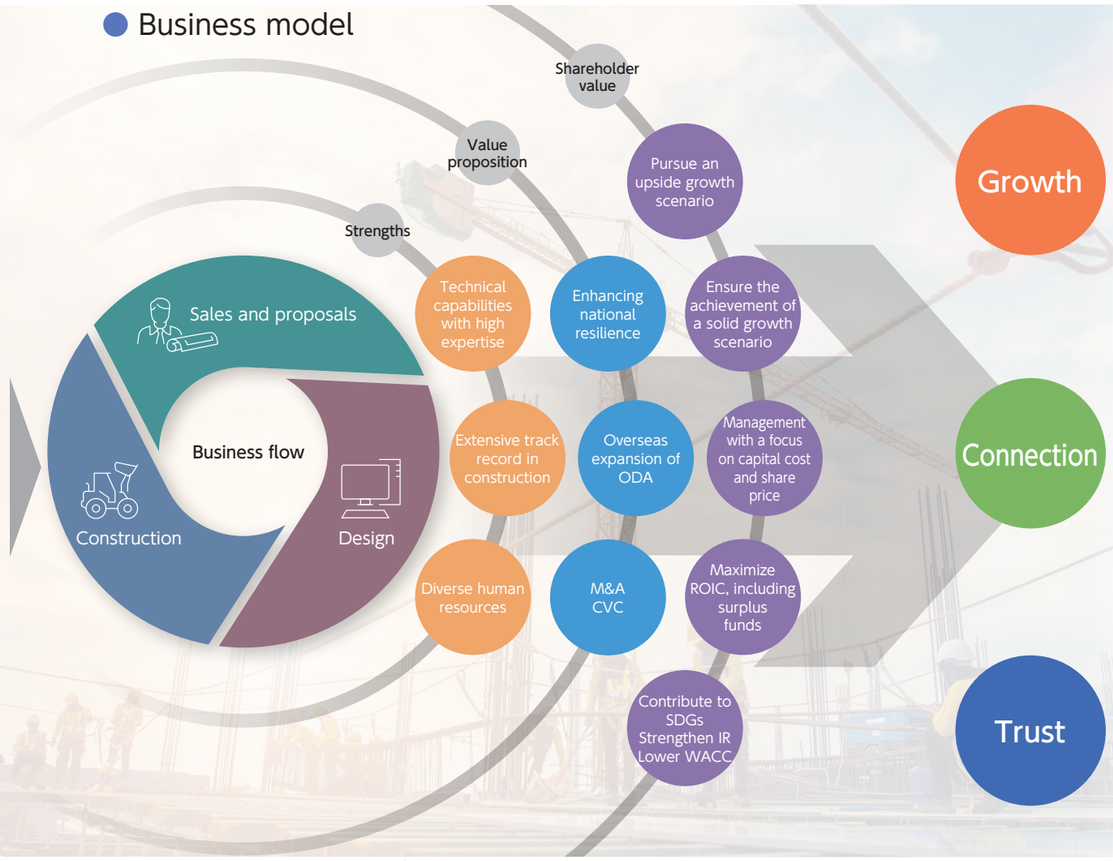
Human capital

Number of employees (consolidated) (Total of 1,097 employees)
First-Class Civil Engineering Managers ····· 650
Second-Class Civil Engineering Managers ····· 531
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) ·· 258
Number of cooperation agreements on disaster management signed (Ministry of Land, Infrastructure, Transport and Tourism national highway offices, local governments, etc.) ····· 39
Business transactions ····· 773 (current fiscal year)

Business model



Key issues (materiality)

Sustainability Management › page 117 to page 126

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

Governance

Management Philosophy

OUTPUT Fiscal 2023

Slope protection
Net sales
¥31,553 million

Ground improvement
Net sales
¥21,448 million

Maintenance and renovation
Net sales
¥8,734 million

Pile foundation
Net sales
¥4,389 million

Dam grouting
Net sales
¥2,386 million

Civil engineering
Net sales
¥2,209 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 Expand ground improvement work
➡ Orders received/net sales of completed construction contracts: ¥23.0 billion (30% or more of total)
② Expand private-sector orders
➡ Orders received: ¥23.0 billion (more than 30% of total)
③ Expand structural renovation work
➡ Orders received: ¥10.0 billion
④ Level out construction volume
➡ 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

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

Human capital
Improve adaptability to change through individual and organizational efforts

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

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

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

Challenges in achieving our business strategy

Challenges	
Response to the internal environment	● 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

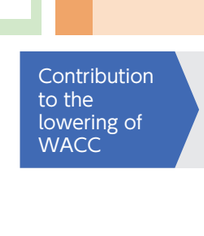
(Billions of yen)

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

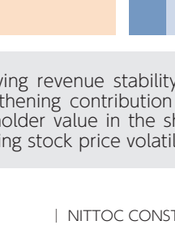
Cash in

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 the improvement of ROIC
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 the lowering of WACC
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.

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.

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. In fiscal 2023, we made approximately ¥1 billion in capital investment. 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 conscious 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 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 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 technologies that reduce environmental impacts, 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 270 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

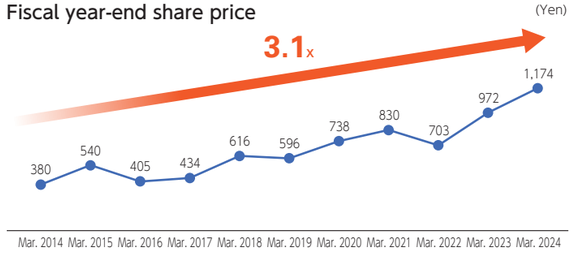
Over the past 10 years, during which we have achieved an annual growth rate of over 3%, NITTOC has significantly contributed to the expansion of financial capital by delivering returns to our shareholders. TSR* has recorded a cumulative return of 522%, with an average annual return of 18% per year.

These realized returns are supported by solid performance, including a 1.8x increase in EPS over 10 years, a 5.8x 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
3.1x increase

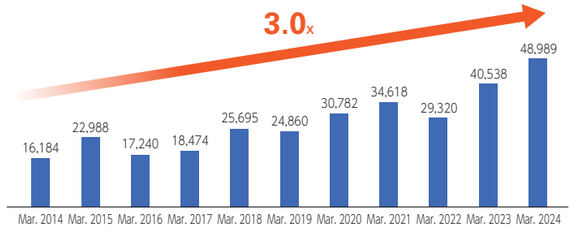
Fiscal year-end share price (Yen)



Market capitalization

Over the past 10 years
3.0x increase

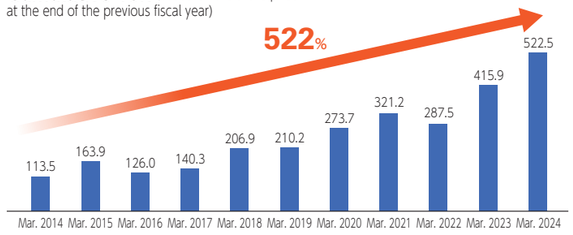
Market capitalization (Millions of yen)



10-year cumulative TSR

Over the past 10 years
522%

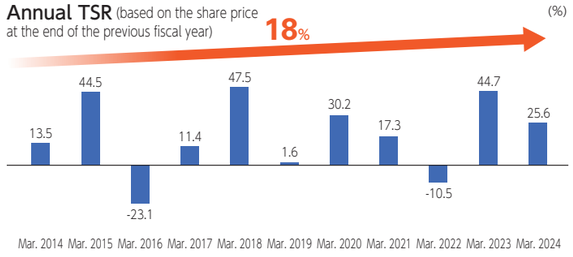
Cumulative TSR (based on the share price at the end of the previous fiscal year) (%)



10-year average TSR

Over the past 10 years
18%

Annual TSR (based on the share price at the end of the previous fiscal year) (%)

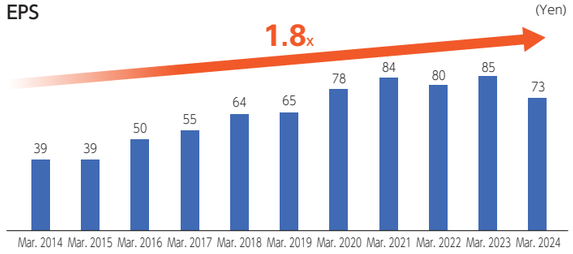


*TSR stands for Total Shareholder Return, which is the ratio obtained by dividing the income from stock investment (dividends and capital gains) by the amount of investment (stock price). It is calculated by adding the annual dividend yield to the return based on the year-end stock price.

EPS

Over the past 10 years, EPS increased
1.8x

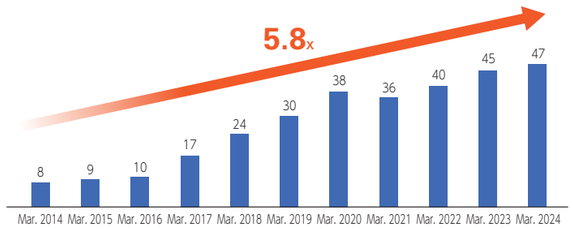
EPS (Yen)



Dividends

Over the past 10 years, increased
5.8x

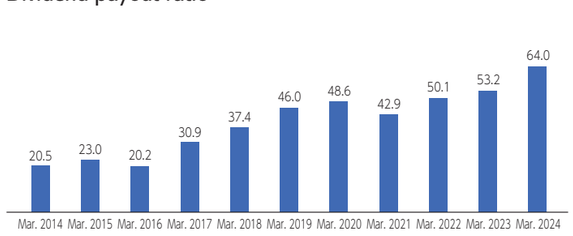
Dividend per share (Yen)



Dividend payout ratio

In 10 years
From **20%** to **64%**

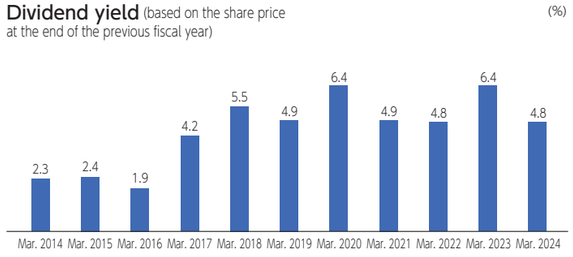
Dividend payout ratio (%)



Dividend yield

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

Dividend yield (based on the share price at the end of the previous fiscal year) (%)



Review of shareholder value KPI (2)

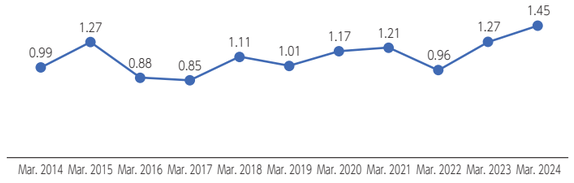
Market valuation indicators are improving

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

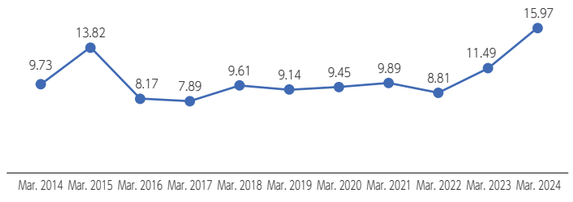
PBR (Times)



PER

PER is improving as well

PER (%)

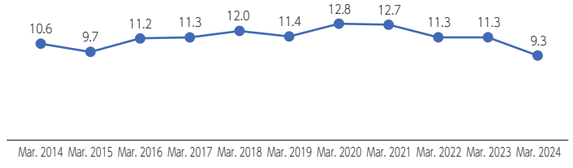


ROE

Over the past 10 years, ROE has averaged **10.8%**

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

ROE (%)

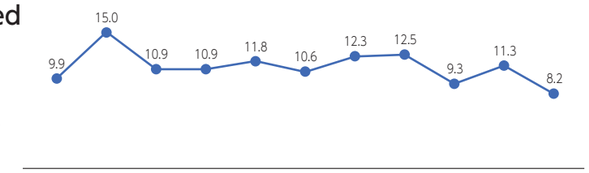


ROIC

Over the past 10 years, ROIC has averaged **11.2%**

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

ROIC (%)

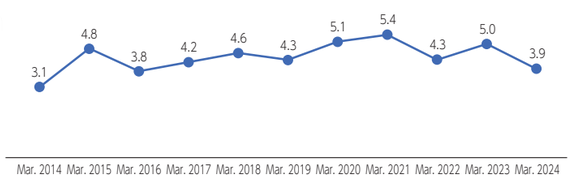


We recognize that the surplus funds to be the source of future M&A to be ¥13.7 billion. If we define the concept of "Lean ROIC" to be the absence of these funds, it would be 17.2%. We recognize that swiftly investing surplus funds into businesses that are capable of achieving high future ROIC is crucial for long-term shareholder value growth.

NOPAT margin

Over the past 10 years, the NOPAT margin has averaged **4.4%**

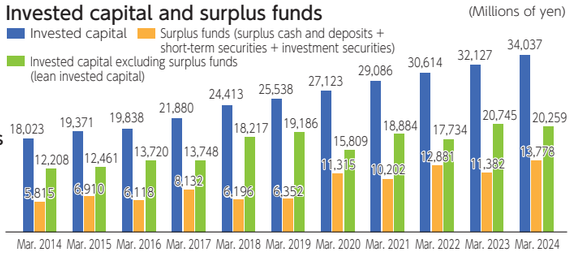
NOPAT margin (%)



Invested capital

Invested capital increased from ¥18.0 billion to ¥34.0 billion. However, we recognize that there are surplus funds of about ¥13.7 billion that have not been invested in businesses.

Invested capital and surplus funds (Millions of yen)

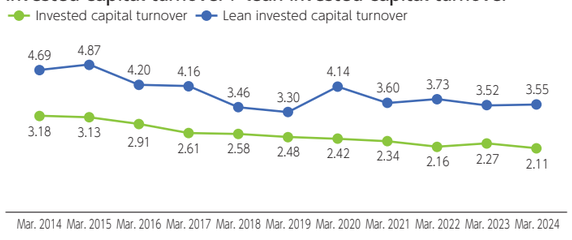


Invested capital turnover

Invested capital turnover decreased from 3 times to 2 times

The lean invested capital turnover excluding surplus funds was 3.5 times

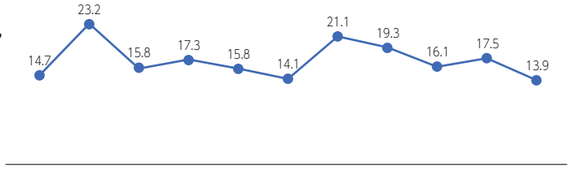
Invested capital turnover / lean invested capital turnover (Times)



Lean ROIC

Over the past 10 years, the lean invested capital (profit margin), based on invested capital that is lean, has averaged **17.2%**

Lean ROIC (%)



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%.

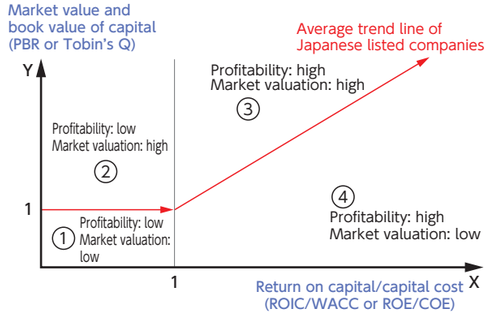
Return on capital		Capital cost	
Concept	Definition	Concept	Definition
ROE (Return on Equity)	Profit / shareholders' equity	COE (Cost of Equity)	β × risk premium + risk-free rate
Financed ROIC (Return on Invested Capital)	Operating profit after tax / (shareholders' equity + interest-bearing debt)	COD (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



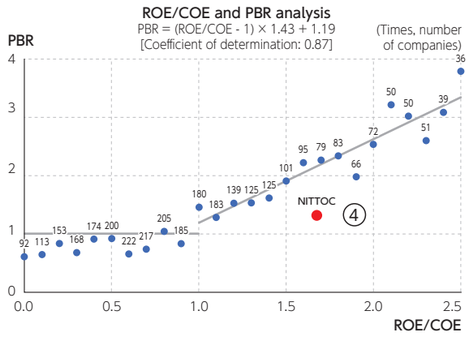
Axis		X axis = profitability: return on capital/capital cost = ROE/COE or ROIC/WACC			
		Low (less than 1)		High (1 or higher)	
Y axis = market valuation: PBR or Tobin's Q	High (1 or higher)	②	The current profitability is lower than the cost of capital, but it is expected to improve in the future.	③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

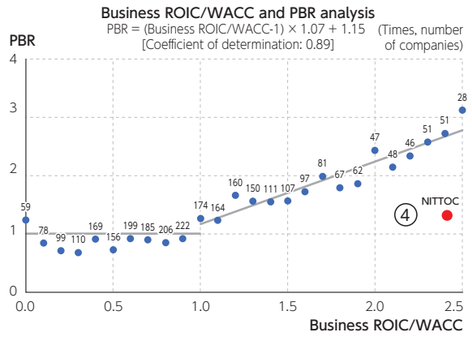
Practicing management with a focus on capital cost and share price - Analysis results and improvement measures -

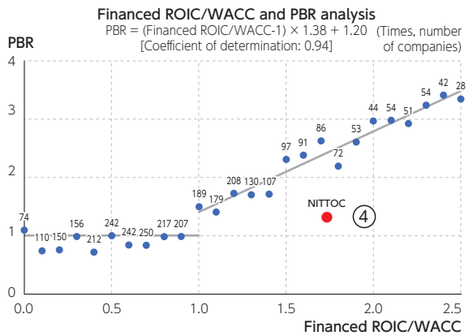
Analysis results for practicing management with a focus on capital cost and share price

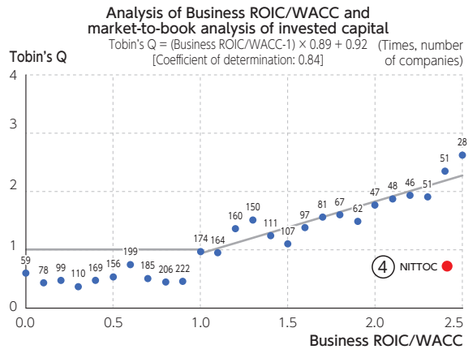
The results of analysis based on the framework shown in the previous section are presented in the diagram below. Numerical values used in the analysis are described in the databook. According to this analysis, NITTOC is highly profitable but its market valuation is low. It can be understood that the 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 30, 2024. The regression analysis is based on data for the past five years from that point in time.

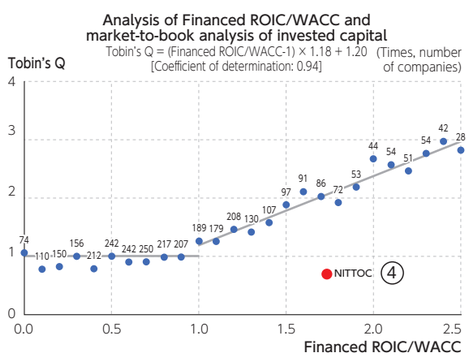
According to this analysis, NITTOC is highly profitable but its market valuation is low (as in ④ in the previous page).











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 30, 2024.

The analysis suggests that if valued at the market average level, it is possible to estimate a price of ¥1,969. 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	33,858
			Business invested capital		24,309
			Financed invested capital		33,858
			Non-business assets + appraisable assets		13,694
As of the end of the previous quarter		As of the end of the previous quarter	Shareholders' equity	¥1 million	32,929
			Business invested capital		20,942
			Financed invested capital		42,631
			Non-business assets		16,170
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	3,600
			NITTOC's operating profit plan for the current fiscal year		5,400
			Estimated NOPAT		3,726
	Return on capital	NITTOC's plan for the current fiscal year	ROE	%	10.6
			Business ROIC		15.3
			Financed ROIC		11
Closing price on September 30, 2024	Market value of capital	Closing price on September 30, 2024	Market capitalization	¥1 million	42,631
			Market value of business invested capital = business invested capital - shareholders' equity + market capitalization - non-business assets - appraisable assets		19,388
			Market value of capital raised (financed invested capital - shareholders' equity + market capitalization)		42,631
	Share price	Closing price on September 30, 2024		Yen	1,026
	Market-to-book ratio of capital	Closing price on September 30, 2024	PBR	Times	1.29
			Market-to-book ratio of business invested capital		0.69
			Market-to-book ratio of financed invested capital		1.29
Estimate	Capital cost	JPR estimate	COE	%	6.3
			WACC		6.3
Estimate	Return on capital/ capital cost	JPR estimate	ROE/COE	Times	1.68
			Business ROIC/WACC		2.42
			Financed ROIC/WACC		1.74
Estimate	Estimate of market-to-book ratio of capital	Estimate based on ROE/COE and PBR	Estimated PBR ❶	Times	2.17
		Estimate based on business ROIC invested capital/WACC and PBR	Estimated PBR ❷		2.68
		Estimate based on financed ROIC invested capital/WACC and PBR	Estimated PBR ❸		2.22
		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		2.19
		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		2.25
Estimate	Estimated market capitalization			Millions of yen	81,812
	Share price estimate			Yen	1,969

Source: J-Phoenix Research Inc.

Financial Capital

Practicing management with a focus on capital cost and share price - Scenario analysis for improvement measures -

Example of a financial scenario to achieve a market-average share price

A simple estimation based on the net sales and ROIC/WACC scenario analysis for achieving the stock price level on the previous page suggests the following assumptions. If NITTOC achieves an average annual growth of 3% over 10 years and improves its operating profit margin to 8.0%, while maintaining a growth trend similar to the past 10 years, it is estimated that a stock price of ¥1,969 could be achievable.

(Billions of yen)

Growth value	+	Excess profit value	+	Book value of shareholders' equity
14.3		34.6		32.9

Shareholder value
Shareholder value reflecting 10-year scenario analysis
81.8

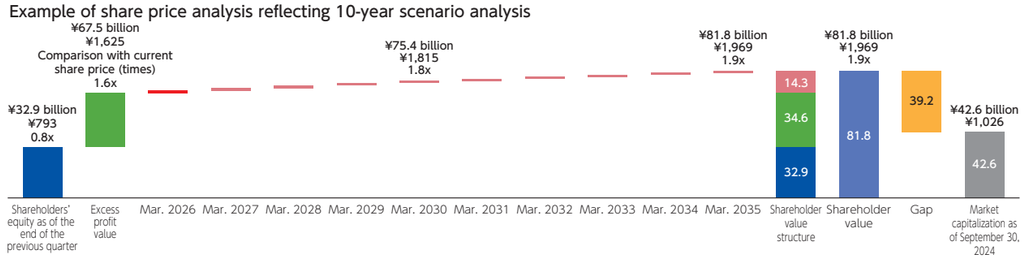
10-year shareholder value forecast model
Estimation based on the present value of future cash flows

	Mar. 2025	Mar. 2026	Mar. 2027	Mar. 2028	Mar. 2029	Mar. 2030	Mar. 2031	Mar. 2032	Mar. 2033	Mar. 2034	Mar. 2035
Net sales	73.0	75.8	78.6	81.4	84.2	87.1	89.9	92.7	95.5	98.3	101.1
Net sales growth rate	0.1%	4%	4%	4%	3%	3%	3%	3%	3%	3%	3%
Change in net sales	0.1	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Operating profit	5.40	5.65	5.91	6.17	6.43	6.70	6.97	7.24	7.52	7.80	8.08
Operating profit margin	7.40%	7.46%	7.52%	7.58%	7.64%	7.69%	7.75%	7.81%	7.87%	7.93%	7.99%
NOPAT	3.73	3.90	4.08	4.26	4.44	4.62	4.81	5.00	5.19	5.38	5.58
NOPATMargin	5.1%	5.1%	5.2%	5.2%	5.3%	5.3%	5.4%	5.4%	5.4%	5.5%	5.5%
Ratio of invested capital to net sales at the beginning of the fiscal year	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
ROIC	15.3%	15.5%	15.6%	15.7%	15.8%	15.9%	16.1%	16.2%	16.3%	16.4%	16.6%
WACC	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
ROIC-WACC	9.0%	9.1%	9.2%	9.4%	9.5%	9.6%	9.7%	9.9%	10.0%	10.1%	10.2%
Invested capital at the beginning of the fiscal year	24.31	25.24	26.18	27.12	28.05	28.99	29.92	30.86	31.79	32.73	33.67
Perpetual value of change in excess profit	34.59	1.82	1.86	1.90	1.93	1.97	2.01	2.04	2.08	2.12	2.15
Present value factor	1.00	0.94	0.88	0.83	0.78	0.74	0.69	0.65	0.61	0.58	0.54
Present value of perpetual value of change in excess profit	34.59	1.71	1.65	1.58	1.51	1.45	1.39	1.33	1.27	1.22	1.17
Cumulative shareholder value	67.52	69.24	70.88	72.46	73.97	75.42	76.81	78.14	79.41	80.63	81.79
Estimated share price (per share)	¥1,625	¥1,666	¥1,706	¥1,744	¥1,780	¥1,815	¥1,849	¥1,881	¥1,911	¥1,941	¥1,969
Comparison with current share price (times)	1.58	1.62	1.66	1.70	1.74	1.77	1.80	1.83	1.86	1.89	1.92

Closing share price as of September 30, 2024	¥1,026				
Excess profit value [billions of yen]	34.6	Shareholder value	¥81.8 billion	Market capitalization September 30, 2024	¥42.6 billion
Growth value [billions of yen]	14.3				
Shareholders' equity [billions of yen]	32.9	Share price conversion	¥1,969	Closing share price	¥1,026

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.

The table below summarizes the assurance of achieving a 3% annual growth over 10 years, along with qualitative information to support this projection. Based on past trends and long-term forecasts, we believe that this scenario is fully achievable. Based on this analysis, we believe that gaining even greater recognition from investors for our long-term shareholder value creation efforts is essential.

Growth — Building 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

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

Since its establishment in 1947, NITTOC has achieved phenomenal growth. Initially, the Company focused on dam grouting work, but it gradually expanded into various specialized civil engineering fields, leveraging its unique grouting technology. Today, it possesses more than 200 types of technologies and handles more than 75% of dams with a height of 100 meters or more, boasting a dominant share in the domestic dam grouting market. Furthermore, it has expanded into ground improvement, environmental conservation, and urban renewal fields, continuously contributing to enhancing national resilience. Under this technological innovation and business expansion, NITTOC's motto—"providing technology, precisely in the areas that cannot be seen"—has been embraced as a guiding principle by every employee in their daily work. By supporting society's safety and stability in areas that cannot be seen such as foundation work and ground improvement, it has established a brand that earns the trust of its customers while staying true to what makes NITTOC unique.

Growth story in the real market
Value provided and future market size

Contributing to sustainable urban development and enhancement of national resilience

NITTOC's business consists of four key pillars: slope protection business, ground improvement business, repair and reinforcement business, and overseas business (with two local bases). The slope protection business generates approximately ¥30 billion in net sales, ranking second in the industry and the ground improvement business generates approximately ¥20 billion in net sales, ranking third in the industry. In Japan, as infrastructure continues to age, a significant number of structures will require repairs and regeneration over the next 10 to 20 years. In particular, the maintenance and repair market for extending the life of bridges, dams, tunnels, etc., is expected to expand, and this field requires the technologies of NITTOC. In addition, demand for sustainable urban development and enhancing national resilience remains high, and the infrastructure market is expected to grow at an annual rate of 3-5% toward the latter half of the 2020s. NITTOC, with its advanced technological capabilities in environmental conservation and disaster prevention, is expected to achieve stable growth.

Evaluation indicators for assessing the growth story in financial markets
10-year net sales outlook

Aim for a 10-year CAGR of 3.0%

FY2025/3	FY2035/3
Orders received [billions of yen]	
73.0	101.1
Growth pattern up to target FY	
Constant growth	
Growth pattern after target FY	
Zero growth	
Growth value [billions of yen]	
14.3	

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

In order to create value, NITTOC must strengthen its technological development capabilities backed by R&D and patents, as well as the human resources (human capital) needed to turn these capabilities into actual value. In terms of the number of patents related to civil engineering technology and equipment, NITTOC ranks first or second in Japan in its areas of expertise. Securing this technological capability is positioned as an important resource in its future growth strategy. For example, it is working to differentiate itself from its competitors by strengthening its dam grouting technology (filling gaps and other areas with cement milk and mortar) and other technologies in key areas for ground improvement and slope protection. Technological development related to environmental conservation and SDGs is also part of an important strategy for connecting management resources. NITTOC, which focuses on the development of technologies and construction methods to reduce environmental impacts, is aiming for sustainable growth. For example, the ground improvement method called New Sleeve Grouting reduces CO_2 emissions associated with the construction by about 46% compared with existing technologies. By focusing on the protection of the natural environment, NITTOC strives to balance its corporate growth with its social responsibilities.

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

As part of its Medium-Term Management Plan toward 2025, NITTOC aims to become an organization in which all employees can engage in business with a sense of pride, centered on NITTOC's uniqueness, and to create customer value and establish a brand. This plan focuses on three key themes: net sales growth, profit margin improvement, and the advancement of ESG initiatives. In terms of sales growth, emphasis is placed on ensuring the achievement of the solid growth scenario and enhancing the feasibility of the upside growth scenario. To achieve sales growth, NITTOC will also pursue productivity enhancement through the adoption of new technologies and digitalization, and market expansion through M&A. In addition, in terms of improving ROIC, it is working to minimize profitability risks arising from rework and miscalculations by thoroughly undertaking pre-planning in the areas to be strengthened. It will aim for gradual improvement in overall ROIC. It will adopt a strategy to enhance investment efficiency, secure higher profitability, and effectively utilize management resources.

Evaluation indicators for assessing the story of connections of resources in financial markets
10-year ROIC outlook

ROIC to increase from 15.3% to 16.6%

FY2025/3	FY2035/3
Operating profit margin	
7.4%	8.0%
Ratio of invested capital to net sales (IC/S)	
33.3%	33.3%
ROIC	
15.33%	16.56%
Excess profit value [billions of yen]	
34.6	

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

NITTOC has implemented a sustainable financial strategy, securing stable net sales and high return on invested capital (ROIC). It is important to build long-term, strong relationships with customers, especially in areas such as infrastructure development and disaster recovery. The high switching cost of customers also contributes to the stability of sales, and the reliability of its technological capabilities and the nationwide network of bases provide significant value to customers.

In order to maintain the sustainability of its profit, NITTOC implements thorough cost management and efficient resource allocation. Through the reduction of fixed costs and cost analysis of each project, it has realized efficient business management and stable profitability. In addition, while making strategic capital investments, it maintains healthy cash flow, ensuring long-term growth.

In terms of asset efficiency, it has achieved efficient use of capital and high ROIC. This ensures sustainable financial stability, strengthening its competitiveness within the industry. Furthermore, 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.

Story of trust in the real market
Social contribution and governance

Impact in the SDGs domain of specialized civil engineering

NITTOC is a company that contributes to solving social issues through infrastructure development and disaster recovery. In particular, it supports the safety and security of local communities through rapid response to natural disasters and the strengthening of disaster prevention infrastructure. In addition, it is also proactively working on environmental conservation by promoting the reduction of CO_2 emissions and the development of resource-recycling technologies, with the aim of building a sustainable society.

NITTOC has positioned ESG (Environmental, Social, and Governance) at the center of its management, and has implemented thorough risk management and quality control under a solid governance structure. It has acquired ISO9001 and ISO14001 certifications, and its compliance with laws and regulations and highly transparent corporate management have greatly contributed to the enhancement of social trust. As a result, NITTOC has realized a reduction in capital costs and is aiming for sustainable growth while maintaining economic stability.

Furthermore, it contributes to the enhancement of next-generation technological capabilities through educational support and the development of engineers. As a result, it has built a corporate foundation that enables it to continue growing together with society. In addition, its Sustainability Report sets specific indicators such as CO_2 emissions reduction targets and ensuring occupational safety, and reports the progress thereof in a transparent manner. Through these activities, NITTOC strives to reduce the risk of bankruptcy by obtaining social support and enhance its corporate value.

Evaluation indicators for assessing the story of trust in financial markets
10-year WACC outlook

6.33%

Unlevered β	Risk premium
0.62	8.50%
E (market capitalization) [billions of yen]	D (interest-bearing debt) [billions of yen]
42.63	0.0
COE (cost of equity)	COE (after-tax cost of interest-bearing debt)
6.3%	—
Book value of shareholders' equity [billions of yen]	
32.9	

* Pages 75–76 were created using the GCC9BOX™ shareholder value assessment tool, provided by J-Phoenix Research Inc.

Message from the CEO

Yasuo Wada
President & Representative Director

“Building the everyday world of the future” With the technology it has cultivated and its sincere construction work, NITTOC will continue to build the everyday world for the people who live there.

Opening

I am Yasuo Wada, president and representative director of NITTOC CONSTRUCTION CO., LTD. I would like to take this opportunity to thank our shareholders, investors, clients, local communities, and other stakeholders for their understanding and support for NITTOC Group management. As we did last year, we have prepared and published the FY2024 edition of the integrated report with the aim of promoting dialogue with shareholders and investors and the co-creation of value with our various stakeholders.

This year, to reinforce management analysis and the dissemination of information from the viewpoint of shareholders, we have provided opportunities for dialogue from numerous perspectives with external specialists. We have been scrutinizing and refining the contents of the integrated report as well to ensure that the initiatives and messages of the NITTOC Group can be conveyed to a broader range of stakeholders.

With recent climate change causing typhoons and torrential rains that have resulted in damage, and the earthquake on the Noto Peninsula in January 2024 still fresh in our minds, it can be said that we are facing a major crisis in our lives. 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,” and walk the path to sustainable growth together with all of its stakeholders. We look forward to your ongoing support.

Gauging the penetration of the corporate motto and brand message, renewed in FY2023

In conjunction with the launch of our current Medium-Term Management Plan 2023, we formulated a new motto, “Continue to be a company needed by society by sincerely providing technology, precisely in the areas that cannot be seen,” and a new brand message, “Our pride comes from what we achieve, precisely in the areas that cannot be seen.” This is our vision for the future and the direction in which the NITTOC Group intends to move.

We have conducted numerous discussions with reference to past company policies and case studies of other firms in formulating our policy. What we returned to was the founding technologies of the NITTOC Group, which are foundation processing of dams and geological surveys. The reputation for dam watertight processing technology, which is difficult to show, has brought the NITTOC Group to where it is currently. While we are a company that generally works behind the scenes, we perform important work with integrity and are necessary to society. We have also incorporated into our corporate motto our desire to maintain this posture and conduct sustainable management for many years to

Message from the CEO

come. Driven by our desire to express this motto in a simpler, shorter phrase, we solicited ideas internally and formulated the following brand message: "Our pride comes from what we achieve, precisely in the areas that cannot be seen."

More than a year has passed since we renewed our company motto and brand message and formulated five action guidelines accordingly. An assessment of the status of penetration through an employee survey conducted at the end of the previous fiscal year found over 90% of employees responded that they were "well aware" of the situation. I believe this is the result of myself, the president, the directors, branch managers, and managers, using the message regularly. This has helped it to gradually spread to all employees. The sharing of this vision will be extremely significant in promoting the various projects we have planned.

NITTOC has aggressively taken on truly difficult construction projects and new technologies. And it is never a one-person operation—it is always a team effort. We will work with pride and integrity in an open organization while carrying forth the spirit and culture we inherited from our predecessors. To ensure that the NITTOC Group continues to be such a company, we will keep working to disseminate and thoroughly implement our company motto and brand message.

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 Corporation Group's website, the company posted a new message, "Building the everyday world of the future."

While we provide value directly to our clients, beyond that, there are the daily lives of the people who use the social infrastructure. NITTOC will protect the daily living situations of these people—their lives and property—through the technology it has cultivated. The lights come on at the flick of a switch, and when you turn on the faucet, water comes out. I personally like these words because they clearly show that creating this "everyday world" is NITTOC's job.

The Noto Peninsula earthquake that occurred in early 2024 caused severe damage to homes and roads. Furthermore, geographical topographical hurdles are causing reconstruction work to take a great deal of time. Various construction companies are involved in the reconstruction work and, though in a small way, the NITTOC Group is playing a part as well. NITTOC's history reads like a series of such emergency mobilizations. Slope landslides occurred in the Great East Japan Earthquake, the Kumamoto Earthquake, and the Hokkaido Eastern Iburi Earthquake, and leveraging its slope technology—a core business of the company—the NITTOC Group was responsible for their restoration. Sales and technical construction staff are posted to our offices nationwide to ensure consistent technical service at all times. We are sometimes called in to aid on an emergency basis as our responsiveness and technical capabilities are appreciated, and there are also times where NITTOC itself asks if there is anything we can do to assist. Although post-disaster reconstruction is naturally challenging in some aspects, our employees find it extremely rewarding when roads have been restored and the local residents express their gratitude. As I mentioned earlier, in Japan, a land with frequent occurrence of natural disasters such as earthquakes, NITTOC is proud to have been involved in reconstruction projects and to have done its utmost to restore the "everyday" lives of those affected as quickly as possible. We intend to continue protecting everyone's ordinary life with technology and construction that only we are capable of providing.

Decline in operating income Analysis revealed that "defensive ability" is the issue

Looking back at the results of the NITTOC Group in FY2023, net sales and operating income decreased approximately 1.4% and 20.1%, respectively, compared with the preceding fiscal year. Since there were no significant changes in orders received or net sales, we believe that the reason for the drop in profit was an issue in our "defensive ability," or the ability to protect profit.

We succeeded in fielding orders for a host of projects in 2023, including slope protection, our core business, as well as ground improvement, maintenance and renovation, and dam foundations. My view is that we demonstrated our "offensive ability" and earning power with no issues. The sales and profits that we accumulated in this way, however, leaked out like water falling through the cracks in the palm of one's hand. This was especially true in the areas of ground improvement and renovation and reinforcement. This was only because unforeseen costs and construction having to be redone had created unprofitable sites. One example of a failure in ground improvement, for instance, was that we detected errors in our proposals when we had to correctly assess the ground conditions and recommend the most appropriate technology and construction method for the target site. This prevented us from smoothly performing the construction work. When factoring in additional construction costs to compensate for delays, as well as dispatching employees to bolster the management structure, the cost of recovering from a failure ends up being much greater than the profit. We had not commonly experienced such failures in slope protection work that had been our mainstay. While these can be regarded as growing pains inherent in a developing business, they need to be addressed as soon as possible, as the associated losses can eat away at the profits of other businesses as well.

Head office and branches Protecting Profit by Mobilizing the Knowledge of NITTOC

To protect profits in the field, we have given our employees four mandates: improve safety performance, avoid losses, boost the retention rate of younger technicians, and make effective use of systems and other investments. We have ensured that these are thoroughly implemented companywide.

We are particularly focused on rebuilding our checking structure in key processes and integrating internal knowledge through systems such as the sales support system (sales force automation, or SFA). In key processes that can determine a construction project's success or failure, such as upon receipt of an order or during construction, the relevant experienced personnel who serve as the gateway to the project must always be involved and alerted to any issues that arise. While not a new measure, we believe that taking care of our own systems first is the initial step in avoiding the repetition of mistakes. Meanwhile, with regard to projects such as ground improvement—a growing business biased toward knowledgeable staff—we must consolidate our in-house expertise in addressing this issue. The head office must be actively committed to the operations of the branches and fully leverage the techniques and knowledge it has absorbed from across the company to fulfill the role of checker at the gateway. We also encourage our branches to consult with the head office whenever questions arise, and we are working to resolve issues by converting decisions from the perspective of individual issues to those that affect the organization as a whole. Furthermore, integrating the sales information gathered on the system with the aforementioned SFA should allow us to provide technical services that will increase customer satisfaction through a uniform level of technology and knowledge within the company. This kind of refined on-site management will protect profit while boosting customer satisfaction as well as the value of the business. This represents the NITTOC Group's commitment to quality.

As part of reinforcing the commitment of the head office, we encourage executives to participate in monthly meetings held at our branches as well as safety and health committee meetings, and priority management construction review meetings concerning projects in progress. Employees at the head office also take part remotely, and we gauge whether they are communicating their opinions well and whether checks and balances are in effect. In the case of a team sport such as soccer, we commonly see team members arguing vehemently with each other on the field, but it is necessary for members of an organization to make arguments for and against each other and to play their individual roles. We will cultivate true teamwork—not as a friendship club, but as a friendly competition that contributes to enhancing NITTOC's corporate value.

With regard to governance, branch managers should oversee and communicate with sales, construction, and the organization, while the general managers should deal with the branch managers. Ideally, I, as president, should be able to collect information from the general managers, thereby enhancing companywide governance. Furthermore, I would like to hear the voices and requests of our employees firsthand by visiting them onsite. We make sure to visit branches monthly, but in cases where there is an interval, we have regular opportunities to meet with the directors of the employees' association, which allows us to take on board the opinions of a broad range of employees. I feel this is a very good initiative.

It is necessary to utilize ICT and human capital to sustain business operations

Another major challenge we face is improving the retention rate of younger engineers. The construction industry as a whole has experienced the so-called "lost 30 years," and is facing a severe shortage of mid-level human resources in their late 30s and 40s. The layer of people who should serve as the core of the industry are in very short supply. Considering the future sustainable operation of our business, we have an urgent need to promote the cultivation of younger human resources and rapidly elevate their skills and motivation. Moreover, to encourage people to continue working, we must work to eliminate past practices and the negative impact they may have had on the accomplishment of work.

To this point, NITTOC has primarily been engaged in the actual work, or the labor-intensive aspect of the business. Given this, the understanding has been that on-site work is done on site, but this is changing with the advent of ICT.

Surveying and construction management, for instance, can now be handled from remote locations. Previously, workers required to be on site, but now

Message from the CEO

a portion of the team can participate remotely. Promoting the discussion about such flexible workstyles may create benefits for employees, such as being able to work in ways that suit their lifestyles. This includes consideration of marriage, child rearing, and nursing care, as well as eliminating the need for employees to frequently be relocated. In the field of virtual reality (VR), the manner in which work is performed is changing, with virtual simulation of construction methods and temporary installation settings in simulated environments enabling more precise technical proposals. We feel that NITTOC, which to date has been engaged in labor-intensive operations, has much to offer. With the declining birthrate and aging population, the number of workers available naturally decreases. Our intent is to create a framework for the sustainable advancement of our business through measures such as the aforementioned mechanization and labor saving. At the same time, we will review internal systems such as scholarship repayment support, extension of the parental leave period, and the elevation of the mandatory retirement age to 65. While labor remains a seller's market, so to speak, we will continue our efforts to make NITTOC the company of choice from various perspectives, including employing overseas human resources.

Our policy of emphasizing human capital, one of the strengths of the NITTOC Group, and social capital, which is centered on business partners, remains unchanged. Since I assumed the position of president, we have been working to increase the number of member companies of the Nisshinkai—an organization comprising cooperative companies—with the goal of strengthening and expanding the organization. Our connections with a broad range of partners, and the diversification of business risk that results from this, are also major strengths of our company. Our nationwide network, which stretches from Hokkaido to Okinawa, will be indispensable in the future promotion of our business.

At the core of the NITTOC Group Rediscovering our contribution to sustainability

In recent years, interest in sustainability has grown substantially, to the point that it has become an indispensable keyword in formulating our business vision. In line with this trend, the NITTOC Group formulated its Basic Policy on Sustainability in June 2023. We are in the process of developing new technologies and construction methods, such as the KAERUDO-Green Method and the NEKKO Chip Method, to contribute to post-construction greening and zero emissions.

As we promote new initiatives, we also have many opportunities to reaffirm the affinity for sustainability in projects in which the NITTOC Group has been involved to this point. An example of this would be a project we worked on in Japan's Aso region to repair a slope offset. It is a reconstruction project made necessary by the Kumamoto earthquake that occurred in 2016. When I visited the area in June 2024, greening was already underway and the original landscape was on its way to being restored. The Senbon Dam project in Shimane Prefecture, the mission of which is to repair and extend the life of the dam—a registered tangible cultural property—may also be seen as a contribution to sustainability in the sense that we are helping to pass a cultural asset on to future generations. Looking to the rest of the world, we have had opportunities to be involved in the sustainability of tourism resources, one example being slope protection work at an Indonesian tourist resort in the interest of preserving the region's cultural assets. I believe that NITTOC's endeavors contribute to sustainability in places that cannot necessarily be seen. These rediscoveries have made us confident in and proud of the business we do.

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

The year 2025 is the final year of the current medium-term management plan. Firstly, we will continue our vigilance toward achieving the goals we have established. In previous mid-term management plans, we have accumulated growth each year. We are also targeting 5% growth on an operating income basis for the current fiscal year. To achieve our goals, we cannot afford to fall short on any one of the aforementioned current issues, in addition securing and developing human capital, improving productivity or strengthening safety and quality management. We will work tenaciously and steadily to deal with the challenges directly in our view. Additionally, we will continue to accept challenges while looking at promoting sustainable management and taking on new fields and technologies.

External factors include domestic national land resilience and overseas projects, as well as projects expected to be promoted going forward such as high-standard railway projects including linear railways, high-standard road projects, and the redevelopment of electric power distribution grids. In addition, as society overall experiences the continued aging of its infrastructure, we are sensing a growing need to extend the lives of dams and make them multifunctional. We are keeping close watch on the Noto Peninsula, as it may help answer the question of whether or not to transform the

peninsula into a smart city amidst the reconstruction of depopulated areas. We will also consider these factors in finalizing our business plans for this year and next.

At the same time, preparations for the next medium-term management plan are currently underway. We must establish priorities and maximize the capability of our limited human resources to stay in step with the rate of change in the times and in society. This integrated report constitutes an additional area of focus within the framework of information dissemination.

Another key theme will be the use of external human resources. We continued to seek the help of outside specialists in 2024 and were fortunate to have various opportunities for dialogue and receive advice to fortify our management and disseminate information from the perspective of shareholders. We will raise the NITTOC Group to a new level through collaboration with people who possess advanced know-how that exists outside the group. Another of our goals is to have in-house personnel actively involved in such projects, which will lead to this know-how taking root within the company as well. The steady accomplishment of this cycle should lead to the growth of the NITTOC Group itself. If organizations find themselves relaxing even a little, they can quickly disintegrate. We must constantly keep our lofty goals in mind and push forward.

Message to stakeholders

As mentioned previously, NITTOC Group is a company that works with "pride, precisely in the areas that cannot be seen." We have succeeded in earning the appreciation of many clients, which has allowed us to utilize our skills and knowledge at a host of sites throughout Japan to perform construction with the aim of protecting people's "everyday" lives. With the aid of outside specialists, we are currently reevaluating the way we should disseminate information—including the integrated report—to communicate this image to as broad an audience as possible.

We feel that the price-to-book ratio (PBR) at this time (as of the end of September 2024) does not adequately reflect NITTOC's value given the relationship between ROIC and WACC based on our analysis conducted in cooperation with outside specialists. Starting with this integrated report, we will upgrade the quality and quantity of information dissemination with the aim of making NITTOC's "hidden value" visible to our stakeholders, particularly to investors.

Our hope is that this report will give you a sense of how the NITTOC Group is moving forward. And we would be grateful for your support if your attitude is in alignment with ours.

Message from the CFO

Reexamining NITTOC from the shareholder's viewpoint, we can now see a path to take on future challenges

Toshikazu Kawaguchi
Director
Managing Executive Officer
General Manager, Corporate Strategy Division

Change in management style to a shareholder-oriented perspective

I joined NITTOC CONSTRUCTION in 1983 and have served as general manager of the Corporate Strategy Division since 2019, where I have been in charge of various projects and financing. For the Medium-Term Management Plan launched in 2023, I was involved in the renewal of the company motto and brand message last year, as well as the renewal of the website. Together with President Wada, I believe that we were able to indicate the policy that NITTOC Group should pursue going forward. In 2024, the second year of the plan, we invited outside specialists to analyze and improve the management situation of the NITTOC Group from shareholder and investor perspectives, and to reinforce information dissemination in line with the initiative.

I personally have closely observed the evolution of the NITTOC Group over the past four decades since I joined the company in 1983. Leveraging the special technologies related to dams and geotechnical engineering developed by our predecessors, we were frequently awarded large-scale projects worth billions of yen. In a sense, it was a more lucrative time than today, with some construction projects generating profit margins of 30 to 40%. The company's primary business at that time was grouting, and as I recall, the slope protection business, which today accounts for more than half of NITTOC's performance, gradually expanded through proposals that integrated grouting methods.

The subsequent bursting of the bubble economy and the significant amount of debt incurred also caused the NITTOC Group's business to suffer. It was in 2008 that we formulated our first Medium-Term Management Plan to break away from the previous style of management and to create a sustainable management structure. Since then, over the course of five medium-term management plans covering a span of 15 years, the NITTOC Group has undergone significant changes to become the company it is today.

As we enter 2024, the Company faces many new issues, such as the declining birthrate, aging population, and consideration for sustainability. In addition, to improve our corporate value, we must also consider matters from financial and investor relations perspectives, and establish and implement the strengths of the NITTOC Group over a longer timeline and on a broader scale. The company motto and brand message were established as the origin for this new approach. What should the NITTOC Group aim for a decade from now? While crafting this overall image, we have also included in this integrated report specific measures we must take and what we are in fact accomplishing. We hope that this message resonates with our shareholders, investors, and other stakeholders.

"Work," not "processing" Optimizing the use of human capital requires an awareness of the need for innovation.

We believe that our employees—human capital—constitute a major strength of the NITTOC Group. The most significant challenge when looking at the Group today from the perspective of human capital is how to boost productivity. I believe that each individual employee should have a longer-term vision and be more productive on a daily basis.

To improve productivity, it will be necessary for employees to reassess on a daily basis whether their work is contributing to boosting corporate value. I believe that work is about making a difference, and that what we do day in and day out more closely resembles "processing" than it does "work." We cannot rely on the simple repetition of processing to improve the quality and productivity of work. Processing will be mechanized as AI becomes more prevalent. Therefore, it is important to accomplish work in a creative and ingenious way while considering how we can improve our work today compared with yesterday, and tomorrow compared with today. We must think about how we can work more swiftly and accurately.

The introduction of a sales force automation (SFA) system led by the Business Operation Division and the modification of the expense reimbursement system by the Administration Division constituted work for the purpose of just such a transformation. My view is that, through the repeated planning and implementation of such improvement projects, and by establishing subsequent goals and tasks and seeing them through, we will effectively change the way we work and the value created by the NITTOC Group. This is not accomplished through the individual efforts of each person, but through open discussion and exchange of ideas within the team. Ideally, this type of culture will take root at NITTOC.

Utilizing remote work to foster a comfortable work environment

Another example of the significant progress we have made is that our internal measures with respect to human capital are well-balanced with consideration for financial capital. Today, technological innovations in the communications environment have significantly impacted our idea of the "workplace." We believe that we need to change how we utilize the office itself as it is now possible to perform certain tasks regardless of distance or location. While in terms of small meetings and internal communication, a presence in the office has its advantages, work itself can now be accomplished remotely without having to gather in the office. Employees with time constraints, such as those caring for the elderly or raising children, can work more efficiently without spending time commuting.

Message from the CFO

Likewise, employees with temporarily heavy workloads can share the work with remotely located personnel. In addition to office duties, tests have shown it is possible to operate machinery remotely. It is necessary to consider how best to perform these duties from a broader perspective going forward. This may also enable us to present different options for working while paying consideration to efficiency, convenience, and safety.

Furthermore, from the perspective of the NITTOC Group's overall costs, the spread of remote work is also related to the condition of the company's business locations nationwide. Whether companies should keep large offices or whether offices should be downsized in line with the advent of remote work must be discussed from a perspective other than that of human capital.

Broadened from the perspective of shareholders
Awareness of "time" and "space" in management

The most inspiring aspect of the dialogue with and advice from outside specialists was the scale of management strategy. To this point, the NITTOC Group has been a BtoB-oriented company with a stable business foundation and numerous business inquiries. Given this, we may have been passive to share information on our strengths and enter new fields. Looking back, I think we can say that this was a weakness. However, with society undergoing drastic change and expectations of companies evolving, we must contribute to society from a longer-term perspective while being aware of our diverse stakeholders. This is one of the findings from our review of management from a shareholder's viewpoint. Now, how do we perceive our business and communicate this perception to society? We are currently working on rebuilding this process.

Given the special characteristics of our core business and societal needs, we foresee the Group continuing to generate stable earnings. Meanwhile, if things continue as they are, there may be a lack of major changes that investors are hoping for. To break through the status quo and significantly boost NITTOC's corporate value, we can naturally consider incorporating external forces including corporate venture capital (CVC) to support M&A and ventures. Given that we do have a certain amount of funds on hand, making these kinds of investments will be an important option for NITTOC's growth over the next decade or two.

For the most difficult projects, count on NITTOC
Rebuilding NITTOC's brand and our pride

I write a message to our employees at the start of each month. A topic I recently addressed was "NITTOC's Brand." Who decides on NITTOC's Brand? This is by no means a decision we can make on our own—it is one that is made by a broad range of stakeholders, including clients, partners, shareholders, and investors. What, then, is the ideal image of NITTOC that we want in the minds of our stakeholders? My own feeling of the image is that of a company that has earned the trust of society by excelling at difficult projects, to the extent that people say, "First, call NITTOC," no matter how challenging the work may be.

Even today, there are many sites where NITTOC is called upon, including the locations of disasters that occur in various regions and require recovery efforts. What is important is that competition with our rivals should extend beyond price to the content of our proposals. Competing on price alone will not lead to growth in the intrinsic value offered by the company. To compete on the basis of proposal content, all employees involved in sales must work on daily sales strategies from the perspective of how we can convince people to choose NITTOC. We believe that thoroughly implementing this style of sales will eventually lead to us achieving the aforementioned ideal brand image.

Creating value linked to share price through management with an awareness of KPIs

In introducing analysis from the viewpoint of shareholders, we also closely monitor various KPIs related to the management situation. With regard to sales, a key element, one indicator is how to bring the current level of approximately 70 billion yen closer to 100 billion yen. Operating income will grow in line with an increase in sales. What this requires us to consider is how we can generate sales with limited resources.

About 60% of NITTOC Group employees are directly engaged in on-site construction work. With regard to employees at worksites, productivity is easy to visualize through operating hours and sales and profits earned from construction projects. This visualization had previously not been possible, however, for employees of back-office and indirect departments.

There is a strong sense among back-office employees that they are "unsung heroes," relegated to existing behind the scenes. As I began my career in the administration, I have heard this frequently. I reject this notion. My belief is that the corporate structure should be flat, with employees simply occupying different positions within a company. This awareness may be due to their inability to visualize the connection between the work they do and sales and profits; a distance between "work" and "figures." I would like to change this culture by conducting a comprehensive analysis based on the ROIC and WACC indicators that the Group started incorporating in 2024.

In addition to serving as a gauge for productivity, visualizing whether sales activities are achieving results and internal operations are leading to sales and profits also positively impacts the motivation and contribution of each individual. When it comes to evaluating individual branches, the focus has shifted from merely looking at profit from construction to looking at profit per employee. We believe that using an internal sales force automation (SFA) system to gather information could also support such activities.

One thing we felt through ROIC and WACC was the importance of breaking away from the traditional profit-oriented management stance toward value creation-oriented thinking. From the viewpoint of ROIC, even when sales are not strong, if a business is investing far less capital than others, it is creating a relatively higher level of value. More specifcally, if the efforts of back-office employees result in fewer accidents and problems on site and more stable progress in projects, invested capital will be reduced and ROIC and WACC will improve. Another way to evaluate this is in terms of increased engagement on the part of clients. Given our traditional profit-oriented perspective up to this point, this was difficult for us to see.

Although we have just launched our efforts to emphasize value creation, my hope is that we will eventually succeed in creating a system that enables us to successfully link human and invested capital while monitoring the balance between them.

Transformation over stability
Aiming for an exciting society

What I want to say to our shareholders and investors is that the NITTOC Group will continue to take on challenges rather than simply aiming for stability, and will be an exciting company to watch.

We believe that one of the axes is sustainability. As noted earlier, since its establishment, many elements of NITTOC have led to business sustainability. Our business strategy going forward will feature an awareness of this and a focus on pushing it forward more as a strength of the company. This may lead to significant challenges—not only in existing businesses, but also on the investment side, including M&As and CVC. NITTOC will be recognized for its efforts to boost corporate value through proactive investment. I hope to show you this completely new image of the Group. With sustainability at its core, the NITTOC Group will certainly make even greater strides.

The company will steer for greater growth while maintaining the stability and trust it has achieved to date. As the Group moves forward under its new vision, we appreciate, and will work hard to live up to, your high expectations.

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%

Message from the CMT

Naoto Kami
Director
Managing Executive Officer
General Manager,
Business Operation Division

We aim to achieve efficient management by expanding our areas of business and minimizing unprofitable businesses.

Clarifying Issues for Growth

In the fiscal year ended March 2024, the first year of Medium-Term Management Plan 2023, orders received were 73,800 million yen (down 1.5% year-on-year), net sales totaled 71,800 million yen (down 1.4% year-on-year), and operating income was 4,300 million yen (down 20.1% year-on-year). Despite orders received and net sales having exceeded the initial plan, the occurrence of some unprofitable projects prevented us from achieving our profit targets. I believe that this was a year in which we clearly identified issues needing to be overcome to reach the targets of our three-year medium-term plan.

As general manager of the Business Operation Division, I am not satisfied with these results. Meanwhile, we have sown the seeds of many types of growth as part of our sales strategy and, from a long-term perspective, we are already beginning to see movement that will lead to progress in the future, which we view as a significant achievement. While there are issues, there is a growing consensus within the organization regarding the direction we must take to improve the situation. Specific initiatives have in fact already been launched.

Our pride comes from what we achieve, precisely in the areas that cannot be seen
Brand message resulted in increased awareness of pride among sales staff

In May 2023, we formulated our Medium-Term Management Plan 2023 and adopted a new brand message: “Our pride comes from what we achieve, precisely in the areas that cannot be seen.” Through our brand message, we aim to improve our communicative ability both internally and externally, to improve employee engagement, to raise the NITTOC Construction Group’s profile in society, and to boost orders received.

Rather than a vague image of contributing to the creation of safe, secure national land, the new message clearly and vividly expresses the defining characteristics of NITTOC, what we should be proud of, and what our social mission is. Even the feedback received from our younger employees made me confident from the beginning that the message would effectively raise job satisfaction and motivation.

Only a year has passed since we formulated the message, so the results have not yet manifested themselves in performance figures. My gut feeling, though, is that the pride we take in our work is spreading steadily even at worksites, evidenced by comments such as, “Building things that can’t be seen is difficult precisely because they aren’t visible. NITTOC will proudly take on the challenge of even the most difficult construction work.”

Transitioning from a passive to an aggressive stance —— Taking on the challenge of difficult projects through upstream sales + technical proposals

Major changes are underway in sales operations as a result of the growing sense of pride in work. Our company’s primary sales style has traditionally been rather passive, in that we would not really move until tender information for public works had been made public or we had been approached by a customer. Recently, however, we have been seeing more and more aggressive approaches to high-level projects on the part of NITTOC sales staff.

The aim of a technical proposal is to win orders through an enthusiastic appeal of the Company’s technical capabilities for challenging construction projects. This is a true reflection of the pride that our sales staff members feel in taking on a challenge precisely because it is difficult. The successful cases have led to the deployment of pre-order sales activities beyond tunnel waterproofing work. We expect this will lead to increased orders in new areas such as ground improvement work in urban areas, orders from the private sector, and structural repair.

Challenging construction projects in new areas where we have no track record —— looking to expand orders for urban ground improvement projects

As part of our Medium-term Management Plan, in which we state our intent to take on the challenge of entering new fields and expanding our business domain, we are working to increase orders particularly for urban ground improvement work.

One of our strengths is our advanced waterproofing technology (bedrock grouting) that fills nano-level gaps in the bedrock to mitigate water leakage. As a result of our customers highly evaluating our technical capability, our company boasts the industry’s leading track record for reinforcement and waterproofing on rock surfaces such as dams and slopes.

Even in urban areas, the ground reinforcement and waterproofing technologies we are proud of are effective in the case of redevelopment and other projects that involve deep digging. However, until now, our company has not been actively involved in these areas. The fact is that we tend toward passivity in our approach to sales, and I acknowledge that this is why we were not receiving calls for ground reinforcement work, where we had not established a solid track record. As these are technically extremely challenging, high-productivity projects, however, the Company has made the area a priority measure. Moreover, the sales team has also begun focusing on pre-order sales and technical proposals. Although we have made few achievements in this area, making it difficult for customers to acknowledge our appeal, orders are steadily increasing as our technical ability is recognized, thanks to our proactive technical proposals. We believe that this kind of activity is being influenced positively by the change in the sales team’s awareness of taking pride in doing challenging work. Since we have received high marks for our technical capabilities from the customers who have ordered our ground reinforcement projects after work completion, by continuing to compile results, we aim to create a virtuous cycle of increasing orders ➡ improving customer evaluations ➡ further expanding our track record ➡ accumulating additional results ➡ heightening brand recognition.

Taking on demanding customers and challenging work —— bolstering private-sector orders through sales development with a sense of pride

As mentioned earlier, to expand orders for urban and ground reinforcement projects, we are focusing on approaching major general contractors that have particularly challenging and high-profit-margin private sector projects and, while making technical and design proposals, aiming to secure orders in a manner similar to a special order. This has resulted in orders from major general contractors increasing

recently, and private-sector orders—which had comprised around 15% of sales for the past 10 to 15 years—grew to 25% in fiscal 2023. We hope to increase this figure to 30% as quickly as we can by strengthening orders in urban areas.

Among private sector clients are railway companies such as JR, power companies including TEPCO and Kansai Electric Power, factories, and companies that operate logistics warehouses. We have been willing to accept the challenge of working in fields that are new to NITTOC. Additionally, in regional areas where we had a large number of orders from companies that regularly place orders with us, we now conduct sales activity in all directions. As a result, we have been able to cultivate more customers. If salespeople are able to move forward while taking pride in the knowledge that they are expanding the scope of orders, I expect it will lead to even further corporate growth.

Issues coming to the fore in new business areas —— Variation in technical levels and dysfunction in progress management contribute to deteriorating profitability

In the fiscal year ended March 2024, the Company failed to reach its profit targets for the first year of the Medium-Term Management Plan. Gross profit fell to 12.7 billion yen, down 7.1% year-on-year, as some unprofitable construction projects negatively impacted the profitability of construction. Minimizing unprofitable projects is the most urgent issue needing to be addressed toward achieving the Medium-Term Management Plan 2023 target of an average operating profit of 5.4 billion yen over three years, and for realizing sustainable growth beyond that.

Unprofitable construction projects tend to occur at sites involving new domains such as ground improvement, repair, and strengthening. In areas where we have a proven track record, such as slope engineering, we are able to respond appropriately to even the most difficult challenges. Why, then, can we not secure the same level of profit in new areas where we are less experienced? One reason for this is that, projects with teams comprising experienced staff are rich in people with a certain level of knowledge and know-how. Meanwhile, projects in areas where we have not established a track record have team members that vary in terms of ability, causing delays in appropriate responses, and there are cases where additional costs are incurred due to having to redo work, etc. Another factor has been the failure to set appropriate checkpoints and to rigorously review the progress at each checkpoint. While we have become more willing to tackle challenges in areas where we have little or no experience, even in cases where our risk-taking posture resulted in securing orders, we had not yet developed the strength needed to generate the profits expected. In that sense, fiscal 2023 became a turning point on the road to growth given the issues that came to light in ground improvement and repair work.

Eliminating issues —— Consolidating knowledge scattered throughout the Company and building a reliable checking system

Spreading knowledge and expertise evenly and ensuring progress management functions properly should make it possible to reliably reduce unprofitable projects.

Although all of our staff have professional-level knowledge in slope engineering—where the Company boasts a wealth of experience—there are varying levels knowledge in other areas where we lack such experience. To compensate for this, we have personnel within the Company with knowledge and expertise with all kinds of technology. In other words, professional human resources exist somewhere within the Company. As an organization, however, we have not been able to consolidate these resources, and we have not succeeded in deploying personnel with all the requisite skills to all the locations where they are needed.

To overcome this, we are working at the organizational level to share best practices of introducing and operating the sales force automation (SFA) system in an effort to equalize knowledge and skills that are unevenly distributed. We are also raising the level of knowledge and skills internally by conducting on-site tours, study sessions, and training with staff from each branch.

Furthermore, in the new, highly challenging areas of ground improvement and renovation work, there is a need for further advancement progress management in line with the rapid expansion of orders and evolution of technology. It is essential to build a company-wide profit, progress, and quality management structure, such as identifying problems early on by looking across all processes and augmenting methodical check structures.

We will work hard to efficiently deploy successful case studies, while building and strengthening our check structure, with the aim of preventing the deterioration of profitability even in challenging projects in areas where we have little experience, and contributing to improving overall profitability.

Toward achieving sustainable growth —— Realizing workstyle reform through enhancement and augmentation of the construction team—our strength—and DX promotion

As for the business environment surrounding the Company, we expect the construction market to remain robust during the medium-term management plan period. Meanwhile, in the long term, we are promoting the expansion of structural repair work—a growing market—with an eye on the trend of transitioning from new construction to maintenance and repair. In fiscal 2023, we secured orders worth 5.5 billion yen, surpassing the initial plan of 5 billion yen. We intend to bolster initiatives even further to achieve our Medium-Term Management Plan target of 10 billion yen in orders received by 2025.

There had previously been a gap in the level of enthusiasm for structural repair work across our branches. Today, the entire organization is working to enhance its knowledge and expertise, including augmenting the engineering team, and all branch offices are now actively working to secure orders.

One of our key characteristics and strengths is having our own construction team, and being able to both manage and execute construction. This offers numerous advantages, such as 1) the cost is not higher than when enlisting subcontractors due to increasing labor costs; 2) the work is performed by employees who are already familiar with the Company's safety rules; 3) flexible on-site management is possible, and 4) the ability to accumulate technology and know-how within the Company through employee training. We believe that this is a highly advantageous resource that can be used to improve the utilization rate and heighten customer satisfaction, and as such we are actively working to expand it. At present, the head office Construction Guidance Department is staffed by around 40 people, and there is a construction team at each branch comprising three to eight people. We are aiming to further expand, building a structure with 10 people at each branch.

As the birthrate continues to fall, it will become a strength for construction companies to secure a certain number of employees in-house. At the same time, the shortage of human resources constitutes the single most significant risk. This is why, as mentioned earlier, we will redouble our efforts to secure personnel, while actively promoting DX—such as automation and labor-saving measures at worksites and the use of remote technology—with the hope that this will lead to reducing the workload of on-site staff, heightening efficiency, and achieving higher work accuracy and workstyle reform.

Using our technical capabilities and human resources as an ace up our sleeve

In the fiscal year ending March 2025—the second year of Medium-Term Management Plan 2023—we will continue working toward achieving the targets for fiscal 2025, boldly tackle new challenges and grow orders, and thoroughly implement measures to enhance our ability to and prepare for and respond to the construction work necessary to resolve issues in new areas.

NITTOC is a corporate group whose greatest strength is its technological prowess. Moreover, 12 of our employees received awards in the Spring and Autumn Conferment of Decorations. Compared with other companies, we are proud of the high quality of our human resources. We will continue working to enhance the NITTOC brand by leveraging our advanced technological capabilities and superior human resources, and aim to achieve both the sustainable growth of our business and the resolution of social issues.

Message from the CTO

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

As natural disasters grow in number and severity—in mountainous as well as and urban areas—we will strive to develop technologies that contribute to connecting natural capital and human society, and to boosting shareholder value, over the next decade.

Basic Structure for Technological Development

At NITTOC, the Technology Committee, where the general manager of the Engineering and Development Division serves as the chair, meets regularly to select technology development themes and confirm technology development progress.

From April 2024, via the sales force automation (SFA) system, the progress reports, preliminary test results, and issues reported by the person in charge of each development theme can be shared at any time by the Technology Committee and the members of the Engineering and Development Division.

We believe that this contributes to accelerating decision-making regarding technological development.

Promoting technology development with an eye on today and tomorrow

Our technological development is based on the two pillars of further strengthening our existing technologies through the continual improvement and refinement of our core fields as we respond to the needs of our customers, and aiming to create new fields and businesses that can respond to future changes in society.

In slope, ground improvement, and maintenance and renovation—our main areas of business—we are promoting construction machinery automation and remote control. The aim of the development and introduction of technologies related to automation and remote control is to save labor and personnel in construction and to improve safety. It can also help to address serious issues in the construction industry including the labor shortage and a decline in the number of skilled engineers. In the field of ground improvement, where we expect a large market due to urban redevelopment and accompanying ground reinforcement, we are developing technologies that can be provided to suit the application and ground conditions.

In new fields, we aim to cultivate new businesses. And, while imagining what we will be like a decade from now, we will deliberate and develop unique construction methods and innovative technologies that have unprecedented disruptive power.

Regardless of the field, we will leverage the incredible volume of ground data accumulated through past construction projects, and apply the data using ICT and AI. We anticipate that the practical application and commercialization of these technologies will require some time, but we aim to raise the competitiveness of our existing businesses through development that will lead to reinforcing our core fields, and to achieve corporate growth and evolution. We also intend to continue development toward improving the appeal of the construction industry and building a decarbonized society.

Strengthen joint development with other companies and collaboration with universities and external research institutions

One effective way of promoting technological development is through joint development with other companies and collaboration with universities and external research institutions.

NITTOC is currently collaborating with 20 universities around the country, exchanging information and receiving technical guidance on a daily basis, as well as conducting joint research.

Examples include the development of slope inspection robots with Tokyo Institute of Technology (now Institute of Science Tokyo), and research we are conducting with Setsunan University on the use of point cloud data.

We are also working together with startup companies that have superior technology to develop AI-based image diagnosis of cracks in slopes. Moreover, our employees regularly lecture at certain universities.

We hope to expand our collaboration with various faculties, promote technological development, and also secure high-potential students through these activities.

Technology Development and Intellectual Property Strategy

The development and practical application of proprietary construction methods will heighten market competitiveness, leading to improved profitability and proposal capabilities. NITTOC promotes the application and utilization of intellectual property such as patents—indicators of our technological capability. There are a host of purposes for applying for a patent. These include protecting proprietary technology, preventing other companies from entering the market, and constructing barriers to business entry.

With regard to key technologies, we comprehensively acquire patents for related technologies to build barriers to entry for other companies and protect proprietary technology. We have obtained patents for the Geofiber Method, New ReSP Method, and New Sleeve Grouting Methods, for instance, forming a group of patents.

Furthermore, the utilization of these patents will help us to secure markets and heighten our corporate value, so we will continue actively applying for and utilizing patents. We will increase the proportion of patent applications for technologies related to important measures with the aim of connecting business and IP strategies. Additionally, we will look at the potential for utilizing IP and increase the proportion that we utilize.

We will continue to consider strategies for transforming our development results into intellectual property and leveraging it in the generation of profit.

Message to Stakeholders

NITTOC provides high value to its customers through the practical application of its proprietary construction methods and new technologies, thereby contributing to the realization of a sustainable society.

Moreover, based on the business strategy of the Medium-Term Management Plan, with the significance of our company's existence always in mind, we will strive to make proposals for disaster prevention and mitigation to protect human life and lifelines.

Furthermore, we will actively promote patent applications and IP utilization, and work to augment our technological capabilities and boost our competitiveness in the market.

Through these measures, we aim to satisfy everyone's expectations and achieve further growth and development.

Outside Directors' Roundtable Discussion

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

Roundtable discussion

Every one of our employees has a sense of mission to help restore and rebuild infrastructure We hope that the NITTOC Group, which has both a business that contributes to the resolution of social issues and a solid financial foundation, will appeal its strengths to the market.

The source of the Group's appeal is its human resources with a strong sense of mission.

Watanabe: My tenure as an outside director of NITTOC is longer than that of anyone here. When I joined the company, it was achieving stable results by focusing on the specialized civil engineering business. In addition to our original business, which centered on slope protection work, we are now also actively involved in ground improvement and maintenance and renovation.

Our people are the company's appeal. Although we are only looking at management and executives, each one of them have cited the fact that a characteristic of NITTOC is that members approach things with a straightforward attitude. And there is a common awareness of how to improve our company. Meanwhile, we need to improve our sales proactivity compared with our competitors.

Nakamura: Although they are often lumped together, civil engineering and construction are in fact rather different. The civil engineering field covers the construction of infrastructure such as tunnels and dams during peacetime. In the event a natural disaster occurs, we will be the first to arrive and perform restoration work. Once that's accomplished, we will begin reconstruction. Including the quality of the recovery, every one of our employees possesses a strong sense of mission regarding infrastructure restoration and recovery. Moreover, since the president and all other employees are familiar with worksites, issues raised internally are the sincere voices of those with front-line experience. I think that at NITTOC, employees can express their opinions regardless of position or rank, and superiors are understanding, so communication goes smoothly.

As Mr. Watanabe noted earlier, I feel that since we are in the BtoB realm and are very serious company, we lack the kind of aggressiveness that is needed to appeal to consumers. Information dissemination is vital in securing human resources. There is no end to demand for civil engineering projects in which nature must be dealt with, but there are also cases where a shortage of personnel causes us to turn down projects. The volume of orders we receive will surely increase if we hire talented people.

Okada: Although the two of you have already covered this, I would like to emphasize our technical capability. In 2024, we received four Civil Engineering Awards from the Japan Federation of Construction Contractors, and we have also been praised externally.

We are also seeing progress in DX support. A characteristic of NITTOC is that, in most cases, we only have one person at each worksite. Therefore, we have a framework in place that enables us to remotely collaborate with construction managers at each sales office and resolve any worksite issues that arise. Since we introduced a sales force automation (SFA) system in 2022—the year I joined the company—we have been working to heighten data visualization, and have made progress in improving efficiency by identifying priorities. Furthermore, we are putting considerable effort into developing proprietary construction methods that will lead to remote and automated construction and CO_2 emission reduction. Actively promoting these proprietary methods will lead to securing orders, and to differentiate ourselves, put them into practical application from the perspective of DX.

Mori: As everyone has stated, I also think that people are the true appeal of our company. I was appointed as an outside director of the company in June 2024, and I have seen how the company sincerely listens to and addresses the opinions of each individual. Moreover, the monthly financial statements are precisely managed, and I feel the figures are reliable. Meanwhile, I also want to see boldness in our business. Carving out our own path as a company amidst significant changes in the environment is our real challenge, as I see it.

Aiming to achieve a fair stock price valuation by appealing our strengths

Mori: What I sense looking at market trends is that NITTOC has not yet fully conveyed its appeal. The strengths and good points accumulated over many years are the things that, internally, we take for granted. I think that we can gain more trust from the market by recognizing this, communicating it to the outside world, and carefully conducting dialogue.

Okada: I feel the same way. The other day, I suggested that we could come up with something novel regarding general shareholders' meetings. Why not hold a roundtable discussion, for instance, after the meeting, to give outside directors the opportunity to get to know shareholders directly? It might also be a good idea to add a site visit to the program. We check compliance from an external perspective with a sense of responsibility, and also have opportunities to visit sites. I want to convey more of NITTOC's appeal.

Watanabe: I understand that, as of today (August 9, 2024) the PBR is 1.27, but as you all have mentioned, I also think the company is undervalued. The appeal of our company as an investment is that it offers stable earnings with a dividend yield of 4.66% as of today, and is considered undervalued.

Okada: Our company has recently become very aware of weighted average cost of capital (WACC) and ROIC.

Nakamura: While we have said pretty much everything there is to say, it is certain that we have plenty of cash on hand. With an equity ratio of 60%, I think we are a low-risk investment. We should be appealing to the market more enthusiastically, such as emphasizing that we are a company whose existence is vital to the country, that we have received the commendation from the Japan Federation of Construction Contractors as Ms. Okada mentioned earlier, and that we are involved in the construction of passageways at the East and West exits of JR Shinjuku Station.

NITTOC's human resource cultivation includes enhancing employee awareness through formulation of the brand message and cultivation of mindset

Nakamura: To date, the civil engineering industry has been labor intensive, but I think DX is transforming it into a group of highly skilled engineers. Given this, we need to focus more on R&D, while also training the next generation of managers and support staff. Since President Wada took office in 2021, our company has begun training management candidates.

Watanabe: When it comes to succession planning, we first look at a wide range of people. Then, as outside directors, we check the degree of growth of those who are clearly on a management executive career path. Candidates make presentations at the voluntary Nomination and Compensation Committee that includes independent outside directors and auditors as members, and the president is selected based on an assessment of their abilities from a long-term perspective. One of the characteristics of NITTOC is that all employees have a sense of mission to support the company to make it better, regardless of who serves as president.

Outside Directors' Roundtable Discussion

Okada: What you just said is precisely what the brand message expresses. When we reviewed our company motto in 2023, we solicited ideas internally, finally formulating the message, "Our pride comes from what we achieve, precisely in the areas that cannot be seen." This phrase expresses the value of NITTOC's existence, and everyone works together toward a common goal. The formulation of this message has significantly raised awareness of the need to bolster the company's brand power, in my view. The content of the message when recruiting new graduates has also changed. Furthermore, we have redesigned our website and produced a video for new graduates.

With regard to changes to the company's internal structure, there are currently male employees who take as much as two years for childcare leave, and a system has been established that facilitates their return to the workplace.

Mori: Concerning future management talent, we must consider the next 30 years and cultivate younger talent from a long-term perspective. After a review of the content of our education system, from this fiscal period we have also established a dedicated education department. We also added the cultivation of principles and mindsets to the acquisition and reinforcement of traditional expertise and skills. We are working to foster a growth mindset so that each individual can take the initiative and fully leverage their own abilities. Also, concerning the promotion of women's activities within the company, the discussions I hear tell me that women are active in the workplace and have a desire to be promoted, so I see potential. I believe management needs to provide more opportunities for growth and promotion than those that currently are available.

Nakamura: The other day, NITTOC held a technical presentation showcase, and two of the top three winners were women. Both men and women are active at NITTOC. At this showcase, each person

Katsuo Nakamura
Outside Director

presented their own creative ideas and experiences from the workplace. In addition to their daily duties, they had apparently been working on papers and presentations in their own time. They had the support of everyone at their branch, and I heard that when they won the awards, the supporters were overjoyed.

Reduce opportunity loss based on results of analysis of causes of higher revenue and lower profit

Nakamura: The company's performance improved due to orders received in the fiscal year before last. In the fiscal year ended March 2024, when we returned to normal business operations, our performance declined. This is part and parcel of an order-based industry. The company's soundness has not been compromised at all, and the poor performance is not the result of systematic concealment or negligence.

Mori: While the impact of unprofitability was significant in the previous fiscal year, we have analyzed the causes in detail and are taking appropriate steps. My understanding is that we are approaching this at a structural level, such as by organizing a management team that conducts data-based analysis.

Watanabe: As stated in our Medium-Term Management Plan, we will tackle new challenges. Meanwhile, analyzing the causes of unprofitable projects helped us to make decisions about projects we should steer clear of. These efforts proved fruitful. As stated earlier, bolstering our sales capabilities is an issue. Since 2022, we have been using a sales force automation (SFA) system to visualize projects and sales-related details, which has led to mitigating lost opportunities.

Sayaka Mori
Outside Director

Expectations for leveraging technological prowess for preventive maintenance against natural disasters Dealing with long-term growth opportunities and risks

Nakamura: Our company got its start in dam construction, and our slope protection work—which features the industry's top technical capabilities in the industry—has turned into a steady source of revenue. Furthermore, by bolstering ground improvement methods such as the N-Jet Method, we will have two solutions as pillars. As Ms. Okada mentioned earlier, we have acquired patents for our proprietary construction methods, and we are also conducting joint research with a number of universities. We also conduct R&D with other companies in our industry. NITTOC is further involved in research into labor-saving methods, such as the application of nanotechnology to ground improvement across industry boundaries, and the use of drones to photograph and survey slopes. There is considerable potential for growth.

Okada: In addition to accepting the challenge of expanding from mountainous to urban areas—exemplified by ground improvement work in Shinjuku—the company is also expanding overseas. Examples include taking charge of ground reinforcement on the tunnels for mass rapid transit (MRT) in Jakarta, Indonesia. At present, we are receiving orders for Official Development Assistance (ODA) projects, so payment usually happens quickly. When we accept new orders in Indonesia, however, where business practices differ from Japan, it is essential that we collaborate with local companies. There are risks that are different from those in Japan. Including the management of locally-hired staff, our overseas business team and the local staff of PT. NITTOC CONSTRUCTION INDONESIA are in the process of creating a

Naoko Okada
Outside Director

Masayuki Watanabe
Outside Director

system capable of confronting any risk and solving problems one at a time.

Mori: We handle a broad range of work. Frankly, it surprised me to learn that we are involved in so many projects. Although we are a BtoB company, we are actually closely connected to BtoC. NITTOC is right next to us in everyday life. We also have high expectations for preventive maintenance that leverages our technological capabilities, including the prediction of potential damage and prevention of natural disasters, which are a risk, before they happen.

Okada: CSV (creating shared value) management, of which impact and ESG investment are important components, requires a sound financial base. NITTOC has a robust financial foundation and is engaged in business that directly addresses social issues.

Mori: NITTOC is a familiar presence that is right next to us in everyday life. As abnormal weather and natural disasters have increased in recent years, NITTOC is a company that investors wishing to contribute to Japanese society and supporting a safe, secure life for everyone should pay attention to. We have a system in place that achieves increased capital efficiency and the creation of sustainable value that will be returned to our shareholders.

Watanabe: From the perspective of sustainability, we also pay close attention to human rights issues, such as the protection of workers, including subcontractors. NITTOC has also achieved addressing the "2024 Problem", in which overtime work regulations were tightened in the transportation and construction industries, a year ahead of schedule.

Nakamura: We are a healthy company with no aspects that lead to environmental degradation, and with employees who possess a strong sense of social responsibility. We hope your expectations of the NITTOC Group remain high.

Value Creation Story

It is crucial to earn investors' trust by achieving consistent 3% growth over the next decade, as we have done in the past.

This goal must be pursued in alignment with analyses of the external environment and internal management resources. To further clarify this perspective, we present the 10-year value creation story in an integrated manner in the following framework. There is a significant gap between the current ROIC and the Lean ROIC, which excludes surplus cash and deposits. To close the gap, the Company will consider long-term measures; over the next decade, we will use surplus cash and deposits to invest in businesses with high long-term ROIC and pursue M&A and venture investments, while allocating additional surplus funds to shareholder returns.

Long-term corporate value creation story

Analysis of the external environment: political, economic, social, and technological

Measures

Human capital
Human resource 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

Intellectual capital
Productivity improvement; renewable energy; zero GHG emissions; reduction of environmental impact; greening; geological visualization; safety and reliability

Industrial capital
Enhancement of temporary equipment; investment in NITTOC's proprietary equipment; robotization; IT deployment; remote technologies

Value Creation Mechanism

Growth story

Strategic business model

Sustainability management for enhanced reliability

- Further strengthening of specialty areas, stable orders for large projects
- Expansion of private sector and urban civil engineering projects, expansion of ground improvement and structural repair work
- M&A
- Improving productivity
- 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
- Strategies that consider social and natural capital impacts
- Multifaceted patrols
- Risk hedging in advance
- Enhancement of temporary equipment plans
- IR enhancement, cumulative dividends

Shareholder Value

Sales growth
Current status
¥73.0 billion
In 10 years
¥101.1 billion

Improvement of return on capital
Current status
Lean ROIC 15.3%
ROIC 11.0%
In 10 years
By closing the gap between the two
ROIC 16.6%

Reduction of capital cost
WACC
6.3% or less

Market capitalization
¥80 billion or more

Impact

Social capital
- Enhancement of national resilience
- Environmental conservation and disaster prevention

Natural capital
- Zero GHG emissions
- Reduction of environmental impact
- Renewable energy
- Greening

Financial capital
- Decline in PBR
- Improvement of PER
- Improvement of cumulative TSR

Political

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 work-style 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. • At this stage, our efforts to strengthen R&D and develop technology have not yet led 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.

Economic

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.	• Establish a construction method that specializes in repair and reinforcement rather than new construction.	• 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.

Social

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. • 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.

Technological

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:** Achieve a 20% 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, expansion of ground improvement and 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:**	• **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 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	Enhancement of 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 ¥73.0 billion
In 10 years ¥101.1 billion
Refer to upside potential

Improvement of return on capital
Current status
Lean ROIC 15.3%
ROIC 11.0%
In 10 years
ROIC 16.6%

Reduction of capital cost
WACC 6.3% or less

Market capitalization ¥80.0 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.

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

It is important to present a roadmap for the utilization of surplus funds of over ¥10.0 billion.

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.

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

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 has also been stimulated as economic and social activities normalize after the COVID-19 crisis. Under these circumstances, our Specialty Construction Department (ground improvement and slope protection works) saw a year-on-year decrease in net sales due to a reactionary decline after receiving large-scale construction orders in fiscal 2023. Profits also decreased as some unprofitable projects reduced the overall profitability of projects.

Ground Improvement Work Department

In the previous fiscal year, orders received decreased year on year due to a reactionary decline following large-scale construction orders in fiscal 2023, but we still nearly achieved the target. However, our failure to fully address certain risks led to unprofitable construction projects, which serves as a lesson for the current fiscal year.

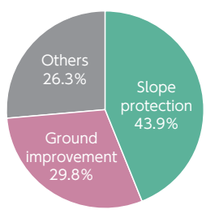
We made proactive capital investments and expanded our in-house construction team to increase construction projects using our in-house machinery. However, these efforts did not contribute to net sales due to insufficient orders for our unique construction methods.

Slope Protection Work Department

In the previous fiscal year, we received orders for slope protection work (frame work, rock bolts) and embankment reinforcement as disaster prevention and mitigation measures. However, both orders received and net sales declined due to a decrease in large-scale construction orders compared to fiscal 2023.

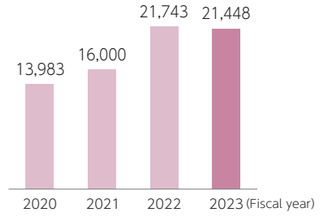
Slope collapses due to natural disasters, including the 2024 Noto Peninsula Earthquake on New Year's Day, have occurred in various areas. We are enhancing our involvement in disaster response construction from the design phase and working to increase orders for our unique construction methods.

Sales composition ratio by types of works



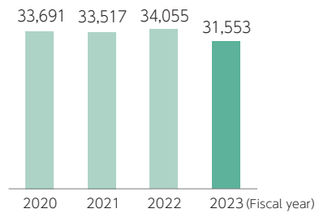
Net sales for ground improvement work

(Millions of yen)



Net sales for slope protection work

(Millions of yen)

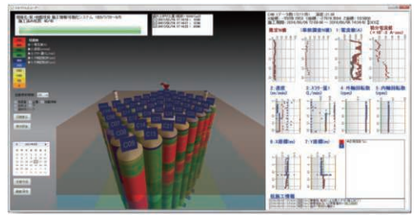


Future measures for achieving the Medium-Term Management Plan

With the increasing severity and frequency of disasters such as heavy rains caused by global warming, and the expected 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 being a company that contributes to building safe and secure societies and countries, we will actively utilize ICT to improve productivity and contribute to the realization of a sustainable society in the areas of foundation work in which NITTOC excels.

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 the Medium-Term Management Plan, we plan to implement a proactive capital investment plan (purchase of machinery and expansion of equipment centers).



Real-time 3D display management system for ground improvement

Slope Protection Work Department

To compensate for the shortage of new entrants in the construction industry, we will promote labor savings by adopting automation technology for machines at construction sites. We are also working to improve the efficiency of construction management and quality control by leveraging ICT. To prevent and mitigate increasingly severe natural disasters, we will enhance our involvement in the design phase of measures to prevent slope collapses and landslides. We will also strengthen our greening work to achieve carbon neutrality.

Wakuraku Shot

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

TOPICS – Received 4 Civil Engineering Awards in 2024 from the Japan Federation of Construction Contractors

NITTOC has been awarded the Civil Engineering Award as a related party for five consecutive years since the award was established in fiscal 2020. This award is one of the commendations presented by the Japan Federation of Construction Contractors. We will introduce the four award-winning construction projects for fiscal 2024 here.

Kusaka River New Spillway Construction Kochi Prefecture

Construction of Japan's longest spillway to protect the region from flood damage by releasing water through the spillway at an early stage

[Works in charge]
- Grouting methods for cutoff of water on the arrival side (double packer)
- Grouting of the lowest base with MX Grout (technical proposal)
- TH pipe roof Method, pipe-jacking

Shinjuku Station East-West Public Access Passage Tokyo

Improved accessibility around the world's largest terminal station used by approximately 3 million people

[Works in charge]
- Chemical grouting, pipe-jacking

Tamarai Dam Construction Work Oita Prefecture

Construction of a flood control dam to ensure the safety and security of citizens affected by floods

[Works in charge]
- Construction of a cut-off layer using double-row curtain grouting for the ultra-high permeability layers

Shirakawa Hydroelectric PowerPlant Restoration and improvement work after 2016 Kumamoto earthquake disaster Kumamoto Prefecture

Restoration and rehabilitation of a long and narrow headrace tunnel damaged by the earthquake fault, etc.

[Works in charge]
- Renovation of headrace tunnel
- Cavity filling (double packer)
- Panel replacement
- Slope (slope frame, rebar insertion)

Photo: Japan Federation of Construction Contractors

List of Awarded Decorations

To date, 12 employees of NITTOC have received the Order of the Sacred Treasure, Silver Rays. The Order of the Sacred Treasure is a decoration awarded by the Japanese government to individuals who have dedicated many years to public service and achieved distinguished results. The Order of the Sacred Treasure, Silver Rays, is one of its classifications. Since 2020, our employees have received decorations in the spring and autumn for four consecutive years.

List of employee recipients of decorations

Autumn 2015	Order of the Sacred Treasure, Silver Rays	Hiroaki Oguni, General Manager, Project Development Department, Business Operation Division
Spring 2018	Order of the Sacred Treasure, Silver Rays	Yukio Kurata, Senior Foreman, Tokyo Branch
Autumn 2018	Order of the Sacred Treasure, Silver Rays	Atsushi Watanabe, Senior Foreman, Construction Guidance Section, Project Development Department, Business Operation Division
Spring 2020	Order of the Sacred Treasure, Silver Rays	Kenichiro Koga, General Manager, Construction Guidance Department, Business Operation Division
Autumn 2020	Order of the Sacred Treasure, Silver Rays	Kiyoshi Yamada, Senior Foreman, Sapporo Branch
Spring 2021	Order of the Sacred Treasure, Silver Rays	Shinichi Seki, Senior Foreman, Tokyo Branch
Autumn 2021	Order of the Sacred Treasure, Silver Rays	Tsukasa Araki, General Manager, Safety, Environment & Quality Control Department, Tokyo Office
Spring 2022	Order of the Sacred Treasure, Silver Rays	Hiroyuki Naruse, Senior Foreman, Tokyo Branch
Autumn 2022	Order of the Sacred Treasure, Silver Rays	Toshitaka Kimoto, Senior Foreman, Construction Section, Construction Department, Sapporo Branch
Spring 2023	Order of the Sacred Treasure, Silver Rays	Mototaka Kumazawa, Senior Foreman, Construction Section, Construction Department, Hiroshima Branch
Autumn 2023	Order of the Sacred Treasure, Silver Rays	Manabu Mizuno, General Manager, Engineering Sales Department, Business Operation Division
Spring 2024	Order of the Sacred Treasure, Silver Rays	Kenji Seta, Senior Foreman, Construction Section, Construction Department, Business Operation Department, Tokyo Branch

Contribution to sales growth Winning the Civil Engineering Award gives us an advantage in sales activities and helps increase sales.

Contribution to ROIC improvement Our advanced technical capabilities and the skills of employees who support them help maintain and improve ROIC.

Contribution to WACC reduction Confidence in us, as evidenced by the Civil Engineering Award and employee decorations, helps reduce WACC.

Business Segment-Specific Strategies

Technology development

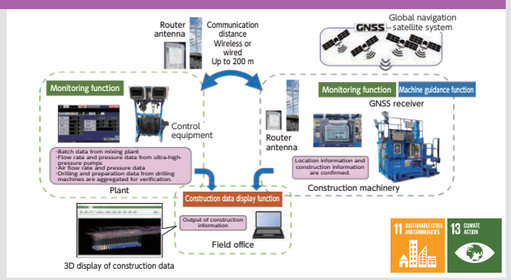
NITTOC aims to contribute to building safe and secure societies and countries with comprehensive technical capabilities in foundation work. To realize this aspiration, we are advancing research and development of technologies related to slope and ground disaster prevention, as well as research and development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

■ Slope Savior G

A remote spraying system was applied to the slope greening. This mechanized approach enables efficient large-scale greening work remotely.

■ Advancing and improving the efficiency of slope drilling technology—SGZAs and Drill Compass

These are machine guidance technologies for slope drilling. GNSS and MEMS sensors are used to precisely guide the drilling machine to the position and drilling direction according to the design specifications.



■ Jet grouting control equipment—JET-Track.Nav [Tranavi]

This is a system that visualizes the construction status of jet grouting using ICT. It consists of three functions: machine guidance, monitoring, and data display.

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.

Key development technologies

●Improvement of ground improvement methods

We have refined and improved our main ground improvement methods, such as the N-Jet Method and the New Sleeve Grouting Method, which have contributed to the expansion of our ground improvement business. We have also completed JET-Track.Nav and Grout Conductor, which are management and monitoring technologies, to streamline and enhance our operations.

●Automation of slope protection work

We have completed the Slope Savior remote spraying technology, the Shot Savior plant automation technology, and the SGZAs and Drill Compass drilling machine guidance technologies, and are promoting their on-site deployment. In addition, we are advancing the company-wide deployment of Slope 3D, a high-precision construction management technology using ICT for slope protection work.

● Development of construction methods to reduce environmental impacts

We have completed Slope Savior G, an application of Slope Savior to greening work, and are promoting its application to actual construction work.

For more information, please visit our website. https://www.nittoc.co.jp/technology/ (in Japanese)

Research and development structure

The Engineering and Development Division, Corporate Strategy Division, Business Operation Division, and other relevant departments collaborate in research and development. At the Engineering and Development Division, we have established the Geotechnical Technology Development Department, Slope Technology Development Department, and Materials and Environmental Technology Development Department at the Technology Center, which serves as the core of development, to advance the development of geotechnical disaster prevention technologies, automation and labor-saving technologies, and technologies to reduce environmental impacts.

Technology Center opened in 2018 as a base for development

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 applications, currently about 20 cases per year. Led by the Patent Management 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.

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 development 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.

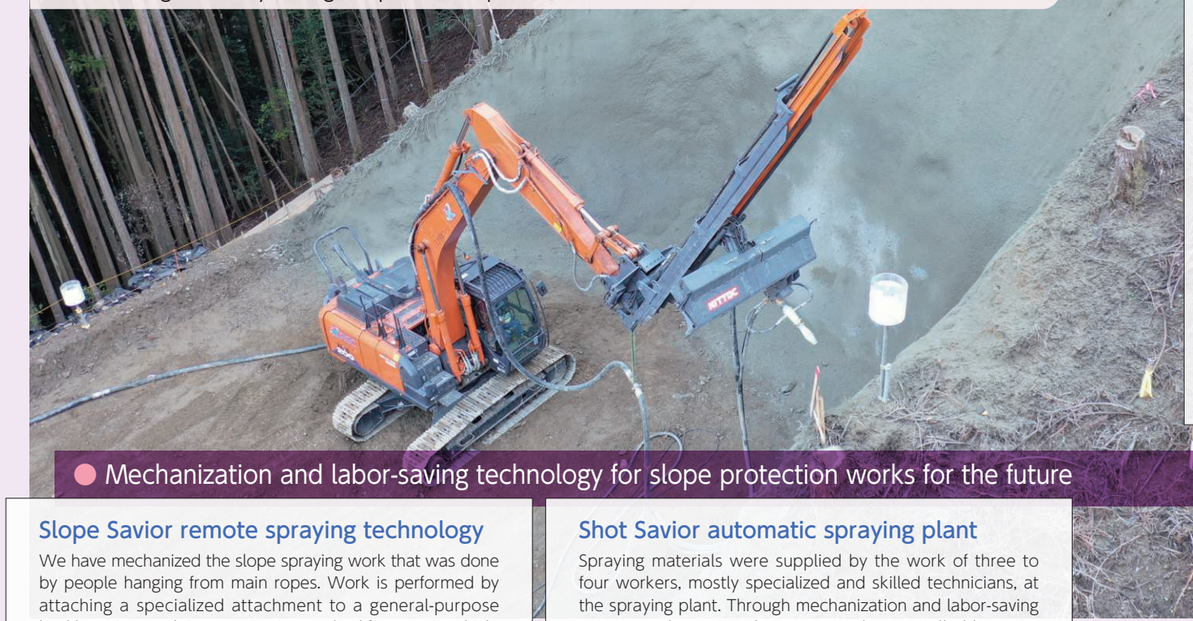
Business Segment-Specific Strategies

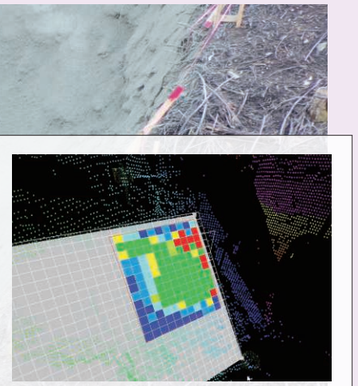
TOPICS — Technology Development

Steps toward the future with development technology at its core

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

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





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

Dramatic automation and labor-saving in disaster prevention construction

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

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

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

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

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

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

Slope Savior remote spraying technology

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

Spraying on rock slopes

Shot 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

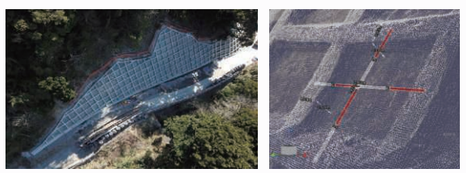
SGZAs drilling machine guidance

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 productivity 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 2023

Tokaido Shinkansen Civil Engineering Structure Repair Work

Construction purpose	Countermeasures for deformation and subsidence of pipelines embedded in embankments caused by heavy rain
Main types of work	Ground reinforcement earthworks
Construction site	Shizuoka Prefecture
Client	Central Japan Railway Company
Orderer	Futaba Railways Industries. Co., Ltd.
Construction period	June 2023 to July 2023

Description of the work: Due to heavy rain in June 2023, water from the surrounding area flooded into the pipelines installed in the embankment of the Tokaido Shinkansen, causing them to deform. As a countermeasure against pipeline deformation, ground reinforcing work (soil nailing: N = 15 units, L = 6.00 m to 13.00 m) was carried out.

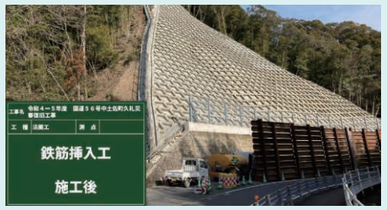
Hokkaido Shinkansen Nodaoi Tunnel (Kita Site), Etc.

Construction purpose	Ground improvement work at the entrance of a Shinkansen tunnel
Main types of work	N-1 Jet (125 units, L = 5 m to 10 m)
Construction site	Yakumo Town, Hokkaido
Client	Japan Railway Construction, Transport and Technology Agency
Orderer	Fujita, Kabuki, Ishiyama, and Sunago Special Construction Joint Venture
Construction period	December 2022 to April 2023

Description of the work: Ground improvement work (High-Pressure Injection Mixing Method, or N-Jet Method) was conducted to prevent subsidence at the tunnel entrance north of the Nodaoi Tunnel during the construction of the Hokkaido Shinkansen. Various measures were taken to complete the construction, including snow cover management and quality control in sub-freezing conditions during winter construction.

Fiscal 2022–2023 Disaster Recovery Work on National Route 56 in Kure, Nakatosa Town

Construction purpose	Slope disaster recovery work on National Route 56
Main types of work	Sprayed slope frame work (F-300, □ 1500 x 1500) 2,799 m Rebar insertion work (ϕ 90 mm, double tube, SD Method) 3,586 m (1,054 units)
Construction site	Kure, Nakatosa Town, Takaoka District, Kochi Prefecture
Client	Shikoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism
Orderer	AOBA CORPORATION
Construction period	June 2023 to July 2023



Description of the work: Disaster recovery work for a slope that collapsed due to Typhoon No. 4 in 2022. Since a quick reopening of the road was essential, there was a request to significantly shorten the schedule. The slope consisted of gravelly soil, making it difficult for the borehole wall to remain stable on its own. For this reason, the rebar insertion work was originally planned using the double-tube drilling method, but this required a considerable number of days to set up temporary scaffolding. To address this issue, we proposed a scaffold-free method (SD Method), which eliminates the need for temporary scaffolding. As a result, the original schedule was shortened, and the construction was completed within the target period.

Fiscal 2022 Fukumitsu-Asari Road Kuromatsu Nishi Area No. 2 Improvement Work

Construction purpose	Ground improvement work as part of the construction of the Sanin Road (ground improvement for high embankments)
Main types of work	Slurry mixing Method (ϕ 1.6 m x 2 shafts), ICT construction ・Overlap Method N = 292 sets・Tangential Method N = 204 sets
Construction site	Kuromatsu Town, Gotsu City, Shimane Prefecture
Client	Hamada Office of River and National Highway, Chugoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism
Orderer	IMAI CORPORATION
Construction period	July 2023 to November 2023

Description of the work: The GI Column Method (ICT construction) was implemented for ground improvement of high embankments. ICT construction ensured construction accuracy, reduced construction management workload, shortened the schedule, and built high-quality structures.

2022 Kawatake Area Disaster Recovery Retaining Wall Construction (Part 7), External Works

Construction purpose	Retaining wall construction as part of the National Route 219 disaster recovery project
Main types of work	Mortar spraying: 416 m^2, Fiber-reinforced mortar: 38 m^2 Shotcrete pressure receiving plates: 24 units, Rebar insertion work: 245 units, Solider pile work: 40 units, Anchor work: 24 units
Construction site	Arase, Sakamoto Town, Yatsushiro City, Kumamoto Prefecture
Client	Yatsushiro Reconstruction Project Office, Ministry of Land, Infrastructure, Transport and Tourism
Orderer	NAKAYAMA CONSTRUCTION COMPANY
Construction period	November 2022 to May 2023

Description of the work: The Kuma River flooded due to torrential rains in July 2020, causing widespread collapse of National Route 219. We carried out retaining wall construction as part of the disaster recovery project. Our proprietary Soldier Pile Panel Wall Method was adopted for this disaster and the 2016 Kumamoto Earthquake, as the absence of abnormalities in previously constructed Soldier Pile Panel Wall Method was highly regarded. In addition, this method allows for faster disaster recovery and superior aesthetics compared to conventional methods.

Seismic Reinforcement Work II Between Shingu Interchange and Otoyo Interchange on the Kochi Expressway (Part 1)

Construction purpose	Seismic reinforcement work between Shingu IC and Otoyo IC on the Kochi Expressway
Main types of work	Edge widening Method: 12 units, Horizontal force dispersing structure Method: 12 units Aramid fiber jacketing Method: 2,970 m^2 Removal of concrete (water jet Method) 18,630 L, etc.
Construction site	Otoyo Town, Nagaoka District, Kochi Prefecture
Client	West Nippon Expressway Company Limited, Shikoku Branch
Orderer	Dai Nippon Construction
Construction period	April 2022 to March 2024

Description of the work: This project is the seismic reinforcement of the section between Shingu Interchange and Otoyo Interchange (Senbongawa Bridge) on the Kochi Expressway in preparation for the Nankai Trough mega-quake. Due to the site conditions, which made it difficult for large heavy machinery to enter, the bending and shear reinforcement of the bridge piers was carried out using the aramid fiber sheet jacketing method. In addition, a horizontal force dispersing device was installed to suppress the displacement of the girder in the event of an earthquake. Although located in Kochi Prefecture, which generally has a mild climate, the site is situated in a mountainous area where it snows in winter. As a result, the internal rebars corroded significantly due to exposure to salt from the sprayed antifreeze, leading to widespread concrete floating and flaking. Therefore, extensive cross-section restoration was necessary before proceeding with seismic reinforcement. Concrete that had lost its soundness was removed using the water jet Method to prevent the formation of microcracks caused by impact-induced vibrations.

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.

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 occupational accidents and disasters involving the general public as one of the absolute conditions for the survival and development of our company. With safety at the center of all our corporate activities, and under the motto "We will not allow injuries to workers or injuries that cannot be cured," we will thoroughly instruct adherence to safety rules, conduct integrated safety and health management activities with all employees, including the employees of subcontractors. In addition, we provide safety education to new hires when they enter job sites and equip them with necessary equipment as part of considerations to ensure that workers involved in construction can work safely. Furthermore, we comply with standards regarding noise from construction sites and properly dispose of industrial waste in accordance with the law.
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 E and S, 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 E and S, 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	Fiscal 2030 40% reduction in CO_2 emissions compared to fiscal 2013	
			Promotion of design and construction with construction methods that contribute to the reduction of CO_2 emissions ●Promotion of design and construction with unique construction methods ●Promotion of the introduction of environmentally friendly construction machinery such as electric construction equipment and energy-efficient construction equipment		
			Promotion of energy conservation in offices and field offices ●Power saving ●Incandescent lamp ➡ LED ●Work style reform (reduction of overtime hours)		
		Promotion of the use of recycled materials	Promotion of design and construction with construction methods using recycled materials	*Select targeted construction methods and align their target values (Business Operation Division) Example: Target value for recycled greening construction method	
			Promotion of green purchasing, use of ecolabel products ●Ministry of the Environment: EcoLabel Database https://www.env.go.jp/policy/hozen/green/ecolabel/touroku.html (in Japanese)	Usage rate: More than the previous year	
		Conservation of biodiversity	Promotion of design and construction with topsoil-utilizing greening method and greening without seeding	*Select targeted construction methods and align their target values (Business Operation Division) Example: Target value for native species revegetation method	
			Promotion of environmental conservation activities ●Participation in satoyama (a mountain/forest (yama) that is located near an agricultural or mountain village (sato)) conservation, tree planting activities, etc.	Number of activities: More than the previous year	
		Ensuring water security	Implementation of wastewater quality management	Implementation of wastewater quality management (within environmental standards): 100%	
S (Social)	**Local community** We aim to be a company trusted by society and promote various social contribution activities.	Construction of social infrastructure	Signing of cooperation agreements on disaster management (emergency disaster recovery work during a disaster)	Cooperation agreements on disaster management signed: More than 50	
		Contribution to local communities	Participation in cleaning activities, cooperation in social welfare activities	Continuation of social contribution activities by all offices and branches (more than 25 per year)	
	Motivation We are promoting workplace environment improvement and work style reform to create a comfortable working environment for employees.	Respect for human rights and ensuring and development of human resources	Prevention of harassment	Workshop participation rate by targeted participants: 100%	
			Strengthening of hiring	Hiring (technical positions): More than 40 people/year	
			Promotion of active participation of women	Targets set under the Act on the Promotion of Women's Active Engagement in Professional Life in the Workplace (April 2022 to March 2025) Ratio of female engineers hired: More than 15% Number of business locations with female engineers: More than 9 locations	
			Employment of people with disabilities	More than the statutory employment rate	
			Human resource development through a job-level-specific education system	Participation rate of job-level-specific training by targeted participants: 100%	
		Quality assurance and enhancement of technical capabilities	Operational reform for productivity improvement (promotion of DX)	Improvement of PH construction volume	
		Work style reform	Correction of long working hours, acquisition of 8 days off in 4 weeks	Achievement of 8 days off in 4 weeks for employees in the field: More than 100% Overtime work hours within 360 hours annually: 100% (excluding unforeseen special circumstances)	
			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: 0.60 Frequency rate: 0.03	
G (Governance)	**Corporate ethics, risk management** We are building a sound, fair, and strong governance structure while adhering to compliance.	Risk Management	●Clarification of risk management system and process using a risk management program ●Reinforcement of information security ●Continuation and improvement of BCP response	●Review of risk management program and management system: At least once a year ●Risk assessment evaluation of information security: Score of more than 4.0 (out of 5/3.5 in 2022, 3.3 in 2021) ●Implementation of BCP training: At least once a year *Not implemented in 2023 (as there was no change in circumstances), planned for 2024	
		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 con-tribute to CO_2 emission reduction, as well as the promotion of energy saving in offices and field offices. We are aiming for a 40% reduction in CO_2 emissions in the construction phase in the early part of the period between fiscal 2023 and fiscal 2040 (compared to fiscal 2013), and for net zero Scope 1 and 2 emissions by fiscal 2050.

Promotion of the use of recycled materials

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

Conservation of biodiversity

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

Ensuring water security

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

Initiatives in research and development

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

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

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

Environmental management system

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

Environmental Policy

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

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

Environmental management system

ISO 14001 certification registration

Registration number	JSAE222
Initial registration date	March 24, 2000
Renewal date	March 24, 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

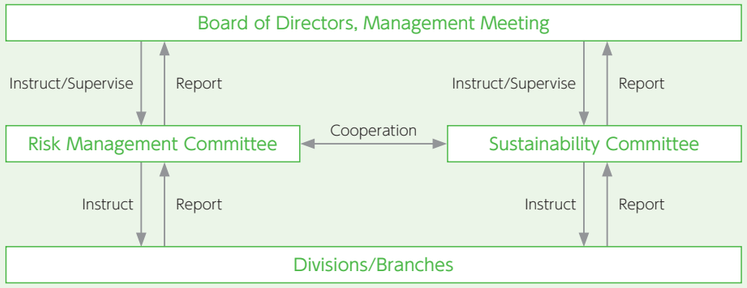
The NITTOC Group, as an expert in foundation work focusing on environmental conservation and disaster prevention work developed through its trusted technical capabilities, has aimed to be a company that contributes to building safe and secure societies and countries. In particular, the Company has undertaken 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, the Vice President & Representative Director as Vice 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

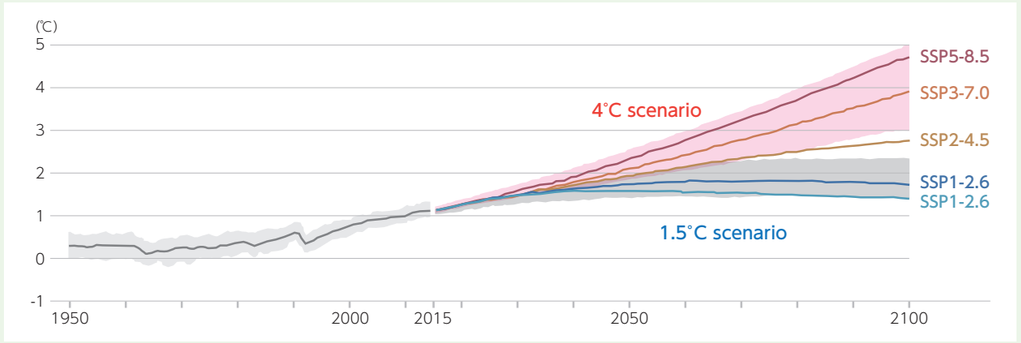
●1.5°C scenario (decarbonization scenario)

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, and has set a target of a 40% reduction in emissions in the construction phase by fiscal 2030 (compared to fiscal 2013) and virtually zero emissions by fiscal 2050. In addition, since fiscal 2023, Scope 1 and 2 emissions have been calculated in accordance with the GHG Protocol, and Scope 3 emissions will also be calculated in the future.

●Actual and target greenhouse gas emissions

(Unit: t-CO_2)

	2013 (Base year)	Fiscal 2023	Fiscal 2030 (Target year)	Fiscal 2050 (Target year)
Scope1	11,518	9,557	—	0
Scope2	646	782	—	0
Scope1+2	12,164	10,339	7,298	0
Reduction rate	—	-15%	-40%	-100%

・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 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.

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. 2025	Mar. 2026	Mar. 2027	Mar.2028	Mar. 2029	Mar. 2030	Mar. 2031	Mar. 2032	Mar. 2033	Mar. 2034	Mar. 2035
Net sales	73.0	75.8	78.6	81.4	84.2	87.1	89.9	92.7	95.5	98.3	101.1
Net sales growth rate	0.1%	4%	4%	4%	3%	3%	3%	3%	3%	3%	3%
Change in net sales	0.1	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Operating profit	5.40	5.65	5.91	6.17	6.43	6.70	6.97	7.24	7.52	7.80	8.08
Operating profit margin	7.40%	7.46%	7.52%	7.58%	7.64%	7.69%	7.75%	7.81%	7.87%	7.93%	7.99%
NOPAT	3.73	3.90	4.08	4.26	4.44	4.62	4.81	5.00	5.19	5.38	5.58
NOPAT margin	5.1%	5.1%	5.2%	5.2%	5.3%	5.3%	5.4%	5.4%	5.4%	5.5%	5.5%
Ratio of invested capital to net sales at the beginning of the year	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
ROIC	15.3%	15.5%	15.6%	15.7%	15.8%	15.9%	16.1%	16.2%	16.3%	16.4%	16.6%
WACC	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
ROIC-WACC	9.0%	9.1%	9.2%	9.4%	9.5%	9.6%	9.7%	9.9%	10.0%	10.1%	10.2%
Invested capital at the beginning of the year	24.31	25.24	26.18	27.12	28.05	28.99	29.92	30.86	31.79	32.73	33.67
Perpetual value of change in excess profit	34.59	1.82	1.86	1.90	1.93	1.97	2.01	2.04	2.08	2.12	2.15
Present value factor	1.00	0.94	0.88	0.83	0.78	0.74	0.69	0.65	0.61	0.58	0.54
Present value of perpetual value of change in excess profit	34.59	1.71	1.65	1.58	1.51	1.45	1.39	1.33	1.27	1.22	1.17
Cumulative shareholder value	67.52	69.24	70.88	72.46	73.97	75.42	76.81	78.14	79.41	80.63	81.79
Estimated share price (per share)	¥1,625	¥1,666	¥1,706	¥1,744	¥1,780	¥1,815	¥1,849	¥1,881	¥1,911	¥1,941	¥1,969
Comparison with current share price (times)	1.58	1.62	1.66	1.70	1.74	1.77	1.80	1.83	1.86	1.89	1.92

Closing share price as of September 30, 2024 ¥1,026
Excess profit value [billions of yen] 34.6
Growth value [billions of yen] 14.3
Shareholders' equity [billions of yen] 32.9

Shareholder value ¥81.8 billion
Share price conversion ¥1,969

Market capitalization as of September 30, 2024 ¥42.6 billion
Closing share price ¥1,026

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
	Repurchasing shares	Decreases surplus cash in a short period of time	Carefully forecast capital needs, and if there is no significant long-term need for capital, consider a bold share buyback to quickly reduce surplus funds.	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

Vice President &
Representative Director
Hiroshi Yamada

Director
Toshikazu Kawaguchi

Director
Naoto Kami

Director Outside Independent
Naoko Okada

Director Outside Independent
Sayaka Mori

Standing Corporate Auditor
Yoshihiro Abe

Standing Corporate Auditor Outside
Makoto Kaai

Director
Katsuhiro Yorozu

Director
Iwao Aso

Director Outside Independent
Masayuki Watanabe

Director Outside Independent
Katsuo Nakamura

Corporate Auditor Outside
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
Yasuo Wada	President & Representative Director	●	●		●				●	
Hiroshi Yamada	Vice President & Representative Director and responsible for overseas operations and engineering & development	●	●		●			●		
Toshikazu Kawaguchi	Director, Managing Executive Officer, General Manager, Corporate Strategy Division	●		●			●			
Naoto Kami	Director, Managing Executive Officer, General Manager, Business Operation Division	●	●		●				●	
Katsuhiro Yorozu	Director, Managing Executive Officer, General Manager, Administration Division	●		●			●			●
Iwao Aso	Director	●		●		●		●		●
Masayuki Watanabe	Outside Director			●				●		
Katsuo Nakamura	Outside Director	●								●
Naoko Okada	Outside Director	●		●		●		●		
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

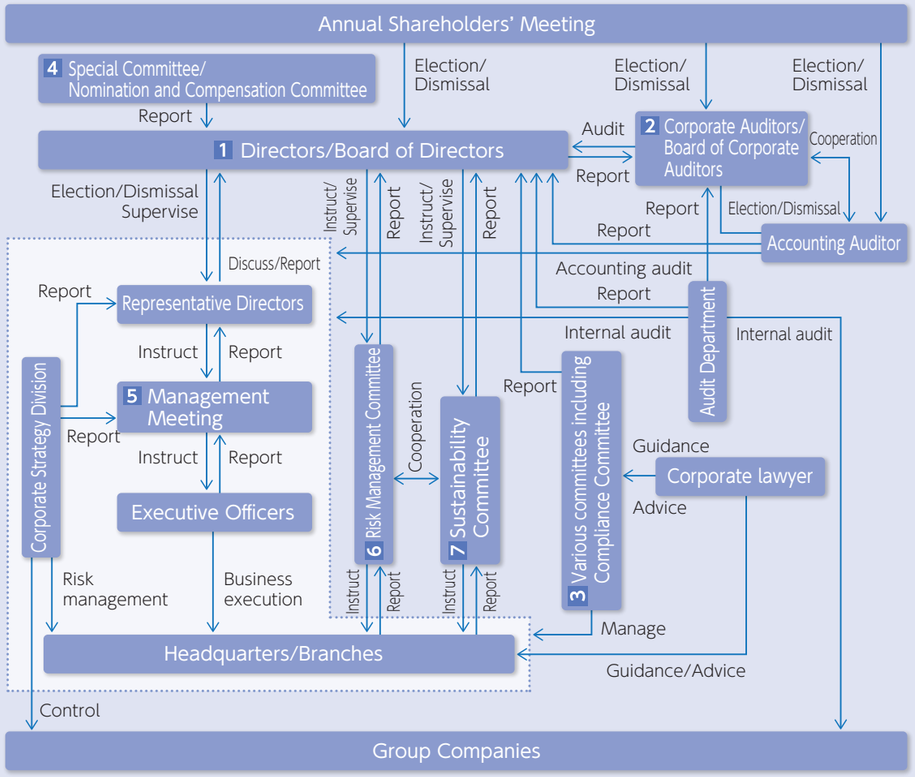
Corporate Governance

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, three (3) 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 2024 for all members of the Board of Directors (nine Directors including three Outside Directors and three Corporate Auditors including two Outside Corporate Auditors) in the form of a questionnaire that was answered directly to the external organization to ensure anonymity.

The questionnaire includes sections on the Board of Directors composition, operation, discussion, monitoring functions, training, and dialogue with shareholders, as well as open-ended sections.

The results of this questionnaire were reported and discussed at the Board of Directors meeting on April 26, 2024. 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 provision of meeting materials at an appropriate time or in a form that is organized and analyzed in an easy-to-understand manner, the implementation of sufficient number of sessions to deliberate on management strategies and management plans with an awareness of profitability and capital efficiency, etc., the composition of the Board of Directors and the Board of Corporate Auditors (increasing the number of women), the provision of training opportunities required for Directors and Corporate Auditors, and sufficient feedback on the status of dialogue with investors. In light of this, the Company increased the number of female Outside Directors by one at the Shareholders' Meeting in June 2024 and plans to provide training for officers, including those who are potential future candidates for Director.

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

The Company has established the Nomination and Compensation Committee, which mainly consists of independent Outside Officers, to deliberate on the nomination and compensation of Directors. 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, and has been established based on the advice of external consulting firms. Compensation for Directors and Corporate Auditors consists of fixed compensation, performance-linked compensation, and non-monetary compensation. Only fixed compensation is paid to non-executive Directors and Corporate Auditors. The compensation rates are set at 70%, 20%, and 10% based on the maximum amount of performance compensation. Compensation for Corporate Auditors is determined based on external advice and discussed by the Board of Corporate Auditors. The amount of compensation for Directors shall be determined within the limit approved by the Shareholders' Meeting, with respect for the approval of the Nomination and Compensation Committee.

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 total annual compensation for Directors shall be 300 million yen. The maximum number of eligible Directors stipulated in the Articles of Incorporation is eleven (11) and the number of Directors at that time was nine (9), including three (3) Outside Directors. At the Annual Shareholders' Meeting held on June 23, 2023, it was resolved that compensation claims for the grant of restricted shares shall be up to ¥50 million per annum and up to 100,000 common shares shall be granted in total per annum. The number of eligible Directors is five (5), excluding Outside Directors, and the transfer restrictions will be canceled immediately after their retirement or resignation. At the Annual Shareholders' Meeting held on June 29, 1994, it was resolved that the total annual compensation for Corporate Auditors shall be ¥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 that time 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 2023
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.	8 years	16/16 (100%)
Katsuo Nakamura	Katsuo Nakamura has abundant experience as a corporate manager and has served in many prominent positions at Nihon University. The Company has appointed him as an Outside Director as it believes that, by making use of his broad insight, he will be able to appropriately perform his duties as an Outside Director at the Company as well. In addition, he will be involved in the nomination of candidates for officer of the Company and determination of compensation, etc. for officers from an objective and neutral standpoint as a member of the Nomination and Compensation Committee, a voluntary committee.	7 years	15/16 (94%)
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.	2 years	14/16 (88%)
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.	—	—

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating results												
Net sales	(Millions of yen)	57,264	60,703	57,638	57,174	62,943	63,264	65,516	67,955	66,076	72,918	**71,880**
Operating profit	(Millions of yen)	3,035	4,198	3,465	3,583	4,100	3,970	4,903	5,358	4,523	5,451	**4,356**
Ordinary profit	(Millions of yen)	2,904	3,905	3,431	3,555	4,119	4,004	4,880	5,419	4,626	5,462	**4,397**
Profit attributable to owners of parent	(Millions of yen)	1,663	1,664	2,110	2,342	2,688	2,721	3,258	3,500	3,329	3,526	**3,066**
Financial position												
Current assets	(Millions of yen)	31,359	33,270	33,420	37,161	39,933	39,937	41,003	42,282	42,526	42,431	**42,222**
Total assets	(Millions of yen)	41,047	42,306	40,385	44,225	48,142	49,048	50,159	51,971	51,712	52,809	**54,425**
Current liabilities	(Millions of yen)	18,981	19,372	16,429	18,285	19,962	19,633	19,214	18,931	16,790	16,559	**16,422**
Net assets	(Millions of yen)	16,370	18,116	19,781	21,813	23,256	24,676	26,550	28,800	30,610	32,127	**34,037**
Interest-bearing debt	(Millions of yen)	1,653	1,255	58	68	1,157	863	573	287	4	0	**0**
Cash flows												
Net cash provided by (used in) operating activities	(Millions of yen)	1,011	2,435	△630	2,501	△301	3,108	7,357	1,426	4,750	2,659	**4,421**
Net cash provided by (used in) investing activities	(Millions of yen)	△189	△277	1,209	△393	△867	△1,252	△217	△705	△23	△1,788	**△2,287**
Net cash provided by (used in) financing activities	(Millions of yen)	△678	△775	△1,592	△321	△144	△1,624	△1,625	△1,784	△1,785	△2,171	**△1,965**
Free cash flows	(Millions of yen)	822	2,158	579	2,107	△1,169	1,856	7,140	720	4,727	870	**2,134**
Cash and cash equivalents at end of period	(Millions of yen)	12,277	13,698	12,681	14,462	13,114	13,346	18,713	17,722	20,723	19,457	**19,644**
Per-share information												
Dividend per share	(Yen)	8.00	9.00	10.00	17.00	24.00	30.00	38.00	36.00	40.00	45.00	**47.00**
Basic earnings per share	(Yen)	39.06	39.08	49.58	55.03	64.13	65.24	78.12	83.93	79.83	84.56	**73.49**
Net assets per share	(Yen)	384.37	425.56	461.17	509.02	554.76	588.33	632.68	686.19	729.42	763.67	**811.40**
Financial indicators												
Return on assets (ROA)	(%)	7.2	9.4	8.3	8.4	8.9	8.2	9.8	10.6	8.9	10.5	**8.2**
Return on equity (ROE)	(%)	10.6	9.7	11.2	11.3	12.0	11.4	12.8	12.7	11.3	11.3	**9.3**
Equity ratio	(%)	39.9	42.8	48.6	49.0	48.1	50.0	52.6	55.1	58.8	60.3	**62.2**
Other												
Capital expenditure	(Millions of yen)	173	358	443	350	876	1,157	381	381	900	1,352	**918**
Depreciation	(Millions of yen)	198	257	276	284	269	324	380	402	507	583	**781**
Research and development expenses	(Millions of yen)	156	162	188	201	169	241	372	336	391	387	**527**

Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	76th fiscal year (March 31, 2023)	77th fiscal year (March 31, 2024)
Assets		
Current assets		
Cash and deposits	19,457	19,644
Notes receivable, accounts receivable from completed construction contracts and other	18,395	17,992
Electronically recorded monetary claims - operating	3,462	2,979
Merchandise and finished goods	31	29
Real estate for sale	0	0
Costs on construction contracts in progress	284	235
Raw materials and supplies	355	698
Other	446	641
Allowance for doubtful accounts	△2	–
Total current assets	**42,431**	**42,222**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,674	1,632
Machinery, vehicles, tools, furniture and fixtures, net	1,542	1,731
Land	2,578	2,578
Construction in progress	633	654
Other, net	2	2
Total property, plant and equipment	**6,430**	**6,598**
Intangible assets	**578**	**557**
Investments and other assets		
Investment securities	1,040	3,119
Deferred tax assets	1,978	1,555
Other	370	393
Allowance for doubtful accounts	△21	△21
Total investments and other assets	**3,368**	**5,046**
Total non-current assets	**10,377**	**12,202**
Total assets	**52,809**	**54,425**

	76th fiscal year (March 31, 2023)	77th fiscal year (March 31, 2024)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	11,539	12,133
Income taxes payable	1,149	658
Advances received on construction contracts in progress	423	980
Provision for warranties for completed construction	170	172
Provision for loss on construction contracts	28	248
Provision for bonuses	1,138	845
Provision for bonuses for directors (and other officers)	39	35
Other	2,070	1,349
Total current liabilities	**16,559**	**16,422**
Non-current liabilities		
Retirement benefit liability	4,023	3,866
Other	98	98
Total non-current liabilities	**4,122**	**3,964**
Total liabilities	**20,681**	**20,387**
Net assets		
Shareholders' equity		
Share capital	6,052	6,064
Capital surplus	1,753	1,765
Retained earnings	23,918	25,024
Treasury shares	△2	△3
Total shareholders' equity	**31,722**	**32,850**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	138	709
Foreign currency translation adjustment	17	56
Remeasurements of defined benefit plans	△29	241
Total accumulated other comprehensive income	**126**	**1,007**
Non-controlling interests	**278**	**179**
Total net assets	**32,127**	**34,037**
Total liabilities and net assets	**52,809**	**54,425**

Consolidated Statements of Income

(Millions of yen)

	76th fiscal year (April 1, 2022 to March 31, 2023)	77th fiscal year (April 1, 2023 to March 31, 2024)
Net sales		
Net sales of completed construction contracts	72,697	71,752
Sales in other businesses	221	127
Total net sales	**72,918**	**71,880**
Cost of sales		
Cost of sales of completed construction contracts	59,117	59,102
Cost of sales in other businesses	115	69
Total cost of sales	**59,233**	**59,172**
Gross profit		
Gross profit on completed construction contracts	13,579	12,650
Gross profit - other business	105	58
Total gross profit	**13,685**	**12,708**
Selling, general and administrative expenses	**8,233**	**8,351**
Operating profit	**5,451**	**4,356**
Non-operating income		
Interest income	6	10
Dividend income	12	66
Patent income	14	12
Foreign exchange gains	40	17
Compensation income	–	39
Other	23	11
Total non-operating income	**97**	**157**
Non-operating expenses		
Interest expenses	7	13
Guarantee commission	17	42
Commission for syndicated loans	55	11
Settlement payments	–	43
Other	6	6
Total non-operating expenses	**86**	**116**
Ordinary profit	**5,462**	**4,397**
Extraordinary income		
Gain on sale of non-current assets	–	8
Gain on sale of businesses	–	99
Total extraordinary income	**–**	**107**
Extraordinary losses		
Loss on retirement of non-current assets	22	2
Impairment losses	4	–
Total extraordinary losses	**27**	**2**
Profit before income taxes	**5,435**	**4,503**
Income taxes - current	**1,827**	**1,500**
Income taxes - deferred	**△0**	**49**
Total income taxes	**1,826**	**1,550**
Profit	**3,608**	**2,952**
Profit (loss) attributable to non-controlling interests	**81**	**△113**
Profit attributable to owners of parent	**3,526**	**3,066**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	76th fiscal year (April 1, 2022 to March 31, 2023)	77th fiscal year (April 1, 2023 to March 31, 2024)
Profit	**3,608**	**2,952**
Other comprehensive income		
Valuation difference on available-for-sale securities	26	571
Foreign currency translation adjustment	22	59
Remeasurements of defined benefit plans, net of tax	29	264
Total other comprehensive income	**78**	**895**
Comprehensive income	**3,686**	**3,848**
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,597	3,946
Comprehensive income attributable to non-controlling interests	89	△98

Financial Statements

Consolidated Statements of Changes in Net Assets

(Millions of yen)

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

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

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

Consolidated Statements of Cash Flows

(Millions of yen)

	76th fiscal year (April 1, 2022 to March 31, 2023)	77th fiscal year (April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	5,435	4,503
Depreciation	583	781
Increase (decrease) in allowance for doubtful accounts	△11	△2
Increase (decrease) in provision for warranties for completed construction	144	2
Increase (decrease) in provision for loss on construction contracts	△140	220
Increase (decrease) in provision for bonuses	△11	△293
Increase (decrease) in provision for bonuses for directors (and other officers)	6	△4
Increase (decrease) in retirement benefit liability	△143	231
Loss (gain) on sale of property, plant and equipment	–	△8
Loss (gain) on sale of businesses	–	△99
Loss on retirement of non-current assets	22	2
Interest and dividend income	△19	△76
Interest expenses	7	13
Foreign exchange losses (gains)	△11	△17
Impairment losses	4	–
Decrease (increase) in trade receivables	△1,314	869
Decrease (increase) in costs on construction contracts in progress	17	48
Decrease (increase) in other assets	156	△417
Increase (decrease) in trade payables	△379	661
Increase (decrease) in advances received on construction contracts in progress	△172	551
Increase (decrease) in accrued consumption taxes	△45	118
Increase (decrease) in other liabilities	△48	△579
Subtotal	**4,079**	**6,505**
Interest and dividends received	19	76
Interest paid	△7	△13
Income taxes paid	△1,432	△2,147
Net cash provided by (used in) operating activities	**2,659**	**4,421**
Cash flows from investing activities		
Purchase of investment securities	△585	△1,256
Purchase of property, plant and equipment	△1,130	△976
Proceeds from sale of property, plant and equipment	–	0
Purchase of intangible assets	△62	△107
Payments for retirement of non-current assets	△15	–
Payments for asset retirement obligations	–	△1
Payments of guarantee deposits	△6	△44
Proceeds from refund of guarantee deposits	12	11
Proceeds from sale of businesses	–	99
Other payments	△0	△11
Other proceeds	0	–
Net cash provided by (used in) investing activities	**△1,788**	**△2,287**
Cash flows from financing activities		
Repayments of lease obligations	△5	△5
Purchase of treasury shares	△1	△0
Dividends paid	△2,165	△1,958
Net cash provided by (used in) financing activities	**△2,171**	**△1,965**
Effect of exchange rate change on cash and cash equivalents	**34**	**18**
Net increase (decrease) in cash and cash equivalents	**△1,266**	**187**
Cash and cash equivalents at beginning of period	**20,723**	**19,457**
Cash and cash equivalents at end of period	**19,457**	**19,644**

Databook

Figures used in the analysis Note 1

Structure of ROIC, lean ROIC, and ROE Note 2

(Millions of yen)

Calculation formula	[Number]	Item	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25 target
	【1】	Net sales / operating revenue	67,955	66,076	72,918	71,880	73,000
	【3】	Cost of sales ratio	81.1%	81.6%	81.2%	82.3%	81.1%
	【4】	Selling, general and administrative expenses ratio	11.0%	11.5%	11.3%	11.6%	11.5%
	【5】	Operating profit	5,358	4,523	5,451	4,356	5,400
【5】÷【1】=	【6】	**Operating profit margin**	**7.9%**	**6.8%**	**7.5%**	**6.1%**	**7.4%**
	【7】	Depreciation and depletion ratio	0.6%	0.8%	0.8%	1.1%	1.1%
【6】+【7】=	【8】	**EBITDA margin**	**8.5%**	**7.6%**	**8.3%**	**7.1%**	**8.5%**
	【9】	(1 - Effective tax rate)	69.0%	69.0%	69.0%	69.0%	69.0%
	【10】	NOPAT	3,697	3,121	3,761	3,006	3,726
【6】x【9】=	【11】	**NOPAT margin**	**5.4%**	**4.7%**	**5.2%**	**4.2%**	**5.1%**
	【13】	Interest-bearing debt	573	287	4	0	0
【13】÷【1】=	【14】	**Ratio of net sales to interest-bearing debt**	**0.8%**	**0.4%**	**0.0%**	**0.0%**	**0.0%**
	【15】	Shareholders' equity	26,389	28,620	30,422	31,849	33,858
【15】÷【1】=	【16】	**Ratio of net sales to shareholders' equity**	**38.8%**	**43.3%**	**41.8%**	**44.4%**	**46.4%**
【13】+【15】=	【17】	Simple invested capital	26,962	28,907	30,426	31,849	33,858
【17】÷【1】=	【18】	**Ratio of net sales to simple invested capital**	**39.7%**	**43.7%**	**41.9%**	**44.4%**	**46.4%**
【11】÷【18】=	【19】	**Simple ROIC**	**13.7%**	**10.8%**	**12.4%**	**9.4%**	**11.0%**
	【21】	Total assets	50,159	51,971	51,712	52,809	54,425
	【22】	Liquidity on hand2	8,494	8,260	9,087	8,969	9,125
	【23】	Other current assets3	22,290	24,560	21,803	22,974	22,578
	【24】	Current liabilities excluding interest-bearing debt	18,928	18,650	16,790	16,559	16,422
【22】+【23】−【24】=	【25】	Net working capital	11,856	14,170	14,100	15,384	15,281
【25】÷【1】=	【26】	**Ratio of net sales to net working capital**	**17.4%**	**21.4%**	**19.4%**	**21.4%**	**20.9%**
	【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	791	974	417	1,040	3,119
	【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	-79	-34	3	17	56
【21】−Cash and deposits+【22】−【24】−【25】−【27】−【29】−【30】−【31】−【32】=	【33】	Net non-current assets	8,444	8,749	8,766	9,321	9,028
【33】÷【1】=	【34】	**Ratio of net sales to net non-current assets**	**12.4%**	**13.2%**	**12.1%**	**13.0%**	**12.4%**
【25】+【27】+【33】=	【35】	Lean invested capital	20,300	22,919	22,866	24,705	24,309
【35】÷【1】=	【36】	**Ratio of net sales to lean invested capital**	**29.9%**	**34.7%**	**31.5%**	**34.4%**	**33.3%**
【11】÷【36】=	【37】	**Lean ROIC**	**18.2%**	**13.6%**	**16.4%**	**12.2%**	**15.3%**
	【38】	Profit	3,500	3,329	3,526	3,066	3,600
【38】÷【15】=	【39】	**ROE**	**13.3%**	**11.6%**	**11.6%**	**9.6%**	**10.6%**
【37】÷【19】=	【40】	**Lean/simple ROIC ratio**	**1.33**	**1.26**	**1.33**	**1.29**	**1.39**

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.
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.

Calculation of WACC

(%, millions of yen)

β[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]
	【1】							
	【2】	VI	114.20	134.43	135.52	114.20	134.43	135.52
	【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	46.0	46.0	46.0	57.9	57.9	57.9
【2】x【4】=	【5】	Unlevered β[6]	52.5	61.801	62.3	66.2	77.9	78.5
	【6】	Debt effect coefficient[7]	100.0	100.0	100.0	100.0	100.0	100.0
【5】x【6】=	【7】	Levered β[8]	52.5	61.8	62.3	66.2	77.9	78.5

COE: Cost of equity

	【8】	Risk premium[9]	8.50	8.50	8.50	8.50	8.50	8.50
	【9】	RFR[10]	1.07	1.07	1.07	1.07	1.07	1.07
【7】x【8】+【9】=	【10】	COE	5.54	6.33	6.37	6.70	7.69	7.75

COD: Cost of debt

	【12】	Pretax interest rate[11]	0.00	0.00	0.00	0.00	0.00	0.00
	【13】	Effective tax rate	31.00	31.00	31.00	31.00	31.00	31.00
【16】x(1-【12】)=	【14】	COD	0.00	0.00	0.00	0.00	0.00	0.00

WACC: Weighted average cost of capital

	【15】	E=Market capitalization	42,631	42,631	42,631	42,631	42,631	42,631
	【11】	D=Interest-bearing debt	0	0	0	0	0	0
	【16】	E/(E+D)	100.00	100.00	100.00	100.00	100.00	100.00
	【17】	D/(E+D)	0.00	0.00	0.00	0.00	0.00	0.00
【11】x【17】+【11】x【14】=	【18】	WACC	5.54	6.33	6.37	6.70	7.69	7.75
	【19】	Values adopted in this report		●				

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 figure3 is the data estimated by regression analysis over the past five years.
4: Weighted average4 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 coefficient7 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 β8 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 premium9 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: RFR10 (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, 2024)

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	¥6,064 million
Stock exchange	Tokyo Stock Exchange Prime Market
Number of employees	1,097 persons

Status of Stock

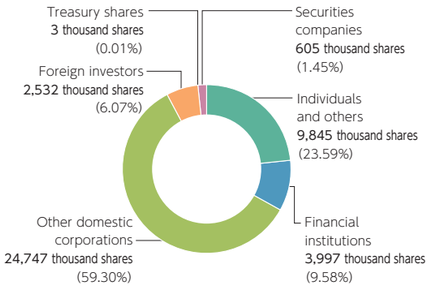
Total number of authorized shares	50,000,000 shares
Total number of issued shares	41,731,951 shares (including 3,732 treasury shares)
Number of shareholders	14,891 persons

Major shareholders

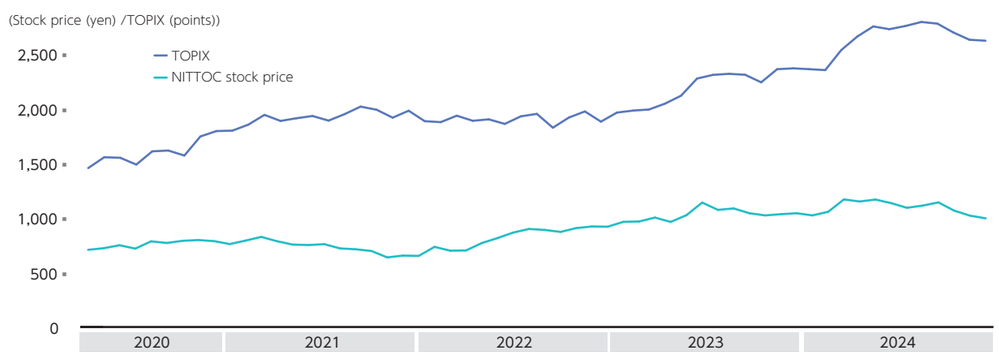
Name	Number of shares held (thousand shares)	Shareholding ratio (%)
AN Holdings Corp.	24,155	57.88
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,568	6.15
NITTOC Employee Shareholding Association	1,249	2.99
Custody Bank of Japan, Ltd. (Trust Account)	1,231	2.95
NITTOC Shareholding Cooperative Association	467	1.12
BNYM RE BNYMLB RE GPP CLIENT MONEY AND ASSETS AC	400	0.95
Masato Takeuchi	300	0.71
JPMorgan Securities Japan Co., Ltd.	225	0.53
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	206	0.49
Morgan Stanley MUFG Securities Co., Ltd.	135	0.32

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



Subsidiaries

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

Headquarters, Branches, Business Offices, etc.

Headquarters	Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	TEL: +81-3-5645-5050
Sapporo Branch	UD Sapporo Kitaichijo Bldg., 10-1-15, Kitaichijonishi, Chuo-ku, Sapporo-shi, Hokkaido 060-0001, Japan	TEL: +81-11-596-8096
Tohoku Branch	1-18-8, Tomizawaminami, Taihaku-ku, Sendai-shi, Miyagi 982-0036, Japan	TEL: +81-22-243-4439
Tokyo Branch	Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	TEL: +81-3-5645-5100
Hokuriku Branch	1-4-4, Minamidekijima, Chuo-ku, Niigata-shi, Niigata 950-0963, Japan	TEL: +81-25-383-8700
Nagoya Branch	Nagoya Sanzo Bldg., 1-16-6, Sakae, Naka-ku, Nagoya-shi, Aichi 460-0008, Japan	TEL: +81-52-202-3211
Osaka Branch	Sanyo Senko Kawaramachi Bldg., 2-2-7, Kawaramachi, Chuo-ku, Osaka-shi, Osaka 541-0048, Japan	TEL: +81-6-6232-2109
Hiroshima Branch	Wako Inarimachi Bldg., 2-14, Inarimachi, Minami-ku, Hiroshima-shi, Hiroshima 732-0827, Japan	TEL: +81-82-506-2109
Kyushu Branch	Chofu Hakata Business Center, 9-20, Tsunabamachi, Hakata-ku, Fukuoka-shi, Fukuoka 812-0024, Japan	TEL: +81-92-271-6461
Direct Control Grout Division	Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	TEL: +81-3-5645-5111
Overseas Business Division	Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan	TEL: +81-3-5645-5055
Sales Offices	Asahikawa, Hakodate, Doto, Aomori, Morioka, Akita, Yamagata, Fukushima, Gunma, Utsunomiya, Mito, 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	Sanriku	
Laboratory	Tojo	
Equipment Centers, etc.	Chuo (Saitama), Eniwa, Natori, Toyama, Koshoku, Haibara, Tojo, Hiroshima, Tosu, Grout/ NITTOC Sashima General Center/NITTOC Hasuda General Center