

## Message from the President

**Reborn as the ID&E Group, we will continue to work together with our customers and local communities to achieve our long-term vision of “Make the world a better place.”**

# ID&E

**NIPPON KOEI**

**NIPPON KOEI  
URBAN SPACE**

**NIPPON KOEI  
ENERGY SOLUTIONS**

**NIPPON KOEI  
BUSINESS PARTNERS**



### **Hiroaki Shinya**

Director and Representative Executive  
President  
Integrated Design & Engineering  
Holdings Co., Ltd.

## In 2023, Nippon Koei Group became ID&E Group

### Transition to a holding company structure

In July 2023, the 77th anniversary of Nippon Koei Group, the Company established Integrated Design & Engineering Holdings Co., Ltd. (ID&E Holdings) to transition to a holding company structure, making a fresh start as ID&E Group. The new company name "ID&E" is an acronym of "Integrated Design & Engineering Holdings Co., Ltd." It expresses the Company's ability to provide one-stop solutions to business issues in a wide range of fields, including civil engineering, architecture, and energy. Under this new company name, we aim to become a corporate group in which each employee has a broad perspective and deep insight so that they can enhance corporate value.

As a holding company, ID&E Holdings is responsible for the Group's business portfolio, regional management, finance, sustainability, and other aspects related to the Group as a whole. We formulate and execute strategies related to human resources, technology, working together, risk management, etc., and lead a form of Group management that encourages contribution to the enhancement of corporate value. On the other hand, main group companies including Nippon Koei, which took control of the Consulting Business, Nippon Koei Urban Space and UK-based BDP, which are involved in the Urban Space Business, and Nippon Koei Energy Solutions, which is responsible for the Energy Business, can now think and plan more freely than before as they are now being under independent management, allowing for decisions to be made more quickly. We will respond flexibly to diversifying and sophisticated markets and customer needs by accurately grasping the social conditions that continue to undergo dramatic changes. In addition, Nippon Koei Business Partners, which was spun off by consolidating administrative divisions, was established to take charge of the Group's corporate management. It will manage the entire group and provide support to Group companies. In this way, the holding company and business companies will play their respective roles, and at the same time closely cooperate with each other in order to leverage the Group's comprehensive capabilities to provide the maximum value to our stakeholders.

### To become overwhelmingly No.1 in Japan and top class worldwide in the construction consulting industry

Although our journey as the newly-created ID&E Group has only just begun, I personally have high expectations for the positive effects of the independence of each of the three main businesses, which were previously business divisions within the company Nippon Koei, as business companies. With the main premise of sustainable growth of its existing businesses, each business company anticipates and predicts changes in the rapidly changing social environment, and estimates regional needs that may arise

or increase. Then they will create new business working together with customers, business partners, and other business companies within the Group. Additionally, it is now possible for business companies to invest in R&D, intellectual property, and human resources, develop technologies to differentiate themselves from other companies, build alliances with other companies, and build sales structures with a sense of speed at their own discretion.

Although the organizational structure has been changed to a holding company structure, there will be no major change in the Group's social significance or role we must fulfill. As I have repeatedly stated since I assumed the position of President, we will continue to be a corporate group that provides unique value as a global corporate Group that is "overwhelmingly No.1 in Japan and top class worldwide in the construction consulting industry," providing new technologies and optimal solutions to our customers and local communities.

## For achieving both a long-term growth strategy and improved profitability

### Formulating a Long-Term Management Strategy based on megatrends

The Long-Term Management Strategy we are currently promoting has been formulated based on the megatrends of 30 or 50 years from now. We view the future megatrends as being: (1) Rapid urbanization, (2) Climate change and lack of resources, (3) Changes in demographic structure, (4) Shift in global economic power, and (5) Technological advancement. We will proactively identify anticipated social issues based on these future projections and work to solve these issues through our business through three transformations: Digital Transformation (DX), Green Transformation (GX), and Sustainability Transformation (SX). I am convinced that such a strategy and roadmap will lead to the long-term and sustainable growth of the Group.

Our basic stance is to focus on the transformation of our business portfolio while placing sustainable growth of our three core businesses, which have been converted into business companies, at the foundation of our Long-Term Management Strategy. Historically, in regard to ID&E Group's customer mix, there is a bias toward the public sector (public works) customers. However, under the new structure, we will promote efforts to achieve an optimal customer balance in the public and private sectors. Specifically, following the motto "Think globally, Act locally," we will strengthen matrix management based on region by assigning managers in charge of each area, and strive to optimize the balance between public and private sector business by realizing various co-creation initiatives, internally or between companies within the Group, with other companies, including those in other industries, as well as with customers and local communities.

In contrast, in terms of improving profitability in the current fiscal year, we aim to increase earnings by increasing the ratio of sales of overseas group companies in addition to increasing overseas projects. In a world where digital transformation is advancing, we

# Message from the President

will promote self-transformation in which each and every employee has a sense of impending crisis and evolves on their own. As the head of the holding company, I recognize that my most important role is to foster such a corporate culture and create an organization and systems in which each individual sees DX as his or her own business and takes the initiative in providing efficient work methods and high value-added services.

## To realize our aspirations

Before transitioning to a holding company structure, the Group's business segments were not well connected horizontally, like a shopping mall in the suburbs where different tenants handle each business. To be more specific, the Group had a "contract-based" business model that focused on how to meet customer requests. In order to overcome this situation, I felt that it would be necessary to have business segments that involve others in order for us to grow as well as to conduct organizational administration for the strong management of the entire Group. These are the reasons why the decision was made to shift to a holding company structure. In the future, ID&E Group will move beyond the "contract model" to a "model based on working together" that creates businesses together with customers, and a "sustainable model" that enhances the sustainability of society. In order to realize our aspirations of becoming "overwhelmingly No.1 in Japan and top class worldwide in the construction consulting industry," we will establish strong regional bases around the world and promote independent operation in each region anew, centering on group management based on close cooperation.

To continue to grow in the global marketplace, we need a diverse set of values that can embrace different cultures and business practices. In order to increase the diversity of the ID&E Group as a whole, I want to actively promote alliances and business partnerships to welcome new colleagues from outside the Group. We will create an organization that can create completely new values by bringing in values from the outside that have not previously existed in our Group, which will provide motivation. The entire group will foster a mindset of boldly taking on challenges, viewing the current drastically changing business environment as an opportunity to do so.

## Review of the results for the fiscal year ended June 2023

### A year in which projects became larger and more complex

For me, 2022 and 2023 were years during which we focused on our transition to a holding company structure. Looking back on the business conditions surrounding the Company, we can see that

economic activity, which had been temporarily stagnant due to the COVID-19 pandemic, has regained its previous strength and new needs have been created one after another. I think it was a time when the external environment was changing at a dizzying pace.

In the public works field, which serves as the backbone of the Group, the domestic market has been booming due to national resilience measures, the formulation of defense development plans, the Tokyo Resilience Project, and other factors. Overseas, large-scale complex projects related to railroads, dam rehabilitation, and special economic zones are in full swing, and a reconstruction assistance project has started in Ukraine. However, in the private sector, customers' needs are changing significantly, as evidenced by the accelerated movement toward the realization of a sustainable society, including disaster prevention and mitigation, redevelopment with an eye on a decarbonized society, and the shift to renewable energy. In particular, as projects become larger and more complex, there is a need for management that takes a bird's-eye view of an entire project. To give specific examples, we have already been awarded a project to convert a vast former steel mill site into a carbon neutral and disaster prevention base for the Tokyo metropolitan area and to convert a former oil refinery site into a next-generation energy supply base. In these projects, although the Group's comprehensive capabilities in a variety of business fields are fully demonstrated, I feel that we are increasingly required to provide optimal solutions in a diverse and pluralistic manner across fields, businesses, and segments, regardless of whether they are in the public or private sector.

## Medium-Term Management Plan "Building Resilience 2024" Progress during the second year of the plan

In order to realize our Long-Term Management Strategy, I believe that it is most important to ensure that we achieve each Medium-Term Management Plan. For this reason, we are aiming to achieve the first stage of the current Medium-Term Management Plan. This Medium-Term Management Plan, which was initiated in the fiscal year ended June 2022, is based on the assumption that the Company would transition to a holding company structure from the time it was formulated so there will be no changes made to the plan itself.

During the fiscal year ended June 30, 2023, the second year of the Medium-Term Management Plan, major achievements were the following: Major progress was made in DX-related businesses, including the use of AI inspection and diagnosis systems, BIM/CIM, and game engines; In the Urban & Spatial Development Business, a new company was launched and is solidly engaged in the aforementioned large-scale base development, etc. However, in the Energy Business, while our energy management business in Europe is getting on track, there are issues with the manufacturing

department's production system, so we are continuing to work on strengthening the system. In terms of financial indicators, we believe that overall the plan is proceeding almost as planned, although there were some one-time gains and losses.

In July 2023, we entered the third year of the Medium-Term Management Plan at the same time as we transitioned to a holding company structure. Under the new structure, we will delegate authority to each business company to improve the speed and agility of decision-making, strengthen governance including risk management, build a regional management structure to meet diversifying regional needs, build and implement a system for promoting sustainability management, and promote group strategies by working together for the growth of the ID&E Group. These are the various measures that we will take to ensure that we achieve the final targets of the Medium-Term Management Plan.

In addition, we are currently formulating the next Medium-Term Management Plan and are considering formulating a growth strategy based on the various impacts of the transition to the new holding company structure and the results of measures.

## The level of sustainability management that ID&E Group aims to achieve

### Continuing to deliver results in the area of sustainability

Traditionally, the risks that managers face have long been business risks. However, in modern corporate management, I recognize that environmental and sustainability-related risks surrounding one's own business could even shake the very survival of a Company. On the other hand, sustainability-related risks are both risks and new business opportunities. ESG investment is also increasing in Japan. In order to attract ESG investment, we must be a company with a strong interest in sustainability and continue to produce results for the realization of a sustainable society. I believe that sustainability should now be at the core of management, and that we are in an era in which corporate managers are required to take a very natural attitude toward sustainability as they develop



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their businesses rather than treating sustainability as a separate dimension from their business operations.

Based on this recognition, we established the Sustainability Basic Policy in February 2022. This basic policy embodies our stance to contribute to the development of a sustainable society through our business, in addition to the perspective of responding to the social impact and demands of society in the promotion of our business. We have tied the various social issues that we need to solve to the materiality (key issues) defined in our Long-Term Management Strategy, indicating that business activities and sustainability are inseparable. In addition, we will review our materiality in response to changes in the social and business environment, and plan to announce new materiality in the next Medium-Term Management Plan (from the fiscal year ending June 30, 2025 to the fiscal year ending June 30, 2027).

At the same time as we transitioned to a holding company structure, we established the Sustainability Promotion Council, chaired by myself, as an organization to oversee and promote sustainability activities, and the Sustainability Promotion Office, which is a new working unit. We will also establish a Sustainability Promotion Committee at each operating company and appoint a person in charge of sustainability to clarify responsibilities and raise awareness of sustainability, thereby promoting faster and more group-wide initiatives than ever before. As the first step in implementing sustainability management under the new holding company structure, we announced our support for the TCFD recommendations in September 2023 and disclosed information on some of the disclosure items recommended by the TCFD. Moving forward, we will gradually expand the scope of disclosure. Furthermore, we will earnestly address important sustainability issues, including human rights and diversity.

I believe that in order for our Group to conduct sustainable management, it is important for each and every staff member to feel a sense of fulfillment and self-actualization that they are “contributing to the realization of a sustainable society” through their daily work toward the creation of long-term corporate value. This increases staff member engagement, which in turn drives productivity and new innovation. We will create an environment where staff members can feel their personal growth while feeling rewarded with work. This will be done through measures including the promotion of well-being management, ensuring diversity by increasing the number of women in managerial positions, and establishing the ID&E Global Academy, where staff members can learn to achieve self-fulfillment.

## To our stakeholders

### Continuing to run toward the realization of our vision of “Make the world a better place”

Since Nippon Koei was founded, the strength of our Group has been our engagement in a sustainable business that develops together with society by supporting the development of the infrastructure that forms the foundation of people’s lives and being engaged in our business with the pride of being a corporate group whose solutions to social issues lead directly to growth. Nippon Koei’s Management Philosophy “Act with integrity and contribute to society through technology and engineering” will not be changed despite transitioning to a new holding company structure. We will continue to cherish this philosophy as we aim to achieve even higher goals and continue to run toward the realization of our vision of “Make the world a better place.”

I hope that our stakeholders, who have known our Group for a long time or are already shareholders, will understand that the transition to a holding company structure is “building a system for achieving long-term growth” and is a positive change that will enable us to achieve further growth. For those of you who have never heard of the our Group or are interested in our new name “ID&E”, we hope that you will take this opportunity to learn that there is, in fact, a corporate group whose mission is to support a sustainable society.

The ID&E Group aims to achieve not only sustainable growth in its three core businesses of Consulting, Urban & Spatial Development, and Energy, but also a spiral increase in both “creation of a sustainable society” and “enhancement of our own corporate value” in an integrated manner through strategic collaboration among each independent business company as well as by actively working together with other companies and stakeholders. I would like to ask all of our stakeholders for their continued support and encouragement.

**NIPPON KOEI**

## We will continue to achieve new growth based on the technological capabilities and achievements we have built up in various parts of the world

**Haruhiko Kanai**

Representative Director and President  
Nippon Koei Co., Ltd.



### Business environment and results

In the fiscal year ended June 30, 2023, the Consulting Segment as a whole generated net sales of ¥81.8 billion and operating profit of ¥6.6 billion (operating margin of 8.1%).

With regard to the business environment, budgets were bolstered such that business in the public works and defense-related fields remained strong, both in Japan and overseas. Public works business, including the initial budget and the supplementary budget, totaled ¥8.3 trillion, up 2.5% from the previous year. This was due to efforts to promote disaster prevention and mitigation and national land resilience, including enhancing hard infrastructure (roads, rivers, dams, etc.) as well as soft measures that utilize new technologies.

The domestic defense budget was ¥7.9 trillion, up 17% from the previous year. This resulted from efforts to strengthen Japan's defense capabilities with the goal of raising the defense budget to ¥11 trillion, or 2% of GDP, by 2027.

The overseas business environment continues to be robust due to the growing demand for infrastructure in developing countries and the expansion of overseas operations by Japanese companies. The Development Cooperation Charter, which was revised in June 2023, introduces new concepts such as offer-based cooperation that leverages the strengths of Japanese companies and Official Development Assistance (ODA) linked with private funds.

Domestic business remained firm due to these conditions. From the next fiscal year onward, we will continue to expand transportation and traffic as existing fields, as well as aim to strengthen orders in the defense field. In overseas business, we recognize that, although sales increased, the cost increases caused by the depreciation of the yen and inflation remain an issue. We will take action to reduce foreign exchange losses by making the contract currency match the currency of payment by using three different contract currencies: JPY, USD, or local currency.

### Priority issues and initiatives

Our business strategy is to expand the defense infrastructure business, private-sector business, and local government partnerships in Japan; to expand the yen loan business and non-ODA business overseas; and to promote digital business, management business, investment business, and M&A as new businesses in Japan and overseas.

Our technology strategy includes the development and implementation of cutting-edge technologies related to AI and DX, the commercialization of watershed flood control, climate change, renewable energy, SDGs, and multi-hazard businesses as Group co-creation projects, and the development of generative AI based on risk control, leading to improved productivity for the entire Group.

As a regional strategy, under the leadership of regional managers in each region, we would like to establish a supply chain that can be completed within each region, centered on local subsidiaries, and establish regional management that connects each region in a way that complements that supply chain. We will support the development of Group companies with high growth rates and high profitability so that they can become core entities.

The Noto earthquake that occurred in January 2024 placed many people in a difficult situation. In response to natural disasters, which are becoming increasingly severe both in Japan and abroad, we will strengthen our efforts for disaster prevention and mitigation as part of our social mission, and will do our utmost to restore and rebuild our infrastructure.

# NIPPON KOEI URBAN SPACE BDP.

## Aiming for comprehensive urban and regional revitalization through civil engineering and architecture

### Noriaki Yoshida

Representative Director and President  
Nippon Koei Urban Space Co., Ltd.



### Business environment and results

In July 2022, prior to transitioning to a holding company structure to achieve the ID&E Group's Long-Term Management Strategy, the Urban & Spatial Development Business of Nippon Koei Co., Ltd. was transferred to Tamano Consultants Co., Ltd. through a company split (simple absorption-type split) to establish Nippon Koei Urban Space Co., Ltd. By becoming an operating company under the umbrella of the holding company in October 2023, I would like to see Nippon Koei Urban Space Co., Ltd. become even more independent and grow further, and to increase its degree of contribution to society through collaboration and working together with ID&E Group companies.

In the fiscal year ended June 30, 2023, revenue increased year-on-year due to land redevelopment business orders and orders for large-scale private sector projects. BDP also saw an increase in revenue due to the acquisition of public works projects in the UK.

In the business environment, amid various issues such as the worsening of climate change and demographic change, the issues and needs for urban formation are changing and increasing both in Japan and overseas. In Japan, we are working on disaster mitigation and prevention, decarbonization, population decline, regional revitalization, and land-use conversion. Overseas, especially in Asia, there is a growing need for the formation of new cities in line with population growth. We provide a one-stop service for the private and public sectors, from project concept to research, planning, design, and business management by handling architectural and urban projects.

### Priority issues and initiatives

We are focusing on the following three major areas: 1. Support for local governments, 2. Private sector, and 3. Overseas markets.

Regarding support for local governments, the major issue is to revitalize regions in the midst of a declining population, declining tax revenues, and a shortage of engineers. For this reason, there is a growing need for comprehensive area management for efficient urban management, including compact urban development in

which urban functions are consolidated and the accompanying reorganization/utilization of public buildings and infrastructure. We will work on smart town development that solves urban and regional issues and revitalizes local communities.

Meanwhile, in the private sector, we are seeing progress in private-sector-led urban revitalization projects in metropolitan areas meant to strengthen international competitiveness; and in large-scale large-volume asset restructuring of private-sector holdings brought about by industrial restructuring accompanying decarbonization and technological innovation. In addition, the formation of industrial and logistics bases is also becoming more active due to inbound investment in the manufacturing industry resulting from geopolitical risks. We will develop the knowledge gained through our public-sector operations from a more consumer-oriented perspective and bring about sustainable urban and regional development in a comprehensive manner.

Overseas markets are seeing the development of railroads in Asia and other countries in the Global South as a result of the concentration of population in cities. Under such circumstances, the possibility of commercializing large-scale urban redevelopment around transit-oriented development-type (or TOD-type) transportation nodes, an area that Japan is strong in, is expanding. In Europe, the United States, and Oceania, there is also a need for urban development research, planning, design, and management, for issues like climate change countermeasures, with the aim of creating sustainable cities and regions that attract ESG investment. By linking our technologies with BDP's architectural and urban development technologies, we will continue to focus on working together in the Asian market first.

The areas which the urban & spatial development segment provides services for are regions and countries. We are able to proceed with development not only of buildings in specific areas but also in the dynamic field of infrastructure, including water and sewage, electricity, and transportation networks. For this, we will leverage the strengths born from our collaboration with Nippon Koei Urban Space, BDP, and Kisho Kurokawa architect & associates Co., Ltd. to expand our business.

## NIPPON KOEI ENERGY SOLUTIONS

### Promoting the provision of one-stop services in new energy markets

#### Hiroshi Yokota

Representative Director and President  
Nippon Koei Energy Solutions Co., Ltd.



#### Business environment and results

In the fiscal year ended June 30, 2023, revenue increased due to the expansion of substation-related work, progress in large-scale renovation work for power plants resulting from orders received from government and public offices, and progress in overseas consulting. In contrast, procurement delays in the manufacturing sector occurred due to the global shortage of semiconductors.

The global trend toward decarbonization is further accelerating, resulting in a booming decarbonization market. In Japan, the introduction of renewable energy is being promoted with the aim of achieving carbon neutrality by 2050. With that in mind, I believe that the decarbonization trend will continue for a long time.

However, I think that market volatility stemming from international unrest and ongoing domestic disasters/accidents will continue for the time being. I am aware of the following three changes in the market environment affecting our business development.

The first is supply chain disruption and rising prices. There is still a shortage of semiconductors, and the shortage of electric wires has become a problem in recent years. Although sharp rises in material prices have subsided somewhat, the inflationary trend is expected to continue for the foreseeable future.

The second is the magnitude of fluctuations in the business environment. As various mechanisms for decarbonization are being implemented worldwide, it is not uncommon for such mechanisms to change on a yearly or even a monthly basis. Therefore, it is necessary to constantly monitor changes in the market and flexibly reflect what kind of business we will develop in accordance with the latest technologies and future laws and regulations.

The third is the increase of new players in the market. The decarbonization market is expected to expand, and in addition to energy-related companies, many players such as companies from the fields of IT and finance are entering the market. Nippon

Koei's founder Yutaka Kubota participated in the development of power generation equipment and devices, and in the construction of dams, contributing to power engineering. We aim to establish a position in the market based on achievements made since the establishment of Nippon Koei.

#### Priority issues and initiatives

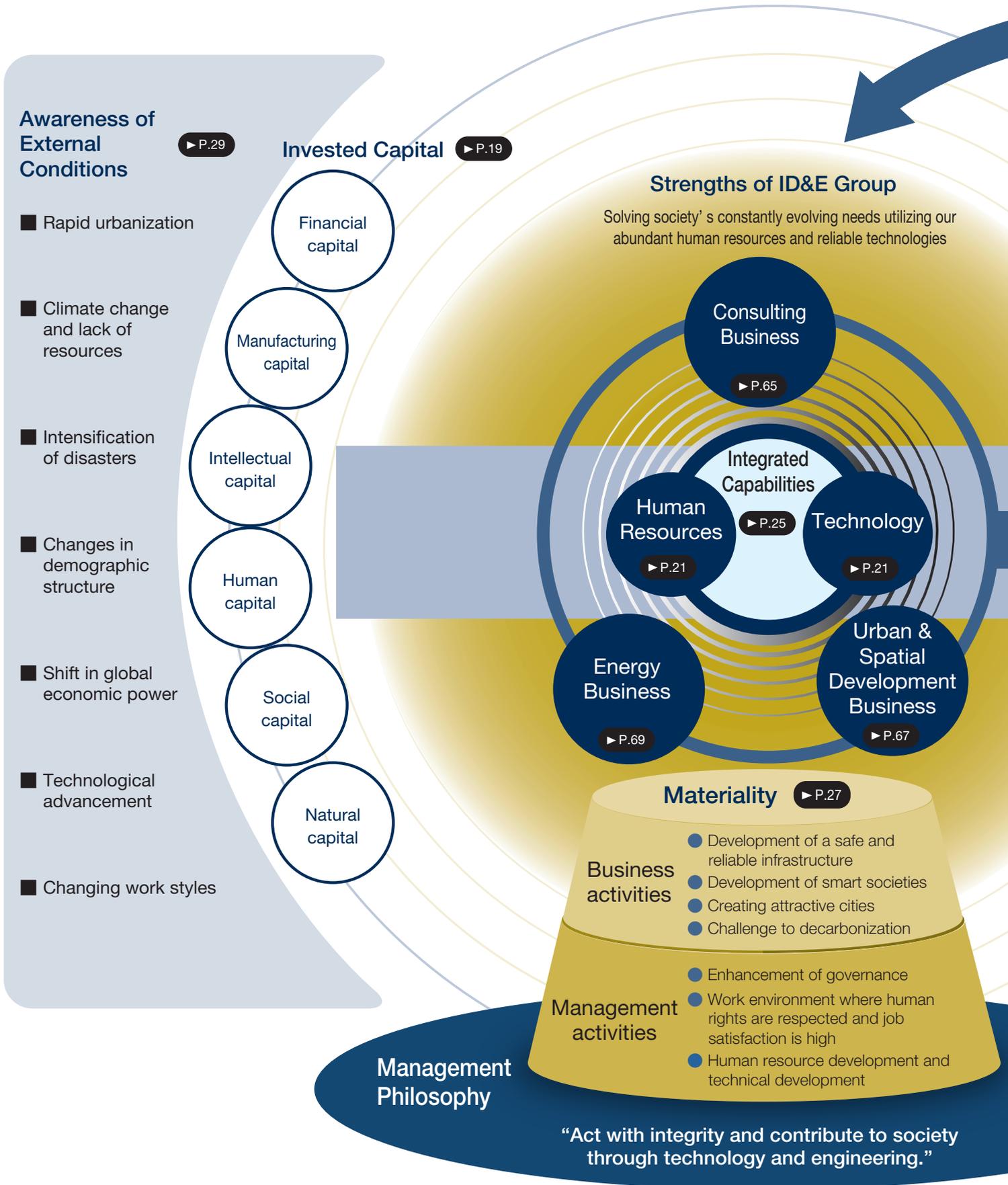
We want to continue to take on the challenge of working with new technologies and in new businesses while valuing our existing technologies. In order to achieve this goal, we need to establish a one-stop system and restructure our overseas business strategy.

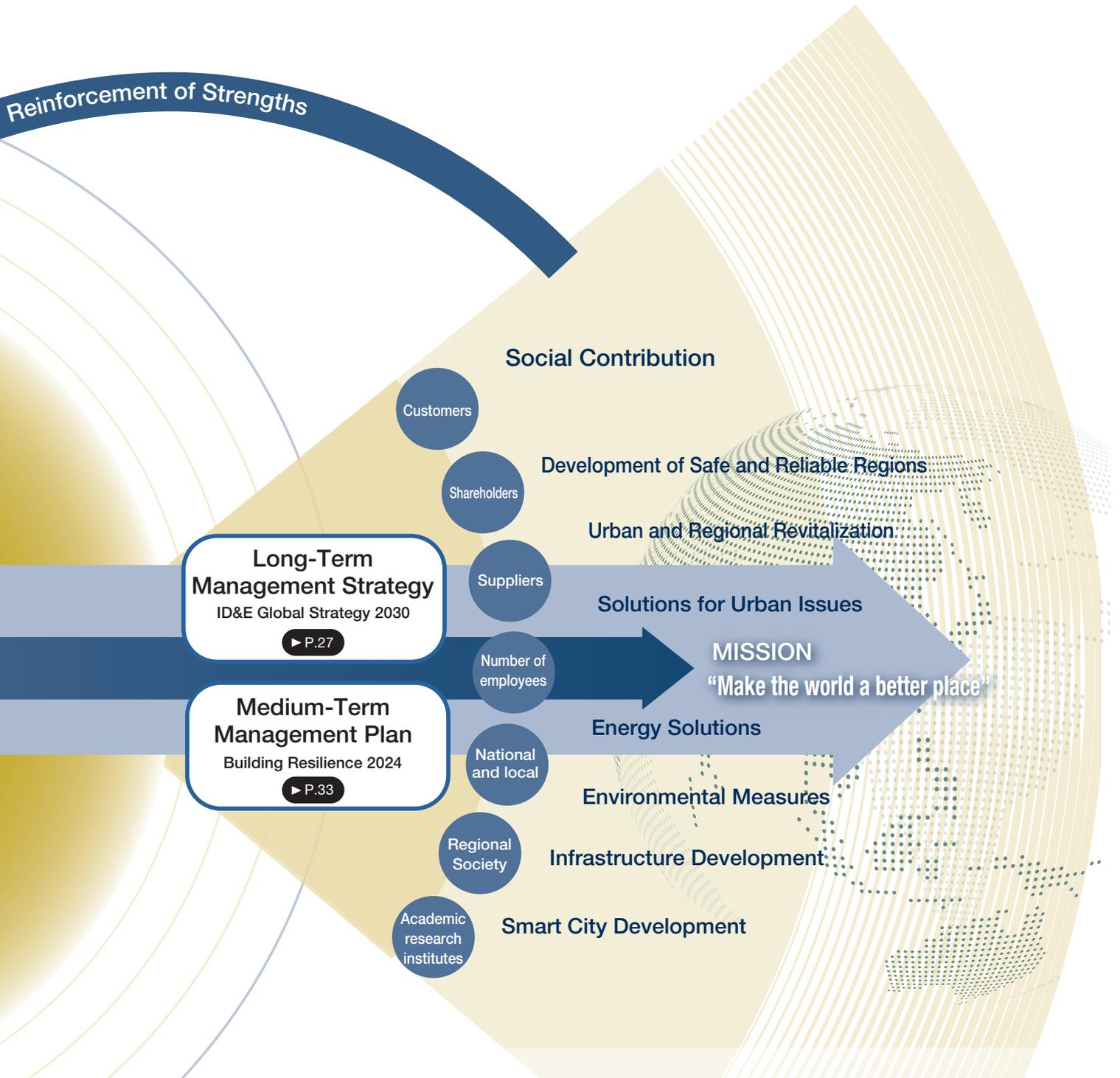
Currently, we are developing a business that provides added value to the market through a one-stop service, and we will continue to focus on this. On the other hand, our overseas business accounts for only a little more than 10% of our total business. Based on the ID&E Group's Long-Term Management Strategy aimed at increasing the ratio of consolidated overseas sales to 50% in the fiscal year ending June 30, 2030, we will consider global strategies from a long-term perspective, thinking about what kinds of services to develop in regions and how to build a promotion system.

In order to continuously improve corporate value amid rapid changes in the business environment, it is essential to have human resources that realize business strategies and business models based on them. Since we place the highest priority on human resources, as an organization, we will enhance various training programs and review how we evaluate various qualifications, including those of engineers.

The spin-off has enabled Nippon Koei Energy Solutions to operate our business more autonomously than ever before. We will operate our business in an agile manner in anticipation of the ever-changing business environment.

# ID&E Group Value Creation Process





The ID&E Group has a foundation for creating value that has been cultivated since its establishment, and our Management Philosophy "Act with integrity and contribute to society through technology and engineering" is the basis for our actions in any era. Based on a business environment in which opportunities and risks come at the same time, we will determine materiality, face a mountain of social issues, and work to demonstrate our comprehensive capabilities through human resources and technologies, which have been the strengths we have cultivated since our establishment, and cooperation between segments. By providing solutions to society and customers, we create environmental as well as social value, and aim to realize the Group's Mission of "Make the world a better place." By achieving this, we will enhance our competitive advantage and enhance our strengths, which will lead to our own sustainable growth.

In order to continue to have a presence in society as being an indispensable organization, we will create social and economic value by solving social issues associated with the development of each country and region around the world through our business activities.

# Creating Value through ID&E Group Capital and its Utilization

|                              | Important Aim of Capital in Value Creation   | Policy for Medium/Long-term Enhancement  |
|------------------------------|--|--|
| <b>Financial capital</b>     | Achieve a balance between growth and returns by building a strong financial base and achieving high capital efficiency that allows for flexible investment   | <p><b>Realization of medium/long-term growth</b></p> <ul style="list-style-type: none"> <li>● Review and enhance investment screening criteria as well as establish and enhance investment screening system</li> </ul> <p><b>Ensure financial soundness</b></p> <ul style="list-style-type: none"> <li>● To ensure financial soundness, maintain an equity ratio of approximately 40% even during periods of concentrated investment</li> </ul> <p><b>Provide capital efficiency to achieve a balance between growth and returns</b></p> <ul style="list-style-type: none"> <li>● Aim for an ROE of 9% in the Medium-term Management Plan</li> <li>● Aim for a payout ratio of 30%</li> <li>● Buyback/cancellation of treasury stock as necessary to achieve an appropriate total return ratio</li> </ul>  |
| <b>Manufacturing capital</b> | Create a safe and secure infrastructure by providing services in more than 160 countries and regions, in all prefectures in Japan, and through overseas offices around the world   | <p><b>Promote workplace reform</b></p> <ul style="list-style-type: none"> <li>● Open satellite offices, introduce free address system, install online meeting booths, provide intensive work spaces, and make other similar improvements to workplaces</li> </ul> <p><b>Improve quality of information systems</b></p> <ul style="list-style-type: none"> <li>● Enhance support for diverse work styles</li> <li>● Enhance financial and accounting systems</li> <li>● Establish shared platform for Group companies</li> </ul> <p><b>Enhance information security</b></p> <ul style="list-style-type: none"> <li>● Implement cyber security measures based on the concept of Zero Trust</li> </ul>  |
| <b>Intellectual capital</b>  | Accumulate advanced intellectual capital through the foundation of advanced technology research at the Research & Development Center and knowledge gained through advanced operations while creating new value through innovation                | <p><b>Development and utilization of DX technologies</b></p> <ul style="list-style-type: none"> <li>● Expand DX investment</li> </ul> <p><b>Business development investment</b></p> <ul style="list-style-type: none"> <li>● Conduct research and development for new business development from a medium- to long-term perspective</li> <li>● Conduct research and development for the creation of new business areas such as smart city business development, SDGs business development, and climate change business</li> </ul>   |
| <b>Human capital</b>         | Drive all types of value creation through a diverse workforce of highly specialized domestic and international professionals   | <p><b>Develop and improve staff skills</b></p> <ul style="list-style-type: none"> <li>● Establish ID&amp;E Global Academy in the fiscal year ended June 30, 2024 which all Group members can use to raise the level of human resource capabilities of the entire Group</li> <li>● Visualize knowledge and develop leaders by effectively utilizing knowledge management, talent management, and various data</li> <li>● Expand regional engineer system (a training system that enables engineers from local subsidiaries to work in countries other than their countries of origin or Japan)</li> </ul> <p><b>Enhance recruitment</b></p> <ul style="list-style-type: none"> <li>● Increase the number of staff by more than 1,600 on a consolidated basis during the period of the Medium-term Management Plan by strengthening the recruitment of new graduates and career staff</li> </ul> <p><b>Promotion of Well-Being Management</b></p> <ul style="list-style-type: none"> <li>● Promote work styles that respect diversity</li> </ul> |
| <b>Social capital</b>        | Stable and continuous value creation through a solid client base and strengthened relationships with partner companies, etc. based on a long history and track record of supporting developing countries through domestic infrastructure and ODA | <p><b>Co-creation with other companies including those in different industries</b></p> <ul style="list-style-type: none"> <li>● Create stable and long-term cooperative relationships with partner companies in Japan and overseas</li> </ul> <p><b>Transfer technologies to developing countries</b></p> <ul style="list-style-type: none"> <li>● Develop human resources in developing countries through "ID&amp;E Global Academy" and collaborate with academic institutions</li> </ul> <p><b>Strengthen social activities</b></p> <ul style="list-style-type: none"> <li>● Enhance opportunities for dialogue with stakeholders</li> </ul>   |
| <b>Natural capital</b>       | Contribute to the preservation of the global environment by contributing to environmental preservation and reducing environmental impact through our business  | <p><b>Enhance sustainability promotion</b></p> <ul style="list-style-type: none"> <li>● Establish Sustainability Promotion Committee</li> </ul> <p><b>Focus on business creation through co-creation by linking materiality and business strategy</b></p>  |

| FYE June 2023 Main Initiatives<br>(Input)  | FYE June 2023 Results<br>(Output)   |
|--|---|
| <ul style="list-style-type: none"> <li>● Continue to ensure financial soundness based on an awareness of our equity ratio</li> <li>● Review and start monitoring of investment screening systems that enhance our financial perspective</li> <li>● Prepare for the spin-off of major businesses and the delegation of authority by transitioning to a holding company structure</li> </ul>   | <ul style="list-style-type: none"> <li>● Equity ratio: 41.4% (44.9% in the previous period)</li> <li>● ROE: 3.9% (8.8% in the previous period)</li> <li>● Payout ratio 60.9% (28.6% in the previous period)</li> <li>● Rating and Investment Information, Inc. (R&amp;I) rating of BBB+ (same rating to be maintained from November 2020)</li> </ul>  |
| <ul style="list-style-type: none"> <li>● Improve workplace environment</li> <li>● Promote digitization of various documents</li> <li>● Strengthen remote access</li> <li>● Continue to implement cybersecurity measures based on the concept of Zero Trust</li> </ul>  | <ul style="list-style-type: none"> <li>● Earned 4 stars in the Nikkei Smart Work Management Survey</li> <li>● Developed and introduced generative AI for in-house use</li> <li>● Continued a system that enables remote access for all staff</li> <li>● Mandatorily introduced multifactor authentication</li> </ul>  |
| <ul style="list-style-type: none"> <li>● Search for/develop key themes that will lead to new businesses in the DX field</li> <li>● Formulate DX vision and hold regular DX briefing sessions</li> <li>● Promote collaboration to create business models</li> <li>● Establish platform for sharing technical information on technology and sales</li> </ul>   | <ul style="list-style-type: none"> <li>● Number of certified professional engineers (ID&amp;E Group): 1,764 (1,743 in the previous period)</li> <li>● R&amp;D expenses: ¥1.211 billion (¥1.243 billion in the previous period)</li> <li>● Started infrastructure monitoring service utilizing satellite data with SKY Perfect JSAT Corporation and Zenrin, Co., Ltd.</li> <li>● Designed infrastructure inspection and diagnosis system using AI (Yamaguchi Prefecture)</li> </ul>  |
| <ul style="list-style-type: none"> <li>● Strengthen development of qualification and human resource development programs</li> <li>● Manage staff work attendance rate during the COVID-19 pandemic using a workplace hoteling system and RPA</li> <li>● Improve productivity through DX (RPA, AI, etc.)</li> <li>● Establish BIM/CIM internal qualification system and started its operation</li> <li>● Enhance the recruitment of new graduates and career staff</li> </ul> | <ul style="list-style-type: none"> <li>● Initiated the partial operation of the ID&amp;E Global Academy</li> <li>● Number of staff (consolidated): 6,335 (6,163 in the previous period)</li> <li>● Recognition as an Outstanding Health and Productivity Management Organization 2023 (White 500) for five consecutive years</li> <li>● Cumulative work reduced by approximately 20,000 hours through the use of RPA</li> <li>● Recruitment numbers (ID&amp;E Group)<br/>Number of new graduates recruited: 185 (205 in the previous period)<br/>Number of career staff recruited: 58 (40 in the previous period)</li> <li>● Employment rate of disabled persons (Nippon Koei): 2.71% (2.69% in the previous period)</li> </ul> |
| <ul style="list-style-type: none"> <li>● Promote providing assistance in reconstruction in regions affected by conflict or natural disasters</li> <li>● Carry out technical exchanges with educational and research institutions</li> <li>● Promote business alliances in the smart city and transportation fields with local governments and companies in Japan and overseas</li> </ul>   | <ul style="list-style-type: none"> <li>● Established Ukraine Recovery Office</li> <li>● Established a city resilience plan focusing on recovery and reconstruction assistance and disaster prevention after the earthquake in Turkey occurred</li> <li>● Formed a partnership agreement with Iyo City in Ehime Prefecture for sustainable town development</li> <li>● Formed a partnership agreement with Iwaki City in Fukushima Prefecture for the promotion of river basin flood control</li> </ul>  |
| <ul style="list-style-type: none"> <li>● Establish and disclose a Group-wide system for solving sustainability issues, including climate change issues</li> <li>● Promote research of businesses that use renewable energy</li> </ul>  | <ul style="list-style-type: none"> <li>● Established the Sustainability Promotion Council and Sustainability Promotion Office</li> <li>● Announced our support for the TCFD recommendation and disclosed information in accordance (September 2023)</li> <li>● Started a trial project called "NKRE100," which aims to achieve 100% renewable energy usage at Nippon Koei Building and other locations</li> </ul>   |

# Human Resources and Technologies that Support Our Business Model

The ID&E Group is one of the largest consulting and engineering groups in Japan with a total staff of approximately 6,300. It consists of ID&E, which is responsible for the formulation and governance of the overall strategy of the Group, and three core businesses and Group management functions.

Our greatest strength is that we possess advanced technological capabilities in the fields of consulting, urban & spacial development, and energy, and combine them to provide one-stop solutions that meet the needs of global social development.

To that end, individuals and organizations must continue to change in order for all staff to grow autonomously and become human resources that can play an active role in the world.

The ID&E Group aims to cultivate top consultants who can play an active role on a global scale and “strengthening our foundation through the integration of technology and human resources.”

## Human Resources Strategy

We will develop world-class human resources through the establishment of the ID&E Global Academy.

In our Long-Term Management Strategy, we aim to increase the ratio of our sales in overseas markets to about half. To expand globally across the entire organization, it is necessary to develop human resources with skills that can play an active role beyond the boundaries of Group companies and to allocate personnel effectively.

We are working to create an organization where staff can leverage each other's strengths, work together, and work toward a common goal.

## Increase the number of certified professional engineers

Construction consulting services in Japan are required to be performed by certified professional engineers. Therefore, in order to bid on a large number of projects, it is necessary to secure certified professional engineers. The ID&E Group has 1,764 professional engineers in its civil engineering, engineering management, applied science, and water supply and sewerage departments, boasting the highest number of certified professional engineers in the industry. We support individuals seeking to become certified professional engineers by offering annual preparation seminars for the certification examination.

## Hybrid human resource development

We call human resources engaged in both domestic and overseas operations “hybrid human resources” and will increase the ratio of this human resource type. Smoothly allocating human resources between Japanese and overseas markets will also make it possible to give consideration to the training and life stage of staff. In fact, during the travel restrictions caused by COVID-19, the impact on our business was minimized by efficiently deploying human resources in the domestic market.

On the other hand, since the way business is conducted in Japan and overseas differs greatly, it is expected that issues specific to hybrid human resources will arise. Therefore, we are promoting the development of labor and personnel evaluation, etc., by understanding actual conditions through questionnaires. We are also strengthening training in language, project management (PM), safety management, and other areas necessary for overseas operations.

## Enhance recruitment

Becoming a holding company has clarified the axis of our business segmentation, enabling us to secure a competitive edge in acquiring human resources.

The entire Group recruits more than 150 new graduates every year. In each business, we will offer internships and enhance mid-career recruitment and expand our post-employment training programs.

## Secure diverse human resources and achieve a comfortable working environment

Going forward, we will bring in a diverse range of partners from outside the company through M&A and business alliances to realize working together. In order to do so, it is essential to have a comfortable working environment.

As part of our well-being management, we have been certified as an outstanding health and productivity management corporation.

See page 23 for information about the ID&E Global Academy, a human resources development organization for training young engineers, passing on technology to the next generation, and raising our level of technological capabilities.

## Technology Strategy

To advance digital technology, we will strengthen investment in technology development centered on digital transformation to create new customer value.

The mission of the ID&E Group is “Make the world a better place—Always maintaining high aspirations, we will work hard to improve our skills, and provide services based on our accumulated technological capabilities.” We have grown to this point by continuing to provide solutions for social issues through the accumulation of “wisdom” represented by our technologies.

## Promote technology strategies

In addition to technological development in each business, since the fiscal year ended June 2017, the ID&E Group has been promoting technology policies in which multiple divisions work together to develop technologies across the Group. By the Technology Committee under the Management Council, themes are established with the goal of “developing technologies and businesses that have an impact on the Company.” In order to

derive business from these strategies, we hold a meeting once a year to present the results of their implementation and are working to link the developed technology to the advancement of more businesses.

## DX promotion

In November 2022, we formulated the NKG DX Vision in order to enhance the momentum of DX initiatives within the Group. We are working to raise awareness by holding DX related briefings and discussions for all staff and setting KPIs.

As a result of enhancing DX, an analysis of NJSS (a data bidding information service for public offices, local governments, public institutions, organizations, and universities) shows that Nippon Koei has a top-class share of DX orders in the industry.

## Infrastructure inspection and diagnosis system using AI

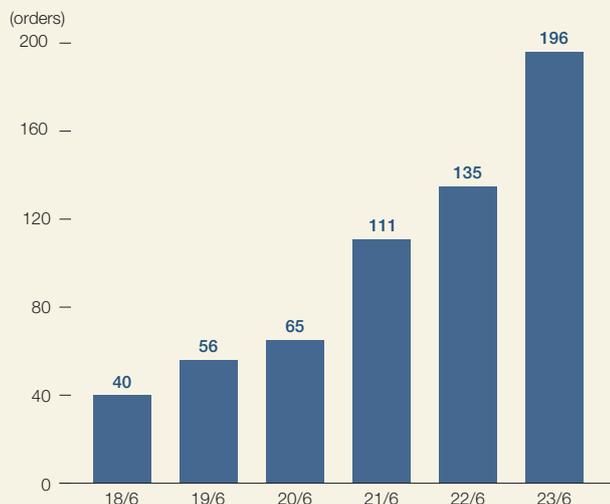
Local governments maintain and manage a huge number of road facilities. In the case of bridges, around 90% of the approximately 700,000 bridges in Japan are maintained and managed by local governments. In contrast, as the number of civil engineers and maintenance budget sizes are decreasing, it is difficult to maintain facilities in the current way. This means that it is necessary to make the approach more efficient and sophisticated. We are building an application and diagnostic support AI that automatically generate 3D models and periodic inspection records.

## BIM/CIM utilization

In line with the application of BIM/CIM\* to all design and construction projects ordered by the Ministry of Land, Infrastructure, Transport and Tourism from April 2023, we are further strengthening our response to the promotion of BIM/CIM and productivity improvement. The ID&E Group has launched a BIM/CIM internal qualification system to motivate and inspire staff, and conducts training and certification programs for acquiring qualifications.

\* BIM (Building Information Modeling): A method of performing virtual construction work on a computer by combining a 3D model of the project and a design information database  
 CIM (Construction Information Modeling): A method of managing the construction, maintenance, and production processes of civil infrastructure

### Number of Business Orders related to BIM/CIM



\* Data included in the aggregation at the time of completion.

## Human Resource and Technological Growth Cycle

### Securement of Diverse Human Resources

The Group is focusing on the acquisition of human resources, including new graduates, mid-career recruits, and foreigners. In recent years, we have been strategically increasing the number of new graduate hires every year and have a policy of developing excellent professionals based on a long-term perspective. In addition, we have set the ratio of female staff at the time of hiring new graduates as a KPI with a focus on increasing the number of female managers in the future.

### Human Resource Development

We aim to provide new staff with an environment where they can learn the basics of civil engineering to acquire professional engineer certification, the highest qualification for a consultant in this business.

In addition, we have established a variety of other courses and are building a system to make these courses available to all staff.

### Order Reception and Productivity Enhancement

We will increase orders for projects based on technical proposals, avoiding price competition, and enhance corporate competitiveness.

At the same time, staff can grow with a sense of speed by being involved in many social contribution projects that require technical skills from when they are young staff.

### Individual/Organizational Growth

We realize the growth cycle of the organization as a whole by enabling staff to gain experience in challenging projects for individual growth.

We will enhance the attractiveness of the Group as an organization that can develop expertise and work on a number of challenging projects that highly contribute to society.

# Establishment of the ID&E Global Academy, a learning ecosystem for the growth of all ID&E Group members

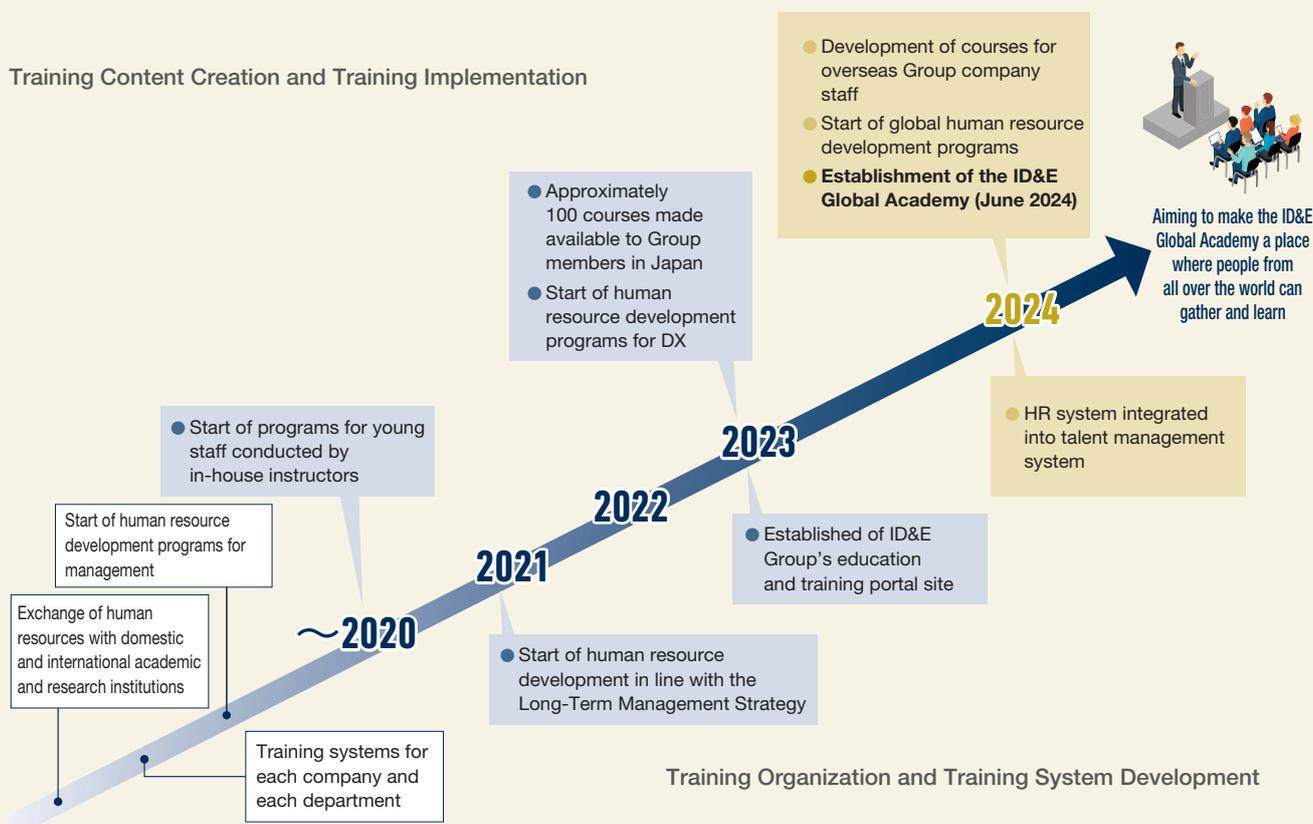
## Purpose for Establishing the ID&E Global Academy

The ID&E Group considers human resources to be the most important capital and carries out human resource management utilizing all human capital to increase the value of human capital.

We are working to embody ID&E quality as part of the co-creation measures of our Long-Term Management Strategy “Working Together Toward A Future Without Boundaries.” The ID&E Global Academy will be established in the fiscal year ended June 2024 with the aim of fostering “human resources with outstanding expertise, high ethical standards, deep insight and management skills” throughout the ID&E Group. The academy is a learning ecosystem for all members of the ID&E Group to grow together, providing an environment where they can learn the skills, knowledge and information necessary to succeed in the world.

## History behind the establishment of the ID&E Global Academy

### Training Content Creation and Training Implementation



### Takuro Hamanaka

Director General of Global Academy Operations  
Integrated Design & Engineering Holdings Co.,Ltd.

The ID&E Global Academy, a co-creation platform for human resource development for the ID&E Group, is a learning ecosystem for all employees of the Group to grow together, and aims to develop future global leaders and human resources that embody the ID&E brand. The source of the Group's brand and quality is its human resources. In order to contribute to “solving global social issues,” which is the goal of our long-term management strategy, we believe that it is necessary to bring together diverse knowledge and ideas, expand our horizons to tackle new challenges, and train our creativity. At the ID&E Global Academy, we will continue to explore the possibilities of “learning,” create the future for people and organizations, further improve the ID&E brand and quality, and promote the sustainable growth of the Group.





## Functions and Roles

### Knowing yourself – Talent Management –

- Each member will be able to compare their current self with how they see themselves in the future to create their own career vision. We will encourage proactive learning by recommending content relevant to a staff career and recording their learning history.
- We support the strategic development and utilization of human resources by centralizing human resources information, making it possible to visually confirm skills, experiences, and positions. This can also be used to assign staff to projects and to optimize human resource allocation.

### Learning – Education and Training –

- The portal site, which serves as an education and training platform, supports member's autonomous learning.
- We support the implementation of personnel exchange-type and hands-on training, such as on-the-job training between departments and Group companies in Japan and overseas, and promote the growth of staff in Japan and overseas.

### Connecting with others

#### – Working Together with Stakeholders–

- We provide opportunities for study abroad and joint training through working together with external stakeholders such as universities and other companies. This also contributes to open innovation and the branding of the ID&E Group.

## Examples of Education and Training Programs

|  |  |  |   |   |   |
|--|--|--|---|---|---|
| <b>For enhancing organizational functions</b>              | <br>Management Philosophy/<br>Compliance training | <br>Job rank-based<br>education   | <br>Manager training               | <br>DX human resource<br>development | <br>Global human resource<br>development |
| <b>For supporting the autonomous growth of individuals</b> | <br>Unique career training                        | <br>Support for obtaining<br>Professional Engineer <sup>*1</sup><br>Certification | <br>Skill improvement<br>program   |   |   |
| <b>For responding to business issues</b>                   | <br>Professional technical<br>training            | <br>Safety and quality control<br>training  | <br>BIM/CIM <sup>*2</sup> training | <br>Overseas OJT                     |   |

<sup>\*1</sup> Professional engineer: The most prestigious national qualification for engineers involved in the applied aspects of science and technology, and is defined by the Professional Engineer Act as an engineer who is recognized for his/her advanced knowledge and applied skills in science and technology

<sup>\*2</sup> BIM/CIM: Methods to improve the efficiency and sophistication of a series of construction production and management systems through the introduction of 3D models

# Integrated Capabilities of ID&E Group

The ID&E Group deploys the integrated capabilities of experts in various fields to meet the increasingly sophisticated and complex needs of our age to solve social issues.

## We have developed business in more than 160 countries and regions overseas.

The ID&E Group has been involved in the development of social infrastructure overseas since receiving an order for the planning of the Baluchaung Hydropower Plant in Burma in 1954, which served as the first step in the globalization of the Nippon Koei Group. We have continued to build infrastructure that utilizes various Japanese technologies, including technologies for hydroelectric power plants, roads, railways, bridges, and agriculture, and have continued a business model that simultaneously transfers technology to the local community and realizes economic development.

While handling a number of overseas government projects such as ODA, we have established local companies around the world, with the current number of overseas bases standing at 73. The knowledge accumulated through our understanding of the characteristics and customs of countries and regions around the world through projects since our establishment is one of the strengths of our Group. In our long-term management strategy, we have positioned the growth of overseas group companies as the source of profit growth, and are promoting measures such as strengthening the production systems of local group companies and group companies overseas to stabilize regional management, and training management personnel for independent operation.



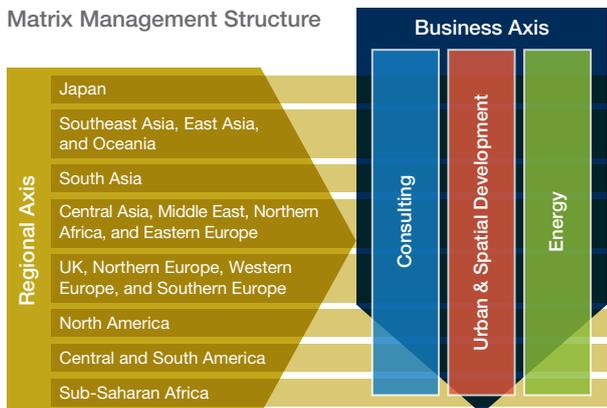
\* Source: "Number of overseas orders received by civil engineering consulting firms in Japan," Nikkei Construction, April 20, 2023

## Matrix management that provides one-stop services across regions

Under the current Medium-term Management Plan, we have established a group management structure that operates using a matrix consisting of a business axis based on three domains (Consulting, Urban & Spatial Development, and Energy) and a regional axis. Branch offices, overseas offices, and Group companies rooted in Japan and around the world identify local needs and provide one-stop services for business domains across regions. Each of our companies overseas operates independently and realizes our motto, "Think globally, Act locally" for social issues and various needs around the world. In other words, they grasp issues from a global perspective and solve them locally, proposing optimal solutions with a sense of urgency.

Through these efforts, we plan to increase our overseas sales ratio to 43% in the fiscal year ended June 2024 and to 50% in the fiscal year.

### Matrix Management Structure



### The overseas Sales ratio target for the FYE June 2024



## Collaboration with diverse external partners

We aim to be a corporate Group that contributes to the realization of a society in which people can feel that their lives have been enriched by providing new value through the exploration of knowledge and the innovation and integration of technology by working together with diverse internal and external partners in order to reach the universal goal of realizing a sustainable world.

In order to promote "working together", we have been operating NARRES (NK Alliance Record Registration System), an information management system that centrally manages various types of ID&E Group alliance information, since July 2022. Because of the confidentiality of alliances with external parties, there have been issues such as the inability to utilize alliances that have already been concluded widely. This system solves these issues and realizes the centralized management of alliance information within the Group.

Going forward, we will continue to aim for new collaborations and expansion of business possibilities from a Group-wide perspective.

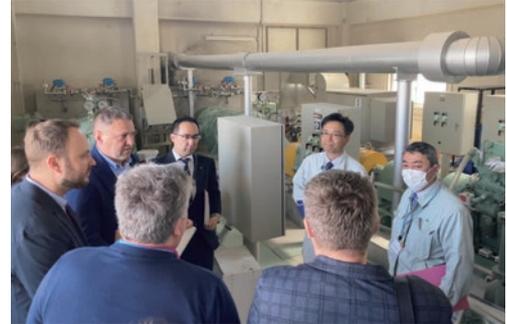


## Case Studies that Demonstrate Our Integrated Capabilities

### Case 1 Ukraine reconstruction assistance operations

On April 1, 2023, we established a Ukraine Reconstruction Assistance Office to conduct reconstruction assistance operations in Ukraine. In July 2023, we opened a Warsaw office in neighboring Poland, and in December 2023, we opened a Kiev office in Ukraine to enhance reconstruction activities.

Since the invasion of Ukraine, we have handled a total of 11 reconstruction-related projects (as of the end of March 2024) from the Japan International Cooperation Agency (JICA), the Ministry of Land, Infrastructure, Transport and Tourism, and other organizations. With the help of local partners, we have begun work in neighboring countries and at our Head Office with the cooperation of local partners. We will support the development of plans to lay the foundation for full-scale restoration and reconstruction of destroyed urban infrastructure, and work with Ukraine's Ministry of Regional, Land and Infrastructure Development, Ministry of Energy, National Power Company, local governments, and others to develop plans in multiple areas, including resources and energy, transportation, urban and regional development, water and sewage, information and communication, and debris disposal. The plan will be developed in several areas.



Ukrainian government officials and ID&E Group members visiting an agricultural facility in Ishinomaki City, Miyagi Prefecture

### Case 2 Undertaking inner consulting work for coastal land use conversion project, which includes the site of a former steel mill

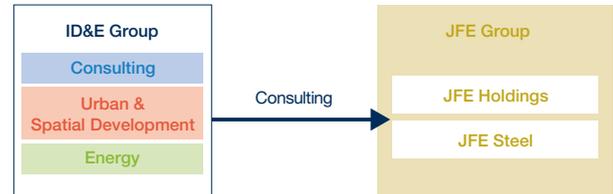
JFE Holdings, Inc., in collaboration with Kawasaki City, is studying land use in the coastal area of Kawasaki City after the shutdown of the blast furnace and other facilities at The JFE Steel East Japan Works (Keihin area). Since large-scale land use restructuring will have a major impact on the region and new infrastructure development will be required, it will be essential not only to develop real estate on a site-by-site basis but also to consider a broader area of planning and to discuss various issues related to the division of roles between the government and the private sector.

In response to a request from the JFE Group, the ID&E Group is supporting the study of land utilization in the Keihin area, including the Ogishima area (about 222 ha) and the Minamiwatarida area (about 52 ha). We are working across Group segments to contribute to the local community through the realization of land use by examining various technical considerations to provide new value, such as carbon neutrality, the creation of innovative technologies, and disaster prevention functions.

#### Area covered



#### Project structure



#### Timeline



### Case 3 Ancillary service launched in Ruien, Belgium

In March 2023, Nippon Koei Energy Europe B.V. (hereinafter NKEE) started an electricity supply and demand adjustment service (ancillary service) in Ruien, Flanders, Belgium, that connects large grid-use storage batteries (Rated output: 25 MW, Rated capacity: 100 MWh) to the country's power grid to adjust the supply and demand of electricity. Demand for grid-use storage batteries is expanding worldwide as a way to stabilize the power grid, as the introduction of renewable energy with fluctuating output increases. The liberalization of the electricity trading market in Belgium is progressing, and the introduction of large-scale storage batteries for grid systems has started.

The large storage batteries connected to the grid can achieve a long charge/discharge time of four hours at rated output, making it one of the largest power storage systems connected to the country's power grid.

NKEE is also constructing power storage stations (50 MW / 50 MWh each) in Tollgate and Cuxton, which are located near London, UK, and plans to start their sequentially operation. By accumulating knowledge and know-how from these operations, we aim to establish the ID&E Group's energy business, enter the supply-demand adjustment market and the capacity market, which will be established in Japan in 2024, and expand business in Asia.

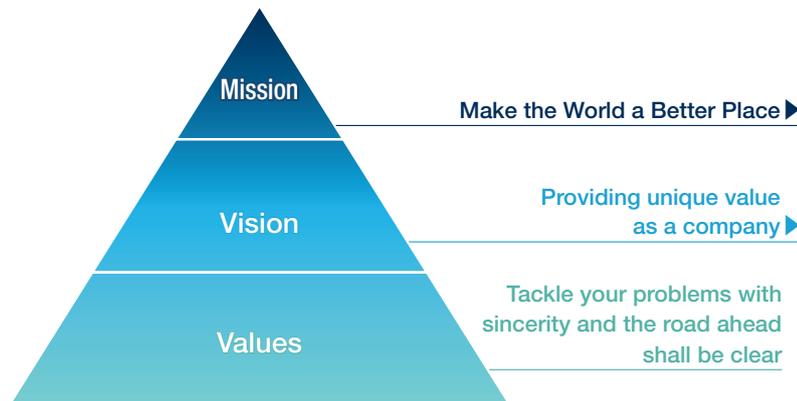


# Long-Term Management Strategy

“ID&E Global Strategy 2030”

## Mission and Materiality

The ID&E Group believes that in order to achieve sustainable growth in light of surrounding business conditions, it is important to attract diverse human resources and work together to create value in cooperation with external resources. Based on this recognition, we have established a Mission, Vision, and Values to widely share the direction in which our Group is headed with those inside and outside the Group. In order for the Group to address global issues through its business activities and to grow sustainably with society, we have established materialities (key issues) that we will preferentially address by leveraging our strengths.



| Materiality                                  |   |
|--|---|
| <b>Business Activities-based Materiality</b> |   |
| 1.   | Development of infrastructures that allow people to live safely and with peace of mind                    |
| 2.   | Development of a social infrastructure that allows all people to freely interact and engage in activities |
| 3.   | Creating attractive cities with a diverse range of people and industries                                  |
| 4.   | Preservation of the global environment through the realization of decarbonized societies                  |
| <b>Management Base Materiality</b>           |   |
| 5.   | Enhancement of governance   |
| 6.   | Work environment where human rights are respected and job satisfaction is high                            |
| 7.   | Human resource development and technical development  |

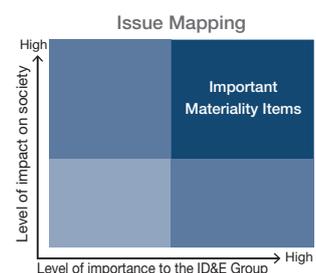
## Materiality and Related SDGs

|                       | Materiality   | Main related SDGs  | Examples of initiatives for each materiality  |
|-----------------------|---|--|---|
| Business activities   | 1 Development of a safe and reliable infrastructure             | 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 10 REDUCED INEQUALITIES, 11 SUSTAINABLE CITIES AND COMMUNITIES | <ul style="list-style-type: none"> <li>Develop high-quality infrastructures in a wide array of fields</li> <li>Provide both “hardware” and “software” based services for disaster prevention and mitigation</li> </ul>  |
|                       | 2 Development of smart societies                                | 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 10 REDUCED INEQUALITIES, 11 SUSTAINABLE CITIES AND COMMUNITIES | <ul style="list-style-type: none"> <li>Realization of a mobility society through the development of airports, railroads, and other transportation hubs/networks</li> <li>Development of electric power infrastructure in areas with no power supply located overseas</li> </ul> |
|                       | 3 Creating attractive cities                                    | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES   | <ul style="list-style-type: none"> <li>Development of smart cities by co-creating through our Consulting, Urban &amp; Spatial Development, and Energy businesses</li> </ul>   |
|                       | 4 Challenge to decarbonization                                  | 7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION  | <ul style="list-style-type: none"> <li>Provide consulting services for climate change adaptation measures</li> <li>Expand renewable energy business in Japan and overseas</li> </ul>  |
| Management activities | 5 Enhancement of governance                                     | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS  | <ul style="list-style-type: none"> <li>Review of organizational design</li> <li>Enhance compliance activities</li> </ul>  |
|                       | 6 A rewarding work environment where human rights are respected | 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES  | <ul style="list-style-type: none"> <li>Further promotion of well-being management</li> </ul>  |
|                       | 7 Human resource development and technical development          | 4 QUALITY EDUCATION, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 17 PARTNERSHIPS FOR THE GOALS  | <ul style="list-style-type: none"> <li>Cultivate human resources that embody the ID&amp;E brand through the ID&amp;E Global Academy</li> <li>Create new added value by utilizing DX</li> </ul>  |

## Identifying materiality

We have integrated and reorganized the content of “issues that have a significant impact on society and are of high importance to the Nippon Koei Group,” and summarized them into seven materiality items: Four items that contribute through business and three items of management that serve as the foundation for business continuity.

Later, in order to verify the appropriateness of materiality items from an external perspective, we conducted interviews with experts. Based on the opinions we received, material items were finalized and presented to the Board of Directors for final selection.



## Assumed values

The ID&E Group has been working to solve numerous social issues that have existed since the era that our founder, Yutaka Kubota, lived. The entrepreneurial mindset of connecting people and creating projects to solve social issues is our starting point.

Inheriting the spirit of our founder, the Group has grown to the present day by continuing to provide business solutions to various global and social issues that change with the times through the accumulation of “wisdom,” as represented by our technologies. We believe that our strength is our “integrated capabilities” based on our human resources and technology, and that the source of our strength is the “wisdom” of all staff, which is based on their “smarts,” “knowledge,” “skills,” and “outstanding human qualities.”

The Company has been contributing to the world through its essential businesses that contribute to the betterment of people’s lives through the collective “wisdom” of our staff, who look at social phenomena, determine the essence of issues, and find optimal solutions with a sincere attitude by making full use of a variety of technologies.

We believe that it will become more important to create an environment that nurtures the “wisdom” - the assets of individual staff members, makes it easier to share that wisdom throughout the Group, and engages society as a whole with a “sense of creating together.”



## Awareness of market conditions

The global trends of 2030, the target year of our long-term management strategy, and beyond include the increasing intensity and frequency of disasters due to global climate change; changes in demographic structure due to the aging of the population in developed countries and the population explosion in developing countries; and rapid urbanization triggered by a lack of resources and technological advances. Some of these risks are already manifesting themselves in the form of rapid changes in the social environment, geopolitical risks, and social risks.

In line with this, the need for the creation of a sustainable society is expected to increase in the future, including the development of social infrastructure that allows people to live safely and securely, the development of social infrastructure that allows all people to freely interact and play an active role, and the creation of attractive cities with a diverse range of people and industries, and the conservation of the global environment by creating a decarbonized society.

Against this backdrop, we recognize that the challenge given to global companies is to respond to these needs by emphasizing SDGs and ESG perspectives, as well as by making full use of cutting-edge technologies such as digital technology, which is experiencing accelerated development. In addition, the current environment is becoming more and more complex, so we need to change, not only to provide solutions to individual issues but also to derive optimal solutions to multiple issues. To achieve this, we need to become engineers who have an image beyond that of consultants and transcend preconceived notions by combining DX with the strengths i.e. integrated capabilities that the ID&E Group currently possesses. For example, we recognize that we need project management skills to be able to work on large projects around the world, and the ability to produce new businesses such as subscription-based businesses and concession business.

| Megatrend                            | ID&E Group response  |
|--------------------------------------|--|
| Rapid urbanization                   | Railway business and urban & spatial development business in Asia                |
| Climate change and lack of resources | Promote water source development, renewable energy, and storage battery business |
| Changes in demographic structure     | Secure production system and strengthen localization                             |
| Shift in global economic power       | Create private businesses (new businesses)                                       |
| Technological advancement            | Promote collaboration with other industries                                      |

# Long-Term Management Strategy

## “ID&E Global Strategy 2030”

### Opportunities and Risks Arising from Changes in the External Environment

ID&E Group formulates its long-term management strategy based on an understanding of changes in the external environment as well as opportunities and risks, and implements initiatives to continue sustainable growth.

| Main Changes in the External Environment   | Opportunities  |
|--|--|
| <p><b>Rapid urbanization</b></p> <p>The urban population as a percentage of the world's population was less than 30% in the 1950s and is now projected to rise to 50%. In 2015, there were 22 megacities in the world with populations of 10 million or more, and the world's urban population is expected to increase by approximately 72% by 2050.</p> <p><small>(According to the Population Division of the Department of Economic and Social Affairs of the United Nations)</small></p>   | <p><b>Expansion of opportunities for the development of smart infrastructure and smart cities</b></p> <ul style="list-style-type: none"> <li>● Support for integrated projects by leveraging integrated strengths</li> </ul> <p><b>Increase in transportation &amp; urban planning field projects</b></p> <ul style="list-style-type: none"> <li>● Transportation system development and response to MaaS (Mobility as a Service) and TOD (Transit Oriented Development) utilization</li> </ul>  |
| <p><b>Climate change and lack of resources</b></p> <p>Climate change and lack of resources will have an increasingly severe impact on the economy with energy demand and water intake projected to increase by 50% and 40%, respectively, by 2030*.</p> <p>There are concerns that climate change will cause frequent extreme weather events and rising sea levels that will make agriculture and other activities using traditional methods difficult in some areas.</p> <p><small>* "Global Trends 2030: Alternative Worlds", US National Intelligence Council</small></p> | <p><b>Creation of businesses related to climate change</b></p> <ul style="list-style-type: none"> <li>● Increased demand for decarbonization and carbon neutrality and an increase in projects that can take advantage of renewable energy-related technologies and know-how cultivated to date</li> </ul> <p><b>Large-scale natural disasters measures</b></p> <ul style="list-style-type: none"> <li>● Increased disaster prevention and mitigation measures to cope with disasters caused by climate change</li> </ul> <p><b>Creation of projects related to energy and resource shortages</b></p> <ul style="list-style-type: none"> <li>● Increased consulting needs for resource conservation, circular economy, agricultural reform, and food value chain</li> </ul>          |
| <p><b>Changes in demographic structure</b></p> <p>Changes in demographic structure will vary widely from country to country with concerns that rapid aging in some countries will put pressure on the labor force as it will comprise a smaller portion of the total population. On the other hand, growing countries are expected to see the largest labor force and consumer markets ever.</p>   | <p><b>Improvement of productivity through work style reform</b></p> <ul style="list-style-type: none"> <li>● Pursuit of optimal work styles including telework</li> <li>● Improvement of business efficiency and productivity through the use of IT tools</li> </ul> <p><b>Expansion of urban revitalization projects and public-private partnerships</b></p> <ul style="list-style-type: none"> <li>● Increase in compact city planning that consolidates urban functions to cope with declining/aging populations</li> <li>● Expansion of concessions, public-private partnership (PPP/PFI) projects, etc.</li> </ul> <p><b>Local subsidiary business expansion</b></p> <ul style="list-style-type: none"> <li>● Increase in projects and workers in emerging countries</li> </ul> |
| <p><b>Shift in global economic power</b></p> <p>Emerging economies such as the BRICs, which have provided large amounts of labor and production functions in the past, have begun to shift to a consumption-based economy and are now exporting capital, human resources, and innovative technologies, which is changing the flow of capital.</p> <p>As emerging markets grow and expand in size, connections through trade and investment are being created at a fast pace among emerging economies.</p>  | <p><b>Growth and expansion of scale in emerging markets</b></p> <ul style="list-style-type: none"> <li>● Expansion into emerging markets by leveraging ID&amp;E's operational know-how</li> </ul> <p><b>Local subsidiary business expansion</b></p> <ul style="list-style-type: none"> <li>● Increase of projects in emerging countries, development of young workforce, and maintenance of diversity</li> </ul> <p><b>Create private businesses (new businesses)</b></p> <ul style="list-style-type: none"> <li>● New customer development and business creation</li> </ul>   |
| <p><b>Technological advancement</b></p> <p>Breakthroughs in the field of technology and cutting-edge technologies in other R&amp;D areas will increase the likelihood of commercialization and provide increased opportunities for new investment.</p>   | <p><b>Business creation utilizing DX</b></p> <ul style="list-style-type: none"> <li>● Expansion of the utilization of BIM/CIM, 3D models, big data, etc.</li> </ul> <p><b>Expansion of alliance opportunities</b></p> <ul style="list-style-type: none"> <li>● Promotion of collaboration beyond industry and regional boundaries</li> </ul>   |

|  | Risks  | Related Initiatives   |
|--|--|---|
|  | <p><b>Increase in multiple large-scale projects</b></p> <ul style="list-style-type: none"> <li>● Increasing sophistication and complexity of project management and quality issues</li> </ul> <p><b>Compliance</b></p> <ul style="list-style-type: none"> <li>● Violation of related laws and regulations in Japan and overseas and occurrence of serious accidents</li> </ul>   | <ul style="list-style-type: none"> <li>● Expansion of Railways operations in Asia</li> <li>● Provision of one-stop solutions by integrating the Group's fields of expertise</li> <li>● Expansion of Urban &amp; Spatial Development Business</li> <li>● Acquisition of project management/construction management technology</li> <li>● Strengthening of internal control systems including those at each Group companies</li> </ul>  |
|  | <p><b>Increased conflicts and political tensions over resources</b></p> <ul style="list-style-type: none"> <li>● Temporary suspension of projects and supply chain disruptions</li> </ul> <p><b>Business continuity</b></p> <ul style="list-style-type: none"> <li>● Insufficient preparation for large-scale natural disasters</li> </ul>   | <ul style="list-style-type: none"> <li>● Proactively respond to projects that contribute to climate change countermeasures (transportation infrastructure development, environmental conservation, renewable energy-related projects, etc.)</li> <li>● Proactive response to disaster prevention/mitigation, infrastructure maintenance and management (aging countermeasures), and other disaster countermeasure projects</li> <li>● Acquisition of new energy technologies and promotion of storage battery business</li> </ul>   |
|  | <p><b>Shortage of workers</b></p> <ul style="list-style-type: none"> <li>● Amount of human resources with expertise for securing and training workers is insufficient</li> <li>● Loss of human resources due to overwork and harassment</li> <li>● Loss of labor productivity and exodus of human resources</li> </ul> <p><b>Partner companies</b></p> <ul style="list-style-type: none"> <li>● Insufficient securing of partner companies</li> <li>● Decline in productivity and quality in the Group, including partner companies</li> </ul> | <ul style="list-style-type: none"> <li>● Improvement of working environment by maximizing the use of AI and ICT</li> <li>● Full-scale expansion into the business management field</li> <li>● Establishment of ID&amp;E Global Academy to develop world-class human resources throughout the Group</li> <li>● Operation of a regional engineer system to enable overseas human resources to be active in third countries</li> <li>● Actively recruit new employees and strengthen the post-employment training system</li> <li>● Regular labor monitoring</li> </ul>  |
|  | <p><b>Changes in competitive environment</b></p> <ul style="list-style-type: none"> <li>● Declining competitiveness in mature markets, intensifying competition with competitors possessing different attributes than previously seen</li> <li>● Delayed adaptation of own brand and positioning</li> </ul> <p><b>Group governance</b></p> <ul style="list-style-type: none"> <li>● Fraud risk and inappropriate behavior, lack of synergy from M&amp;A alliances</li> </ul>   | <ul style="list-style-type: none"> <li>● Support for autonomous management of regions promoting matrix management</li> <li>● Diversification of markets (business areas and regions) and customers (especially private-sector customers)</li> <li>● Active promotion of local human resources</li> <li>● Careful selection of new investment targets and strengthening of monitoring of existing businesses in which we have invested</li> <li>● Transition to a holding company to improve management efficiency, strengthen governance, and realize coexistence of diversity</li> <li>● Establishment of ID&amp;E Global Academy to develop world-class human resources throughout the Group</li> </ul> |
|  | <p><b>Increase in cyber attacks</b></p> <ul style="list-style-type: none"> <li>● Leakage of confidential information such as customer information and our confidential information</li> <li>● Delays in project progress due to large-scale telecommunication failures</li> </ul>  | <ul style="list-style-type: none"> <li>● Realization of DX</li> <li>● Promotion of both "offensive" DX (providing added value through the use of BIM/CIM, 3D models, big data, etc.) and "defensive" DX (improving productivity and business efficiency through in-house DX)</li> <li>● Acceleration of needs-driven technology development</li> </ul>  |

## Concept behind our Long-term Management Strategy

### Working together toward a future without boundaries

In order to respond to increasingly complex social issues and accelerating innovation, it is necessary not only to enhance the power of each employee and mobilize internal capabilities but also to collaborate with external partners who possess advanced technologies and unique know-how and to work together with local people to solve problems. The concept that emerged from this is “Working together”.

Within the Nippon Koei Group, each company will use its own discretion to grow by making the most of its own individuality, wisdom, and technologies. We will implement measures with the aim of becoming a Group that is an aggregate of such companies. Furthermore, we will aim to create and develop new strengths together with new colleagues.

## Three Long-term Management Strategy co-creation measures

In our Long-term Management Strategy, we have positioned “Consulting,” “Urban & Spatial Development,” and “Energy” as the three core businesses of the Group and are aiming for their further growth. To promote autonomy and collaboration, we are transitioning to a new group management structure. By further strengthening group governance and deepening group management from a medium- to long-term perspective, we will further ensure future growth.

### Co-creation Measure 1 Reorganization of business segments

#### New development of three business domains

In order to respond to a wide range of social needs, we will establish a structure based on three business domains: Consulting, Urban & Spatial Development, and Energy. Through seamless integration and collaboration without segmenting by region or company, we aim to create a business structure that can provide a one-stop shop for services in each domain across the board.

#### Full-scale expansion into the business management field

By maximizing and integrating the technologies developed by each of the three domains, we will make a full-scale entry into the business management field, including infrastructure management, urban management, the energy business, and data business.

### Co-creation Measure 2 Promote autonomy and collaboration and build a one-stop system

#### Transition to a holding company

Group companies formed by business domain and region will manage autonomously while building an organization with a strong centripetal force based on the mission, technology, and governance of ID&E Group.

We will build a flexible and robust governance system by improving the profitability of each business, expediting decision-making, and strengthening our risk structure.

#### Build a one-stop system through collaboration with other business segments

Through seamless integration and collaboration without segmenting by region or company, we aim to create a business structure that can provide a one-stop shop for services in each domain across the board.

#### Implementation of matrix management based on both business and geographic regions

We will realize a matrix management system that operates and

manages the businesses of our three domains and the businesses of each region.

The Company will address global and regional social issues as well as propose optimal solutions to diverse needs with a sense of urgency.

#### Matrix management target areas



### Co-creation Measure 3 Establish the ID&E brand and ID&E Group quality

#### Developing world-class human resources in coordination with our technology strategy

Human resources are the most important management resource of ID&E Group. In addition to expanding educational opportunities and programs that are closely aligned with our technology strategy, we will actively hire local human resources and promote diversity at our bases in each country to develop excellent human resources.

#### ID&E Global Academy

By establishing the ID&E Global Academy to cultivate world-class human resources throughout the Group, we will foster human resources who embody the ID&E brand at each of our bases in various countries where we do business.

#### Realization of digital transformation (DX)

We will provide optimal solutions using DX technology. The Company will develop promising technologies in-house as well as through alliances with external companies, and apply them to our businesses.

## Quantitative targets for FYE June 2030

Revenue  
¥250 billion

Operating profit  
¥25 billion

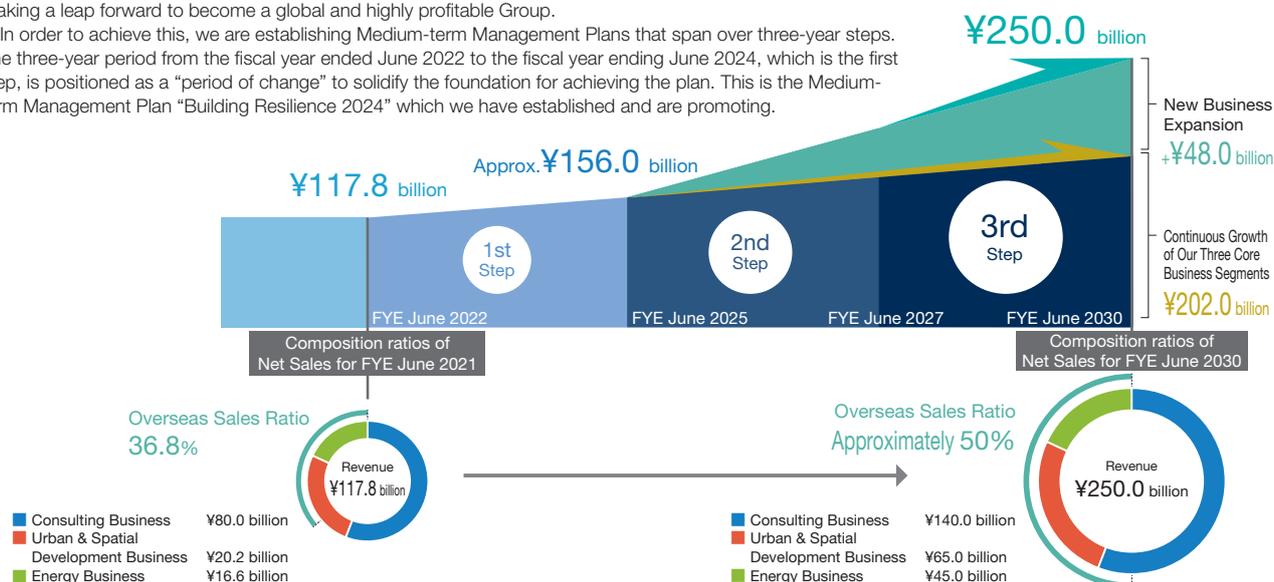
Operating Margin  
10%

ROE  
15%

### Long-term Growth Graph and Positioning of the Medium-term Management Plan

With our long-term management strategy, we aim to increase Revenue by approximately 1.7x through sustained growth in our three main businesses and growth through new businesses, and to increase Revenue in overseas markets from approximately one-third of the current level to approximately half, thereby making a leap forward to become a global and highly profitable Group.

In order to achieve this, we are establishing Medium-term Management Plans that span over three-year steps. The three-year period from the fiscal year ended June 2022 to the fiscal year ending June 2024, which is the first step, is positioned as a "period of change" to solidify the foundation for achieving the plan. This is the Medium-term Management Plan "Building Resilience 2024" which we have established and are promoting.



## Business strategy by segment

### Consulting Business

2030 Revenue Target **¥140 billion**

Becoming a world-class consulting firm handling everything from consulting to management

**Market strategy:** In the Japanese market, we aim to expand into the private sector and management field with a focus on public works projects. In the international market, we aim for non-ODA-oriented growth at Group companies with a focus on Japanese ODA projects. In regard to regions, we will promote entry into new market areas (Middle East, North America, etc.) while securing stable earnings in Asia as a region of particular importance.

**Technology strategy:** Accelerate the development of next-generation core technologies and needs-driven technology.

**Human resources/organizational strategy:** We will develop hybrid human resources who can play an active role both in Japan and overseas based on flexible responses to changes in the market environment and employee work-life balance. At our companies overseas, we will promote the training of regional engineers that can be active in third countries.

### Urban & Spatial Development Business

2030 Revenue Target **¥65 billion**

Comprehensive operations in urban land development, public-private partnerships for urban and regional revitalization, smart city development, etc.

**Market strategy:** In the Japanese market, we will focus on architecture, urban redevelopment, public-private partnerships, smart cities, etc. Overseas, we will actively pursue large-scale development around transportation hubs in Asia and urban development and redevelopment in Europe, the United States, and Oceania.

**Technology strategy:** We aim to utilize BIM and Smallworld (an integrated tool for map information and asset management) to use Nippon Koei Urban Space's technologies overseas.

**Human resources/organizational strategy:** We will address environmental improvement and human resources exchange to improve technological capabilities within the segment, and establish a comprehensive production organization for urban redevelopment.

### Energy Business

2030 Revenue Target **¥45 billion**

Providing one-stop services for power systems associated with stable energy supply

**Market strategy:** In addition to developing and operating new businesses in line with the deregulation of electric power, we will focus on the international standardization and sophistication of our core products. Overseas, Nippon Koei plans to establish its energy management business in Europe. In addition, we will promote the development and operation of microgrids, smart city, and renewable energy power generation businesses in Asia.

**Technology strategy:** We will improve the performance of our main products, strengthen our competitiveness by reducing costs, and develop systems that support DX. In addition, we will develop one-stop solutions integrating core technologies with storage battery and aggregation technologies.

**Human resources/organizational strategy:** We will build a base for strengthening the production structure of manufacturing divisions, building supply chains, and promoting exchanges and collaboration between human resources and departments to provide one-stop solutions.

# Medium-term Management Plan

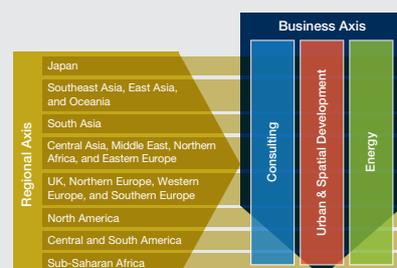
## “Building Resilience 2024”

Based on our Long-term Management Strategy, we have formulated “Building Resilience 2024,” a medium-term management plan to strengthen the foundation for the co-creation of a sustainable future over a three-year period, keeping in mind our aspirations for the year 2030.

While maintaining/improving business performance, we plan to make investments for medium- and long-term growth, which will lead to the future development of our Group.

### Three Measures for Strengthening the Company

- Measure 1** Promote business based on the independence of our three businesses
- Measure 2** Establish a group management structure that realizes matrix management of business and regions
- Measure 3** Establish the ID&E brand and ID&E Group quality



Strengthening business and regional axes to establish brand quality throughout the organization

#### Measure 1 Promote business based on the independence of our three businesses

We aim to promote independent businesses through three strengthened domains  
 (● Consulting Business ● Urban & Spatial Development Business ● Energy Business)

| Key initiatives   | Materiality   |
|---|---|
| <ul style="list-style-type: none"> <li>● Advancement and global expansion of disaster prevention/mitigation technologies</li> <li>● Full-scale expansion into the management field</li> </ul>   | M1. Development of a safe and reliable infrastructure |
| <ul style="list-style-type: none"> <li>● Expansion of transportation related businesses</li> <li>● Creation of smart city projects with a focus on decarbonization, safety, and security</li> </ul>   | M2. Development of smart societies                    |
| <ul style="list-style-type: none"> <li>● Realization of one-stop services for urban (re)development projects</li> <li>● Expansion of BDP market</li> <li>● Full-scale development into urban management field</li> </ul>  | M3. Creating attractive cities                        |
| <ul style="list-style-type: none"> <li>● Promotion of services that contribute to decarbonization</li> <li>● Establish foundation for power generation and energy management business</li> <li>● Strengthen manufacturing of core products and develop new products</li> <li>● Provide one-stop solutions utilizing diversified and diverse technologies</li> </ul> | M4. Challenge to decarbonization                      |

#### Measure 2 Establish a group management structure that realizes matrix management of business and regions

We will strengthen our regional axis, which is the cornerstone of the Group’s management structure to realize matrix management of business and regions.

| Key initiatives  | Materiality  |
|--|--|
| <ul style="list-style-type: none"> <li>● Establishment of a pure holding company and governance structure to realize matrix management</li> <li>● Establishment of regional management structure and support for autonomous regional management</li> <li>● Realization of one-stop services</li> </ul> | M5. Enhancement of governance  |
| <ul style="list-style-type: none"> <li>● Work style reform (promotion of well-being management)</li> </ul>   | M6. Work environment where human rights are respected and job satisfaction is high |

#### Measure 3 Establish the ID&E brand and ID&E Group quality

With our technology strategy, we will grow into a pioneering company that realizes a sustainable society by creating innovative value centered on DX. Using our human resources strategy, we will enhance our knowledge management and talent management systems, which we have built up to date, and establish the ID&E Global Academy, a co-creation platform for creating a human resources development system.

| Key initiatives  | Materiality  |
|--|--|
| <ul style="list-style-type: none"> <li>● DX promotion</li> <li>● Establishment of the ID&amp;E Global Academy</li> </ul> | M7. Human resource development and technical development |

## FYE June 2024 Numerical Targets (IFRS)

Revenue  
¥156.0 billion

Operating profit  
¥11.1 billion

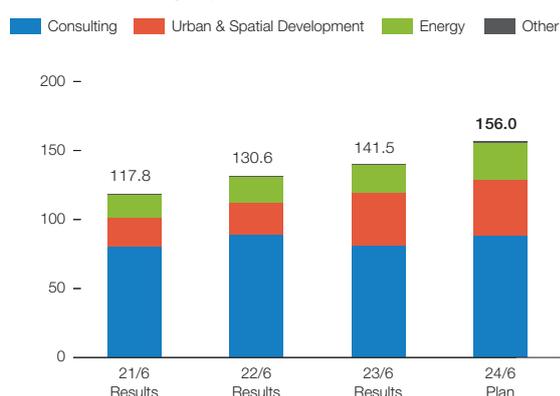
Operating Margin  
7%

ROE  
9%

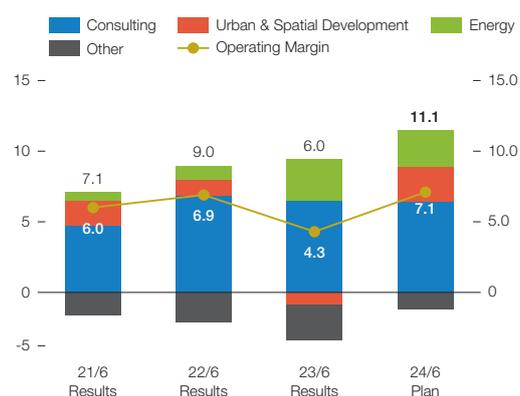
### Expected Progress

- Revenue will grow by approximately 10% over the next three years.
- Operating income for the fiscal year ended June 30, 2023 decreased due to goodwill impairment losses at UK-based BDP.

Revenue (Billions of yen)



Operating profit (Billions of yen)/Operating margin (%)



## Second-year Results and Initiatives Carried Out in the Third Year

|           | Review of the results for the fiscal year ended June 2023 (second year) | Initiatives carried out in the fiscal year ending June 2024 (third year)  |  |
|-----------|---|---|--|
| Measure 1 | Consulting Business   | <ul style="list-style-type: none"> <li>● Promoted new DX-related businesses (utilizing AI-based inspection and diagnosis systems for local governments and BIM/CIM)</li> <li>● Concluded town development partnership agreements with local governments</li> </ul>  | <ul style="list-style-type: none"> <li>● Promote businesses in various fields, including private-sector market development</li> <li>● Promote earnings structure reform</li> <li>● Implement thorough risk and quality control</li> </ul>  |
|           | Urban & Spatial Development Business                                    | <ul style="list-style-type: none"> <li>● Promoting integrated operations within the segment</li> <li>● BDP and Quadrangle received large-scale project orders</li> </ul>  | <ul style="list-style-type: none"> <li>● Promote BDP's expansion in Asia</li> <li>● Develop new customers and businesses in Japan and overseas, including alliances</li> </ul>   |
|           | Energy Business   | <ul style="list-style-type: none"> <li>● Sales and production capacity of core products have not been stabilized</li> <li>● Started Large-Scale Battery Storage Project operations in Belgium</li> </ul>  | <ul style="list-style-type: none"> <li>● Full-scale expansion into the energy management business</li> <li>● Promptly rebuild the production structure of manufacturing departments</li> <li>● Establish the structure of mechanical/electrical consulting &amp; engineering departments</li> </ul>  |
| Measure 2 | Organizational Strategy   | <ul style="list-style-type: none"> <li>● Started holding company, operating company, and business management company operations</li> <li>● Introduced of a new system for monitoring investment projects</li> <li>● Established Sustainability Council under the holding company structure</li> <li>● Built a system to support the TCFD recommendations</li> </ul> | <ul style="list-style-type: none"> <li>● Declare support of the TCFD recommendations (September 2023)</li> <li>● Build a system to support TNFD recommendations and human rights</li> </ul>  |
|           | Business Strategy   | <ul style="list-style-type: none"> <li>● Restructured the regional management system and appointed regional managers from each major company</li> </ul>   | <ul style="list-style-type: none"> <li>● Accelerate decision-making and improve agility under the holding company structure, and strengthen governance, including risk management</li> <li>● Build a regional management system to meet the diversifying needs of regions</li> </ul>   |
|           | Human Resources Strategy  | <ul style="list-style-type: none"> <li>● Updated telework guidelines and reviewed work attendance balance</li> <li>● Recognition as an Outstanding Health and Productivity Management Organization (White 500) for five consecutive years</li> </ul>  | <ul style="list-style-type: none"> <li>● Build and implement a system for promoting sustainability management</li> <li>● Promote co-creation to demonstrate the comprehensive capabilities of the ID&amp;E Group</li> </ul>  |
| Measure 3 | Human Resources/Technology Strategy                                     | <ul style="list-style-type: none"> <li>● Started BIM/BIM internal qualification system operation</li> <li>● Formulated DX vision and held regular DX briefing sessions</li> <li>● Received orders for 3D model-related work in the disaster prevention field and orders for smart city projects</li> </ul>  | <ul style="list-style-type: none"> <li>● Secure diverse human resources and achieve a comfortable working environment</li> <li>● Plan human resources strategy in line with the Group strategy, implement human resource development and talent management</li> <li>● Promote DX measures with a sense of urgency</li> <li>● Establish and launch the ID&amp;E Global Academy</li> </ul> |

# Financial Strategy



**We will continue to accelerate growth through appropriate capital allocation while appropriately controlling risks.**

## Yasushi Hirusaki

Director and Representative Executive Officer  
In charge of IR and Corporate Planning and Management

### The role of a financial capital strategy to realize the Long-Term Management Strategy

The ID&E Group is a corporate group formed in July 2023 by restructuring the Nippon Koei Group in order to strongly promote its unique business, including comprehensive social development through a wide range of business fields, contributions worldwide through a global network and the promotion of emergence through diverse human capital.

We are a corporate group that provides people around the world with safe and secure lifestyles through integrity and technology as expressed in our Management Philosophy, “Act with integrity & Contribute to society through technology and engineering,” and our Mission, “Make the World a Better Place.” I believe that, in order to earn the trust of our customers and other stakeholders over the long term, it is important to continue investing for sustainable business growth, secure investment capacity, and maintain a strong financial base that enables us to achieve this. We recognize the need to further strengthen our financial strategy as we move forward with new alliances, M&A, and other investments based on the aforementioned growth strategy. In other words, maintaining financial soundness and improving capital efficiency are the most important things to do.

### Growth investment from a medium- to long-term perspective

The Group expanded its business domain under the previous Long-Term Management Strategy, reorganized its portfolio into three segments: Consulting Business, Urban & Spatial Development Business, and Energy Business under the current Medium-Term Management Plan, and our main group companies will each be responsible for one of the three segments from July 2023. Currently, we are strengthening our three segments and focusing on effective business alliances and M&A investments in areas where earnings are expected to grow for the Group as a whole.

One of the projects that the Group has been working on continuously as an investment in its main business is investment in the Energy Business in preparation for the global acceleration of decarbonization. The ID&E Group has traditionally focused on the asset-light business model of construction consulting, which does not require large investment capital, but has invested in asset-ownership to acquire related technologies, with one grid storage battery project in Belgium and one in the UK underway at the end of 2023. The foundation for accelerating business development is being built, and we entered the profit-generating phase in the

energy management business since the fiscal year ended June 30, 2024. The know-how cultivated through investment in optimal control and utilization of renewable energy is indispensable technology for smart urban development. I expect that this know-how will not only grow the energy business but also create synergies by working together with each business, leveraging our comprehensive strengths.

In addition to capital investment and R&D as investments in existing businesses, we will also strengthen investments in human resource recruitment and human resource development.

As we continue to promote investments for business expansion and productivity improvement, we are preparing for monitoring using ROIC, etc. as defined in our Long-term Management Strategy, further elaboration of fund management, and upgrading of the Group's cash management system. Taking advantages of a holding company structure, the holding company is responsible for the aggregation of funds from each business and raising funds with the policy to concentrate investments in areas that are considered to be most effective from the perspective of the entire Group. Investment decisions are made on the condition that they meet the investment standards acceptable to the Group in terms of net present value (NPV) and internal rate of return (IRR). Important matters are ultimately approved by the Board of Directors of the holding company. As for monitoring investment projects, we have updated our system and evaluation criteria since the fiscal year ended June 30, 2023, and each operating company has been proactively and autonomously monitoring and effectively checking the success or failure of future investments based on both quantitative evaluation items, such as the return to the Company from the investee, cash flow comparison with the actual results, and balance sheet data, and qualitative evaluation items, such as changes in the investment environment.

While investing in accordance with the above policy, in the fiscal year ended June 30, 2023, we sold our stake in Ironmont Hydro Pte. Ltd., a Singapore-based hydroelectric power business investment company in which we invested in the Energy Business. We pursue appropriate capital allocation by engaging in entry (M&A, etc.) and exit (sale, etc.) projects in a disciplined and strategic manner, taking into account risk diversification and future growth potential.

### Increasing ROE and improving capital efficiency

We emphasize ROE as an indicator of capital efficiency. In line

with our growth strategy, we have steadily improved from 6.7% in the fiscal year ended June 2021, the final year of the previous Medium-Term Management Plan, to 8.8% in the fiscal year ended June 2022, the first year of the current Medium-Term Management Plan (8.6% when excluding goodwill impairment losses in the fiscal year ended June 2023). By further increasing asset efficiency in the future and implementing the growth strategy formulated in the Medium-Term Management Plan, we aim to raise ROE to 9% in the Fiscal Year Ended June, 2024, the final year of the plan, and to boost it to the 15% level over the long term.

In terms of capital efficiency, we have continued to reduce our cross-shareholdings. However, in the fiscal year ended June 30, 2023, we continued to promote the sale of cross-shareholdings, resulting in a sales amount of approximately ¥1.8 billion and a net asset ratio of 3.0% of our cross-shareholdings. In addition, in order to reorganize our asset portfolio, we will closely examine the use of Group assets, etc., and expect to generate cash of approximately ¥5 billion or more over the next two years. I want us to consider replacing the funds generated through the accelerated sale with assets directly related to our business to improve our balance sheet and return profits to shareholders.

The ID&E Group will continue to accelerate growth through appropriate capital allocation while appropriately controlling risks.

### Improving corporate value through shareholder returns

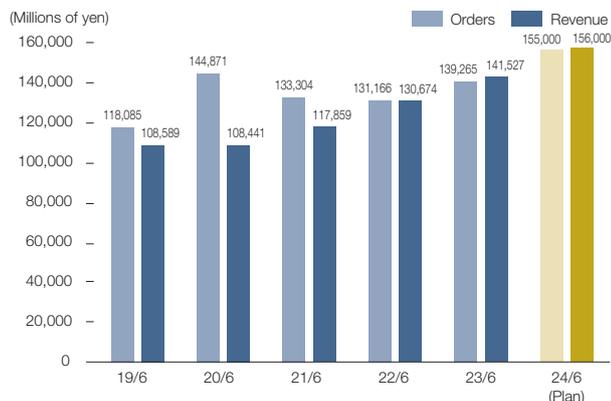
The Company positions the return of profits to shareholders as an important management issue. Our basic policy is to maintain stable dividends and increase shareholder returns in line with our profit level, taking into consideration our financial situation and earnings trends with a target payout ratio of 30%. In the fiscal year ended June 30, 2023, each profit target fell short of its target due to the impairment of goodwill at UK-based BDP. However, in accordance with our policy of stable dividends, we paid a dividend of ¥125 per share with a payout ratio of 60.9%. For the fiscal year ended June 30, 2024, we plan to pay an annual dividend of ¥125 per share. The Company will also flexibly carry out repurchases of treasury shares after considering the market environment.

We will continue to work to enhance shareholder returns appropriately, engage in dialog with shareholders and investors, and deepen their understanding of our business, thereby improving our corporate value. I would like to ask for your support as we look forward to the future development of our Group.

# At a glance

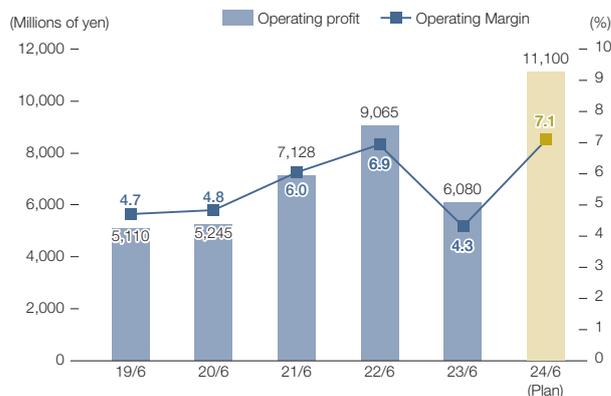
## Orders and Revenue

As a result of expanding our business domains under the previous long-term management strategy and reorganizing the portfolio under the current medium-term management plan, we have continued to grow in our main three business segments. \* Results until FYE June 2019 with Japanese GAAP



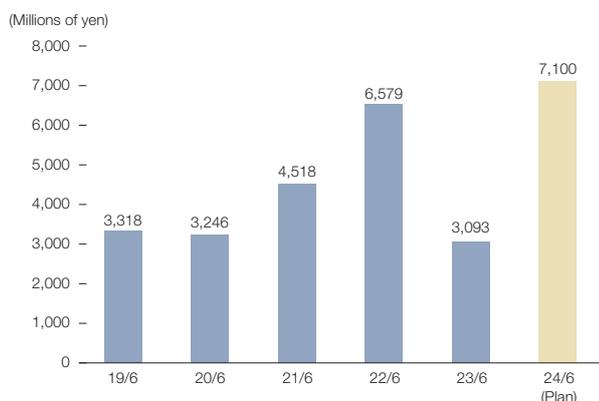
## Operating Profit and Operating Margin

We are also working on measures to improve productivity in order to promote our business efficiently. In the fiscal year ended June 30, 2023, we recorded approximately ¥4 billion yen of goodwill impairment losses of our consolidated subsidiary BDP as a result of an increase in the discount rate due to inflation.



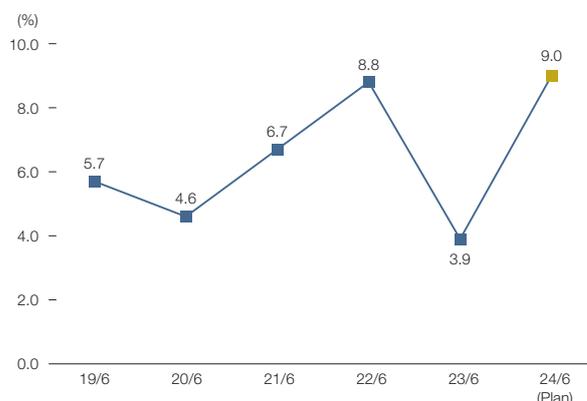
## Profit attributable to owners of parent

The Group is generating stable profits. In the fiscal year ended June 30, 2023, revenue was strong but profit decreased due to goodwill impairment losses and other factors.



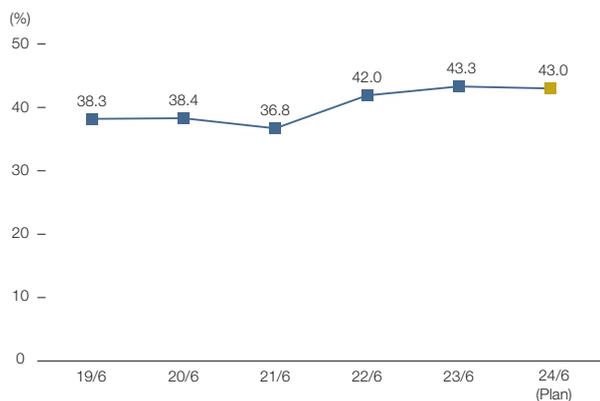
## ROE (%)

We aim to improve capital efficiency through the sale of strategic shareholdings, etc.



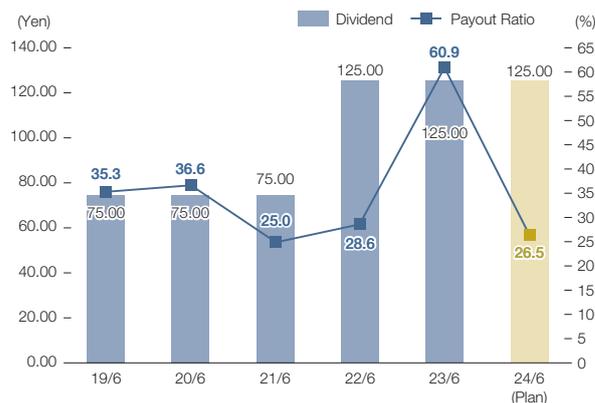
## Overseas Sales Ratio

As the fiscal year ended June 30, 2022, travel restrictions have been eased significantly. Therefore, the number of projects handled by overseas business divisions has increased, resulting in a higher overseas sales ratio.



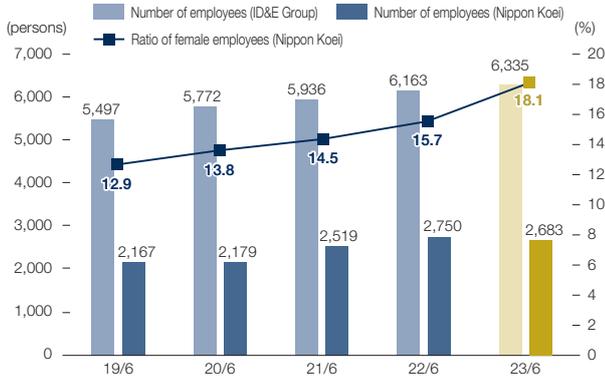
## Annual Dividend and Dividend Payout Ratio

The basic objective of our dividend policy is to provide stable dividends and provide shareholder returns in line with rising profit levels, with a target dividend payout ratio of 30% over the medium to long term. Most recently, the dividend per share increased in line with the Group's strong business performance.



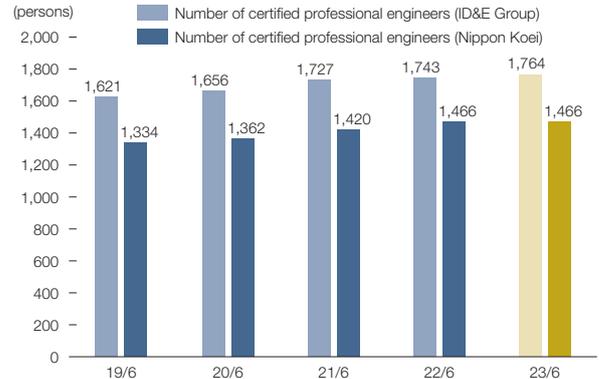
## Number of Employees

The number of Group employees is increasing due to business expansion. We hire about 150 to 200 new employees every year, including those hired at Group companies in Japan.



## Number of Certified Professional Engineers

The number of the certified professional engineers is increasing year by year due to the enhancement of measures to acquire qualifications such as seminars.



## Ranked No. 1 in Sales in Japan's Civil Engineering Consulting Industry

Nippon Koei has established a leading position as a civil engineering consulting firm in Japan that is ranked No. 1\* in sales.

\*Source: "Number of overseas orders received by engineering consulting firms in Japan," Nikkei Construction, April 20, 2024



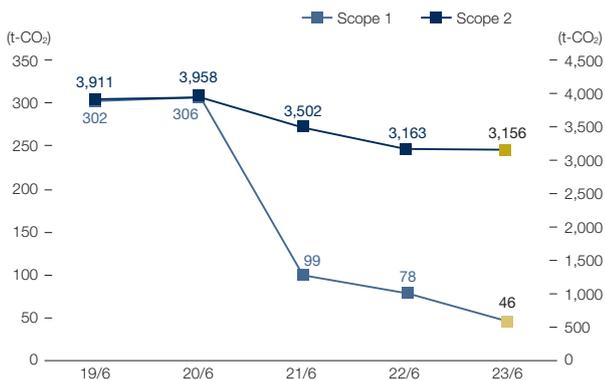
## Recognition as an Outstanding Health and Productivity Management Organization (White 500) for five consecutive years

In order to put ID&E Group's Management Philosophy into practice, we believe that the first priority is the health of employees and their families, both physically and mentally. This is the reason why we promote health management.



## CO<sub>2</sub> Emissions

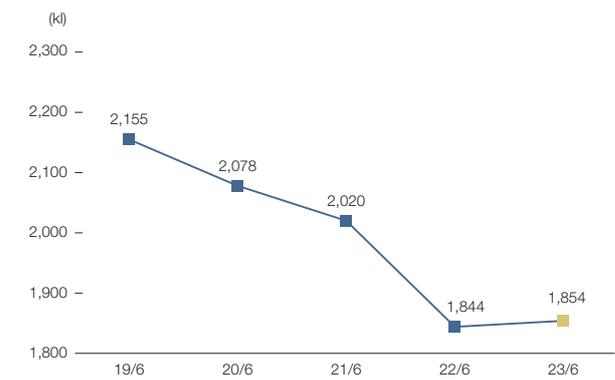
CO<sub>2</sub> emissions are decreasing due to the promotion of energy-saving activities at offices and factories and the use of solar power generation at factories.



Scope: All ID&E Group offices in Japan

## Energy Consumption

In addition to curbing energy consumption, we are working to supply 100% renewable electricity from the hydroelectric power plants that we operate to three of our company locations (Head Office, R&D Center, and a manufacturing site).



Scope: All ID&E Group offices in Japan