



Looking back on my first year as President of Nippon Koei

A year in which we faced major changes in society

When I was appointed President of Nippon Koei in July 2021, the business environment, which had been transformed by the COVID-19 pandemic, was still in a state of chaos with no signs of settling down. Six months before that, there was a political upheaval in Myanmar, where major economic growth was expected due to democratization, and the future of business development in Myanmar, where we had been expecting business growth, became uncertain. In February 2022, Russia launched an invasion of Ukraine. Looking at this and other events, I think it was a year in which we faced major changes in the current era.

As two of our urban development projects were underway in Ukraine, the Company was faced with a major decision: How do we ensure the safety of the people involved in these projects?

Should they be evacuated to safer areas within Ukraine or should they be considered for evacuation outside the country? Since human lives were at stake, we had to consolidate information from various sources and make a final decision as a company. This made me feel a greater sense of responsibility as a chief executive, a completely different level from in the past. Without a doubt, it was the most memorable year of my career.

On the other hand, looking at the results of the past year, we have made a very good start as the first year of the new Medium-term Management Plan (hereinafter “Medium-term Plan”). Since this was also the first year of the Long-term Management Strategy (hereinafter “Long-term Strategy”) for the three Medium-term Plan periods, I was determined that the Company make a fresh start. As a member of top management, I have been mindful of how to make the start of the new fiscal year a good one. Although our performance itself was affected by the COVID-19 pandemic, we took measures in anticipation of changes in the business environment and were able to make a significant jump in

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We aim to achieve long-term goals in both financial and non-financial areas of our business while moving past milestones on our roadmap one by one in order to realize our aspirations in 10 years ahead.

Hiroaki Shinya

Representative Director and President

performance over the previous year. As a result, I am proud to say that we are off to a good start as planned.

Overcoming both short-term and long-term risks

The major social turmoil brought about by the COVID-19 pandemic is finally coming to an end as man has learned to live “with Corona.” I expect that geopolitical risks, including the conflict in Myanmar and Ukraine, will be resolved in the short- to medium-term based on a long-term perspective. Companies are required to have a strong management base that can withstand these unforeseeable short- to medium-term risks, but at the same time they must also face long-term risks such as climate change that cannot be resolved after just a few years.

At the Nippon Koei Group, we believe that climate change will continue to exist as a major risk and opportunity as we strive to achieve our major goal of continuing our business for the next 100 to 200 years. Climate change is both a risk and an opportunity because, quite simply, we are a company that is in the business of

solving social issues. Currently, urban development projects designed to solve or prevent social issues caused by climate change are increasing on a global scale, and I see this as a great opportunity for our company. For example, the foundation of urban development is the world of civil engineering. Over that foundation, there are buildings that serve as bases for people’s activities, and energy is necessary for an entire city to operate. These three requirements (civil engineering, buildings, and energy) lead to the discussion of the development of “smart cities” for which various issues, such as global environmental issues, are taken into account. In the world of investment, which is indispensable for urban development projects, ESG investment is becoming the mainstream. In order to attract ESG investment, Nippon Koei itself must be a corporate group that is committed to sustainable management. I feel firsthand that the world is changing dramatically in a direction that demands such sustainable management.

Our Management Philosophy is “Act with integrity and contribute to society through technology and engineering.” As a company, we

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are proud that our business itself is benefiting the world, and I personally believe that the pinnacle of our mission, vision, and values is serving the world and serving others. I believe that the greatest strength of our Group is that all employees share the same mindset of acting with integrity and contributing to society through technology and engineering.

Performance in the fiscal year ended June 2022

Achieving record high profits

We achieved record high profits during the fiscal year ended June 2022. While the amount of orders that we received was almost the same as in the previous fiscal year, other indicators increased to record highs. As a result, Nippon Koei has already approached targets established for the second year of the Medium-term Plan during the first year of the plan. However, according to our analysis, this result was largely helped by the business environment. In Japan, the public works field was relatively strong and supported our overall business results. Overseas, where measures for living with the COVID-19 pandemic are more established than in Japan, economic activity returned to the same level as before the pandemic and various business conditions improved, such as the rapid expansion of opportunities for our overseas staff for which they can play an active role. I think that the ability to take advantage of these trends was a major factor in achieving record profits. My appointment as President during the COVID-19 pandemic made me strongly realize how important it is to link solutions to various social issues around the world to our businesses, which in turn leads to the sustainability of our business.

Looking at the results by segment, steady growth in the Consulting Business supported our overall business. In the Urban & Spatial Development Business, both BDP, based in the UK, and Quadrangle, based in Canada, performed well, contributing significantly to record profits. In July 2022, we merged our Urban & Spatial Development Business with Tamano Consultants Co., Ltd. to start Nippon Koei Urban Space Co., Ltd. With this move, I am looking forward to a great leap forward for us in the Japanese market. In the Energy Business, the manufacturing departments behind our mainstay products for electric power companies are currently being restructured to improve production efficiency and strengthen management systems. In other words, to transform them into smart factories, which is a priority issue for the current fiscal year. In addition, while the soaring prices of crude oil and natural gas have become a problem, the energy management business is preparing to respond to the rising demand for energy, especially in Europe. The aggregation services we have been developing in Belgium and the UK, where we have actively invested, are currently constructing energy storage facilities that will serve as the foundation for these services. One location is scheduled to be completed in Belgium in January 2023. Two more locations in the

UK will be completed in due course. We can expect further growth as these projects start running.

Human resource development is the key to sustaining strong business performance

I recognize that human resource development is the key to maintaining our strong business performance in the future. Since the way we work has changed dramatically due to the COVID-19 pandemic and especially now that the awareness of workers has changed dramatically, I feel that we cannot respond to changes in society if we think of human resource development as an extension of our pre-COVID approach to human resource development. In a consulting Group like ours, the performance of each employee is directly linked to the overall performance of the Group, so it is necessary to reconstruct a human resource development system that matches the current social situation and worker awareness.

We define “hybrid human resources” as human resources who are well versed in both domestic and overseas businesses. I believe that the ideal balance should be that 40% of our human resources consist of these hybrid human resources, 30% consist of specialists specializing in overseas business, and 30% consist of specialists specializing in domestic (Japan-based) business. If the hybrid human resources, which ideally make up 40% of employees, can flexibly switch between domestic and overseas business balance by standing up to the risks of the moment, such as infectious disease outbreaks and regional conflicts, I believe that we can both maximize profits through flexible organizational management and manage organizational risks.

In addition, one of the things I would like to see us focus on in the future in terms of human resource development is the development of education and training systems on a global scale. Until now, although employees in Japan have been able to receive nearly the same type of education and training, there was no common education and training platform that could be operated overseas. Since employees of overseas Group companies are very motivated to advance their careers and skills, we plan to create an e-learning platform for new employee training and other types of training that everyone should take, and make it accessible from all over the world so that they can receive the same education and training as in Japan. We intend to make the educational content, which is currently only available in Japanese, available in English, Spanish, Portuguese, and other languages in the future, and to make stratified training available from countries around the world. Ultimately, each employee will be able to see for themselves how they have grown and also visualize how they are being evaluated. We are building a new platform NKG Global Academy to realize this kind of human resource development and are currently making the fundamental parts of the academy carefully one by one.



Transition to a pure holding company and Group management

Aiming for the independence of three business fields

In August 2022, the Nippon Koei Group announced the transition to a new group structure centered on the holding company Integrated Design & Engineering Holdings.

There are three main objectives of the transition to a pure holding company. The first is to “strengthen governance and expedite decision-making.” The second is the promotion of “autonomy & synergy.” By collaborating with each other, each of the operating companies, which are independently profitable and self-supporting, will create unprecedented added value, and each company will aim to achieve sustainable growth and increase corporate value over the medium to long term. The third objective is to “ensure diversity.” Through matrix management based on cooperation between the business axis and regional axis, we will build a global governance system that allows each organization within the Group to make the most of its individuality and realize solutions to issues in each region.

Personally, I am particularly looking forward to the results stemming from the second and third objectives, the synergies that will be generated by strengthening cooperation and ensuring diversity through the spin-off of the operating companies. Among the three resilience measures set forth in the Medium-term Plan, “Promote business based on the independence of our three businesses” is positioned at the top of the list, and each of the Consulting Business, Urban & Spatial Development Business, and Energy Business, which were previously business divisions of Nippon Koei, are now recognized by the world as a single corporate organization respectively. I believe that making each of them independent will make the business axis of the entire Group

stronger than ever before. One of the expectations and challenges is collaboration among operating companies. Until now, the three business segments have been cooperating like siblings. After the spin-off, however, it will be necessary for the segments to respect each other and deepen cooperation through an independent “partner-style” relationship. In addition, we will actively invite new colleagues from outside the Group through M&A and business alliances in the future, and have them bring in values that have not been previously seen in the Nippon Koei Group, which will stimulate business and create new social value. I hope that such new relationships and work environments will be created. Since the holding company structure is designed to improve the quality of service and corporate value for our customers, we must make sure that our customers are pleased with service that is “better than before.” I believe that the key to this is strengthening cooperation among operating companies.

We plan to gradually transition to a pure holding company from July 2023. Our long-term strategy and Medium-term Plan are based on this transition. I would like for the entire plan, including the achievement of each goal of the Medium-term Plan, to be implemented with a sense of speed faster than planned.

Commercializing solutions for various social issues through the new structure

Reflecting the solutions to social issues that need to be resolved in our materiality

As I mentioned, solving social issues as a business is very important for our sustainability. Therefore, as a specific methodology, we have tied the various social issues that we need to solve to the materiality (key issues) defined in our long-term strategy. Each business division establishes “priority measures”

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every year, checks the relationship between the priority measures and materiality, and makes sure that it is heading in the right direction, making the measures pillars of our business plan.

On the other hand, we hold TRM (Total Risk Management) meetings as needed to discuss our own risk management, tying it to the materiality of management activities, which is set in conjunction with the materiality for business activities. Concerns about information security, which is growing in line with the destabilization of the world situation, and workplace-based harassment, which has become an issue along with the raising awareness of human rights, are among the top operational risks for the Group. Before the terms CSR and sustainability were firmly established in Japan, business risks were the risks that management needed to face. However, in modern corporate management, dealing with ESG and sustainability-related risks have become more fundamental to the survival of a company.

In any case, in order to continue promoting businesses that solve social issues under the new group structure, I believe that it is fundamental for each operating company that will be independent after the conversion to a holding company to thoroughly address materiality.

Toward achieving our long-term strategy

Making it past milestones one by one

In order to enhance the feasibility of our long-term strategy for 2030, we plan to draw a roadmap to achieve our goals and establish milestones for each point to be addressed. These milestones include various management indicators, such as revenue, orders received, and ROE, that are easy to understand by people outside the Group. However, we also establish milestones that enable employees to feel their own growth within the company, such as the extent to which business process innovation has progressed through DX.

Recently, in particular, changes in the world have been accelerating, and I think that the line between firms that are unable to take advantage of these changes and remain stagnant, and firms that are rapidly growing by taking advantage of the current trends has become clearer than ever. Digital transformation (DX) is one of those changes. Since most of our work involves the visualization of ideas and blueprints on paper, we have a relationship with digital technology that makes it indispensable. For this reason, in the past few years there has been a strong sense of crisis that if we fail to go ahead with digitalization we will be eliminated from the market. Without the implementation of advanced digital technology to the extent that we can say “We can take on everything as a one-stop provider”, I fear that we will never reach our goal to be “by far the No.1 consulting and engineering firm in Japan and indispensable to the world,” and that it will be difficult to even remain at the top of the Japanese market.

Further promotion of sustainability management

It goes without saying that we also set many milestones related to ESG and sustainability. In September 2021, we established the Sustainability Promotion Committee and formulated our Basic Sustainability Policy in February 2022. Serving as a guideline for solving social issues through our business activities, this basic policy shows that our business and sustainability are inseparable.

To date, the Group has developed tools for evaluating the sustainability activities and progress of SDGs in national and local governments as well as private companies, which are our customers. Thus, we have developed the skills of evaluating the initiatives and progress of other companies as necessary for our business. In the future, we will use the skills we have developed to diagnose our own sustainability activities and SDGs initiatives, and evaluate ourselves to see how much we have achieved this year compared to our vision for the Group. In addition, we will consider quantifying growth targets in non-financial fields such as ESG and sustainability in an easy-to-understand manner as KPIs and incorporating them into our long-term strategy and Medium-term Plan. At the same time, we will promote sustainability initiatives, such as endorsing the TCFD recommendations and complying with the revised Corporate Governance Code, that are required of companies listed on the Prime Market of the Tokyo Stock Exchange.

To our stakeholders

When I was appointed President one year ago, I declared that I would make Nippon Koei become “by far the No.1 consulting and engineering firm in Japan and indispensable to the world.” In order to achieve this, I feel that it is of utmost importance to fulfill our social responsibilities as a Group, such as contributing to the SDGs and resolving social issues, as well as achieving the goals of each management index, which has traditionally been emphasized. Our business operations are linked to almost all of the 17 goals and 169 targets of the SDG agenda. For the Group, sustainability is nothing more than achieving each of the indicators indicated in the 169 targets of the SDGs through our business. Our strength has always been our ability to solve social issues and grow together with society through our sustainable business activities. We will continue to do so without making any changes to our Management Philosophy “Act with integrity and contribute to society through technology and engineering.” I would like to ask all of our stakeholders for their continued support as we look forward to the future of our Group, which will be reborn as ID&E Holdings in July 2023.

Transition to a Holding Company Structure

Transition to a holding company structure - background and objectives

The Group aims to achieve solid growth in the future by strengthening independent activities that take advantage of the characteristics of each business

The Nippon Koei Group has decided to transition to a holding company effective July 2023. In our Long-term Management Strategy toward 2030, continuing to respond to social issues as the basis of our strategy, we have positioned “Consulting,” “Urban & Spatial Development,” and “Energy” as the three core businesses and aim for their further growth. In order to strengthen our business competitiveness while responding to changes in the external environment, it is necessary to create an organizational culture that respects the diversity of each organization within the larger group by taking advantage of their individual characteristics, and to aim at creating a system that allows them to operate independently (autonomously). In order to achieve this, we have determined that the best way to create a platform for the Group to make a leap forward is to transition to a holding company. Under this structure, we will strive for autonomy & synergy, faster decision-making, and the coexistence of diversity. The organizational structure of the holding company was designed as a company with a nominating committee, etc. After establishing a supervisory structure with the Nominating, Compensation, and Audit Committees, in which outside directors constitute the majority, we will specialize in group management, determine the appropriate allocation of management resources and the design of functions and systems to maximize value as a group, and formulate strategies and plans as a group. We will deepen the management of the Group from a medium- to long-term perspective and aim for solid growth in the future.

Naming of the holding company

For integrating various fields and increasing our new friends

We decided to name the pure holding company Integrated Design & Engineering Holdings Co., Ltd. The words “Design” and “Engineering” represent our company as an integrated civil engineering consulting firm that has promoted civil engineering and architecture, while also expressing our desire to integrate (using the word “Integrated”) various fields in the future and promote the Company as a one-stop business. In addition, the new name was chosen to signify that the Group will expand to become larger than ever with the addition of new friends.

Name of the new holding company

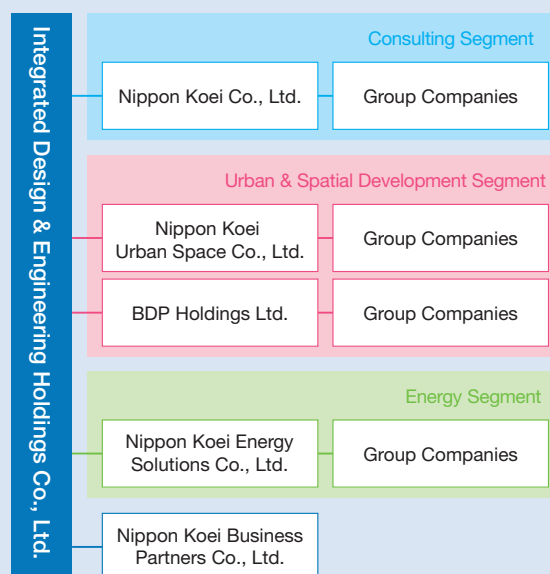
Integrated Design & Engineering Holdings Co., Ltd.

Group structure after transition to a holding company

We will spin off each business, expand the authority of major Group companies, and create a strong group of operating companies

Integrated Design & Engineering Holdings Co., Ltd., which will be the new pure holding company, will place under its control the business management subsidiary (Nippon Koei Business Partners Co., Ltd.) as well as Consulting Business subsidiary (Nippon Koei Co., Ltd.), two Urban & Spatial Development Business subsidiaries (Nippon Koei Urban Space Co., Ltd. and UK-based architectural design company BDP Holdings Limited), and Energy Business subsidiary (Nippon Koei Energy Solutions Co., Ltd.) as primary business companies. The four companies responsible for these major businesses and functions are positioned as “Major Group Companies,” and the authority of each company will be expanded to enable accurate and prompt decision-making.

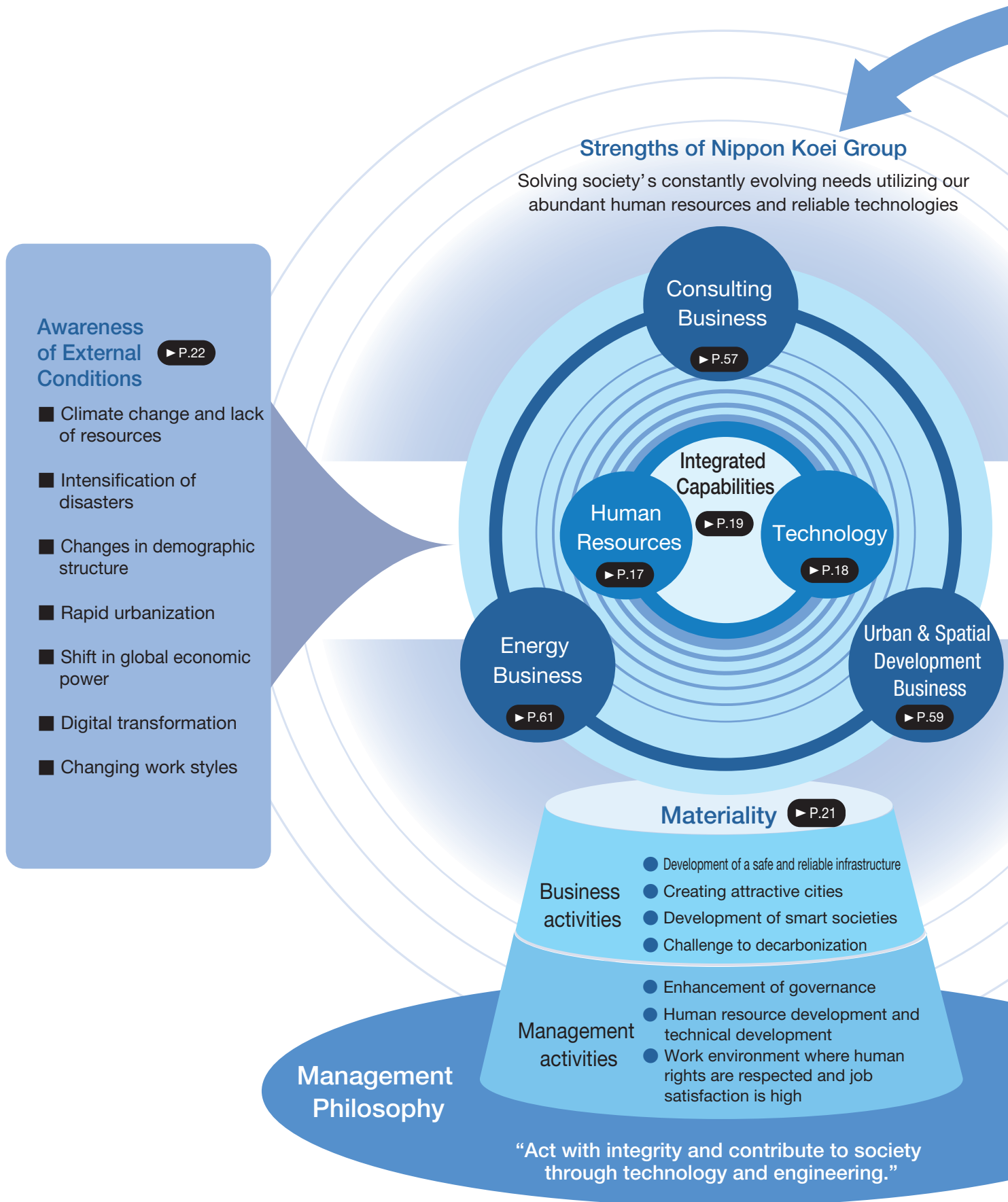
Group Structure (from October 2023)

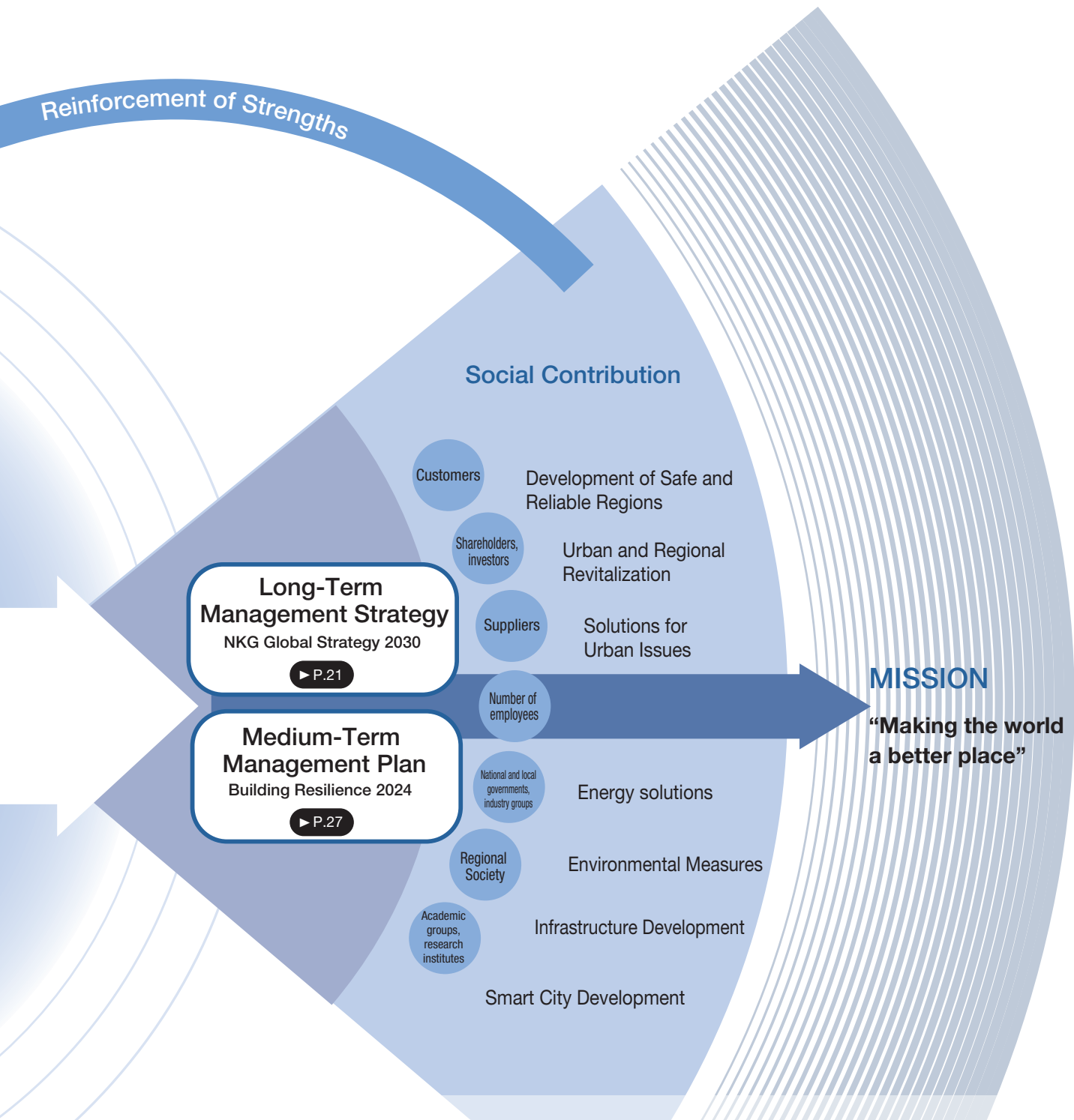


Timeline

July 2022	Nippon Koei's Urban & Spatial Development Business is merged with Tamano Consultants Co., Ltd. to launch Nippon Koei Urban Space Co., Ltd.
September 2022	Resolution at the General Meeting of Shareholders on the share transfer plan and amendment to the articles of incorporation
July 2023	Establishment of Integrated Design & Engineering Holdings Co., Ltd. Spin-off of Nippon Koei Business Partners Co., Ltd.
October 2023	Spin-off of Nippon Koei Energy Solutions Co., Ltd.

Nippon Koei Group Value Creation Process





The Nippon Koei 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 founding, 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 “Making 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 Nippon Koei Group Capital and its Utilization

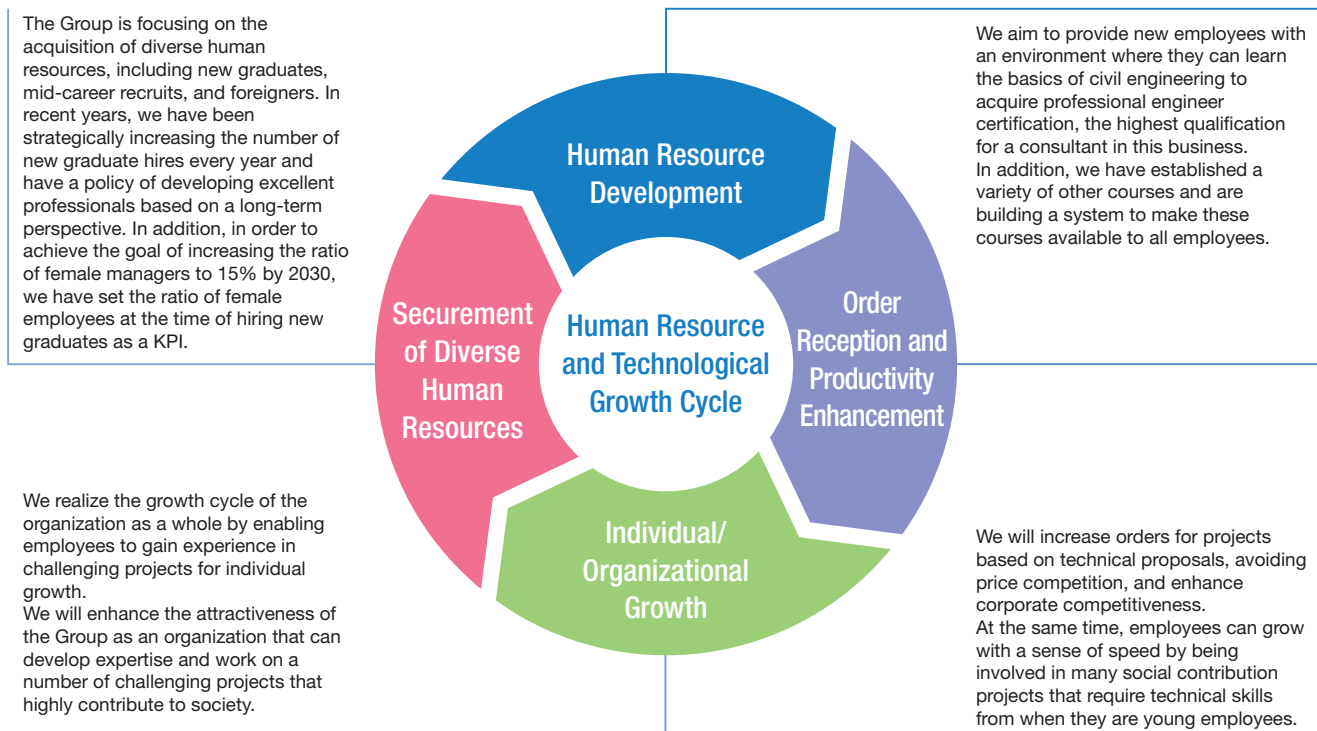
	Important Aim of Capital in Value Creation	Policy for Medium/Long-term Enhancement
Financial capital	Achieve a balance between growth and returns by building a strong financial base and achieving high capital efficiency that allows for flexible investment	<p>Realization of medium/long-term growth</p> <ul style="list-style-type: none"> ● Review and enhance investment screening criteria as well as establish and enhance investment screening system <p>Ensure financial soundness</p> <ul style="list-style-type: none"> ● To ensure financial soundness, maintain an equity ratio of approximately 40% even during periods of concentrated investment <p>Provide capital efficiency to achieve a balance between growth and returns</p> <ul style="list-style-type: none"> ● Aim for an ROE of 9% in the Medium-term Management Plan ● Aim for a payout ratio of 30% ● Buyback/cancellation of treasury stock as necessary to achieve an appropriate total return ratio
Manufacturing capital	Create a safe and secure infrastructure by providing services in more than 160 countries, in all prefectures in Japan, and through overseas offices around the world	<p>Promote workplace reform</p> <ul style="list-style-type: none"> ● Develop a post-Covid-19 workplace environment <p>Improve quality of information systems</p> <ul style="list-style-type: none"> ● Enhance support for diverse work styles ● Enhance financial and accounting systems ● Establish shared platform for group companies <p>Enhance information security</p> <ul style="list-style-type: none"> ● Implement cybersecurity measures based on the concept of Zero Trust
Intellectual capital	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>Development and utilization of DX technologies</p> <ul style="list-style-type: none"> ● Expand DX investment <p>Business development investment</p> <ul style="list-style-type: none"> ● Conduct research and development for new business development from a medium- to long-term perspective ● Conduct research and development for the creation of new business areas such as smart city business development, SDGs business development, and climate change business
Human capital	Drive all types of value creation through a diverse workforce of highly specialized domestic and international professionals	<p>Develop and improve employee skills</p> <ul style="list-style-type: none"> ● Establish “NKG Global Academy” in FYE June 2024 which all group employees can use to raise the level of human resource capabilities of the entire group ● Visualize knowledge and develop leaders by effectively utilizing knowledge management, talent management, and various data ● 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) <p>Enhance recruitment</p> <ul style="list-style-type: none"> ● Increase the number of employees 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 employees <p>Promotion of Well-Being Management</p> <ul style="list-style-type: none"> ● Promote work styles that respect diversity
Social capital	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>Co-creation with other companies including those in different industries</p> <ul style="list-style-type: none"> ● Create stable and long-term cooperative relationships with partner companies in Japan and overseas <p>Transfer technologies to developing countries</p> <ul style="list-style-type: none"> ● Develop human resources in developing countries through “NKG Global Academy” and collaborate with academic institutions <p>Strengthen social activities</p> <ul style="list-style-type: none"> ● Enhance opportunities for dialogue with stakeholders
Natural capital	Contribute to the preservation of the global environment by contributing to environmental preservation and reducing environmental impact through our business	<p>Enhance sustainability promotion</p> <ul style="list-style-type: none"> ● Establish Sustainability Promotion Committee <p>Focus on business creation through co-creation by linking materiality and business strategy</p>

FYE June 2022 Main Initiatives (Input)	FYE June 2022 Results (Output)
<ul style="list-style-type: none"> ● Secure long-term borrowings by executing investment projects ● Ensure financial soundness based on an awareness of our equity ratio ● Build and strengthen a new monitoring system after investment execution 	<ul style="list-style-type: none"> ● 44.9% equity ratio (45.3% in the previous period) ● 8.8% ROE (6.7% in the previous period) ● 28.6% payout ratio (25.0% in the previous period) ● Rating and Investment Information, Inc. (R&I) rating of BBB+ (same rating to be maintained from November 2020) ● Eliminated losses characteristic of the first half of each fiscal year to return the Group to profit
<ul style="list-style-type: none"> ● Improve workplace environment ● Promote digitization of various documents ● Strengthen remote access ● Introduce cybersecurity measures based on the concept of Zero Trust 	<ul style="list-style-type: none"> ● Promoted the utilization of four satellite offices ● Continued a system that enables remote access for all employees ● Promote remote work through the computerization of stamping and paper-based work processes ● Realize no information system failures that have significant social impact
<ul style="list-style-type: none"> ● Search for/develop key themes that will lead to new businesses in the DX field ● Promote collaboration to create business models ● Establish platform for sharing technical information on technology and sales 	<ul style="list-style-type: none"> ● Number of certified professional engineers (consolidated): 1,743 (1,727 in the previous period) ● R&D expenses: ¥1.24 billion (¥1.07 billion in the previous period) ● Conducted several demonstration tests with the Tokyo Metropolitan Government and municipalities in Tochigi Prefecture, etc. for the practical application of automated driving ● Conducted study on adaptation to digitalization of disaster assessment as a task of the Kyushu Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism ● Developed DNA tracer technology in collaboration with Yamaguchi University and turn it into intellectual property ● Opened a metaverse (virtual space) to promote tourist attractions in cooperation with Ureshino City, Saga Prefecture and other organizations
<ul style="list-style-type: none"> ● Strengthen development of qualification and human resource development programs ● Manage employee work attendance rate during the COVID-19 pandemic using a workplace hoteling system and RPA ● Improve productivity through DX (RPA, AI, etc.) ● Health management: Implement vaccination programs in workplaces ● Enhance the recruitment of new graduates and career employees ● Turn Aichi Tamano Information System Co., Ltd. into a special subsidiary of Nippon Koei to provide more employment possibilities for people with disabilities 	<ul style="list-style-type: none"> ● Number of employees (consolidated): 6,163 (5,936 in the previous period) ● Recognition as an Outstanding Health and Productivity Management Organization 2022 (White 500) for four consecutive years ● In-house release of similar business estimation service utilizing RPA and AI ● Recruitment Numbers Number of new graduates recruited: 151 (162 in the previous period) Number of career employees recruited: 48 (43 in the previous period) ● Employment rate of disabled persons: 2.69% (2.09% in the previous period)
<ul style="list-style-type: none"> ● Promote collaboration in the field of disaster prevention and mitigation using advanced technologies ● Promote business alliances in the smart city and transportation fields with local governments and companies in Japan and overseas 	<ul style="list-style-type: none"> ● Equity participation in space development venture Q-shu Pioneers of Space, Inc. ● Formed a partnership agreement with Iwaki City in Fukushima Prefecture for the promotion of river basin flood control ● Created business alliances with Surbana Jurong Private Limited (Singapore), DHI (Denmark), PT Jakarta Lingko Indonesia and PT Aino Indonesia (Indonesia), and social enterprise Siem Reap Tourism Club (STC) (Cambodia) ● Nippon Koei India received an Award for Excellence at the Rail Analysis Innovation & Excellence Summit 2022 ● BDP Quadrangle received a Canadian Governor General's Medal in Architecture ● Nippon Koei employees received the Ozawa Award for Distinguished Service Overseas for their long-term contributions to land development overseas
<ul style="list-style-type: none"> ● Provide consulting services for greenhouse gas reduction, climate change adaptation measures, and biodiversity conservation ● Implement disaster countermeasure projects utilizing new technologies such as AI ● Promote research on green infrastructure and environmental risks 	<ul style="list-style-type: none"> ● Published the results of joint research in an international academic journal on the relaxing effect of diverse insect sounds ● Released the beta version of "TSUMUGI@", an SDG diagnostic tool for municipalities ● Our research team comprised of members from the R&D Center and other locations won the Hydraulic Engineering Paper Award for their research contributing to the understanding of water resource risks and countermeasures

Human Resources and Technologies that Support Our Business Model

The greatest strength of the Nippon Koei Group is that it has experts in various fields and excellent professional human resources as an integrated civil engineering consulting firm. We are working to create businesses that attract such human resources and further strengthen our excellent human resource development system.

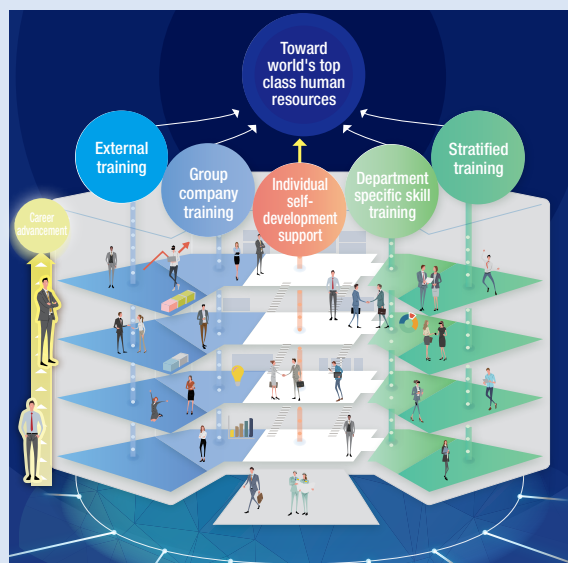
As a group of professionals united in our Mission of "Making the world a better place," we aim to achieve a higher level of results by enabling all of our employees to always use their abilities and skills to accomplish our Mission.



Establishment of the NKG Global Academy, a human resources development institution where all Nippon Koei Group employees can grow together

Training young engineers, passing on skills to the next generation, and enhancing technical capabilities are a key issue for our company. As a solution, in June 2020 we established NK Academy, an in-house training program for young technical employees of the Nippon Koei Group. We have started initiatives to share and deepen knowledge in each specialized field efficiently in a short period of time by establishing courses taught by in-house instructors and introducing the Learning Management System (LMS).

In order to expand this initiative to include the entire Group, we are aiming to establish the NKG Global Academy. By consolidating training within the Group, collaborating with academic institutions, expanding learning content through multilingual support, and sharing knowledge, we will raise the level of the abilities and skills of all employees. We are currently preparing the content in stages with the aim of establishing the academy in the fiscal year ending June 2024. The Nippon Koei Group is also looking to make it available to other companies in 2030 as a place where people from all over the world can gather and learn.



Human Resources Strategy

Increase recruitment of new graduates

In order to respond to Japan's national resilience plan and the global demand for infrastructure, we are increasing the number of our employees. Specifically, we established a plan to significantly increase the number of new graduates who will be responsible for the future of the Group from 2019 to hire more than 150 employees every year. The Nippon Koei Group continues to recruit on this scale and is expanding its post-entry training programs.

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 Nippon Koei Group has 1,743 professional engineers in its construction, comprehensive engineering supervision, 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 plan to increase the ratio of this human resource type. In addition to aiming for global expansion throughout the organization, we are efficiently allocating personnel resources from the perspective of risk hedging to realize operations that minimize the impact of risks. From the perspective of work-life balance, we aim to be a corporate group that can work in a variety of ways according to life stages.

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.

Technology Strategy

Promote technology strategies

In addition to technological development in each business division, since the fiscal year ended June 2017, the Group has been promoting technology policies in which multiple divisions work together to develop technologies across the company. Under the Technology Committee under the Management Council, themes are established with the goal of "developing technologies and businesses that have an impact on Nippon Koei." 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 employees and setting KPIs. We will use an in-house common digital platform to evolve our Consulting and Engineering businesses, create and develop new businesses that solve social issues, such as smart city services, and innovate internal productivity to build a sustainable society.

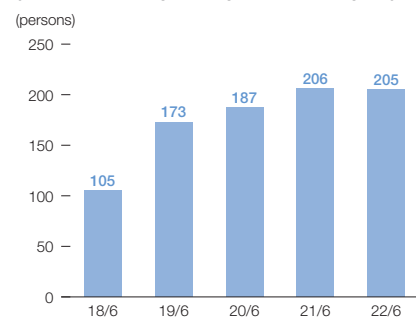
Enhanced support for BIM/CIM

In principle, BIM/CIM* will be applied to all designs and works ordered by the Ministry of Land, Infrastructure, Transport and Tourism starting in 2023. We are further strengthening our response to the promotion of BIM/CIM and productivity improvement as a must-achieve goal that must be realized as soon as possible.

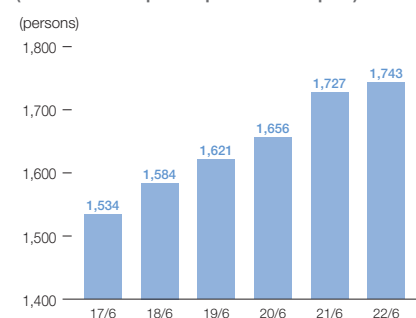
BDP, a group company, has the most advanced technology in the BIM field not only in the U.K. but also in all of Europe, and has achieved productivity improvements. Therefore, we send our mid-career and young employees to BDP for several months of training as a way to actively share technology within the Group. In March 2022, we established the BIM/CIM Promotion Working Group within the Group for the preparation and monitoring of BIM/CIM promotion plans for each field and branch. The Nippon Koei Group has also launched a BIM/CIM internal qualification system to motivate and inspire employees, and has now started training and certification programs for acquiring entry-level 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

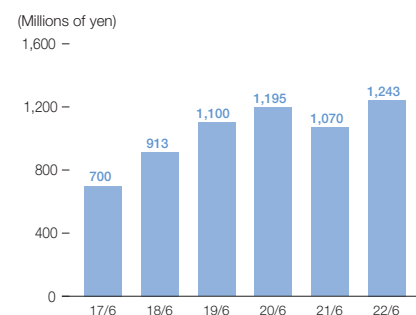
Number of new university graduates hired (total for Group companies in Japan)



Number of certified professional engineers (total for Group companies in Japan)



R&D expenses (consolidated)



NKG-DX Vision

To become a company that solves problems for the future

A leader in digital innovation

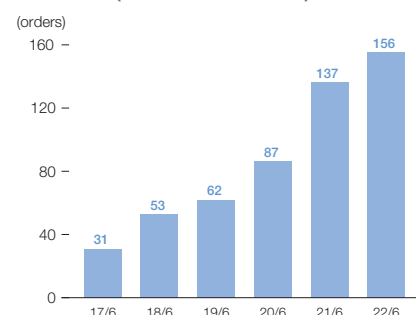
NKG-DX Vision KPI

Total DX investment during the Medium-term Management Plan **¥1.5 billion**

FYE June 2024
Number of digital human resources* **100%**

* Employees who use RPA and AI in their normal work

Number of Business Orders related to BIM/CIM (non-consolidated)



Integrated Capabilities of the Nippon Koei Group

The Nippon Koei 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.

Track record of development in 160 countries overseas

The Nippon Koei 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 founding is one of the strengths of our Group.

In our long-term management strategy, we have positioned the growth of overseas subsidiaries as the source of profit growth, and are promoting measures such as strengthening the production systems of local subsidiaries and group companies overseas to stabilize regional management, and training management personnel for independent operation.

Number of Overseas Orders (consolidated)
No. 1* in the industry

Countries and Regions Track record in
160 countries

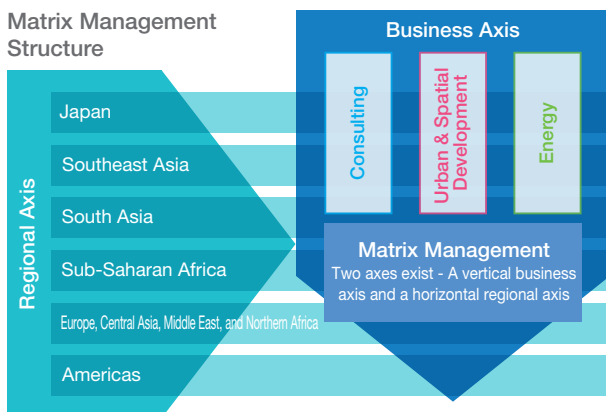
Overseas Bases
73 locations

* "Sales ranking of engineering consulting firms in Japan," Nikkei Construction, April 20, 2022

Matrix management that provides one-stop services across regions

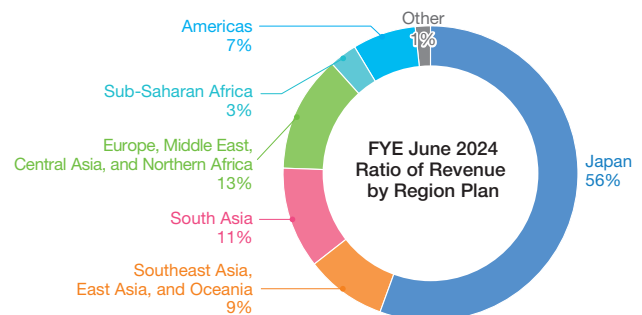
Under the current Medium-term Management Plan, we have established a group management structure that operates using a matrix consisting of a business axis based on three domains (Consulting, Urban & Spatial Development, and Energy) and a regional axis. With the Business Promotion Headquarters at its core, 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 from the 37% (current level) to 44% in the fiscal year ending June 2024 and to 50% in the fiscal year ending June 2030.



The overseas revenue ratio target for the fiscal year ending June 2024

44%



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 through collaboration with diverse internal and external partners in order to reach the universal goal of realizing a sustainable world.

In order to promote co-creation, we have been operating NARRES (NK Alliance Record Registration System), an information management system that centrally manages various types of NKG 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.

Number of MOUs Signed

(Memorandum of Understanding)

22

(as of June 2022)

Various Projects that Demonstrate Our Integrated Capabilities

Case 1 Miwa Power Station - An example of how our one-stop Services in the Energy Business can be utilized

Our Energy Business has the advantage of being able to provide one-stop services for all stages from planning and research to design, construction, equipment manufacturing, and maintenance and management for power and electric facilities in Japan and overseas. The realization of these services will bring various benefits to customers, such as reducing business costs as well as shortening construction periods and power generation shutdown periods.

One example of this is the large-scale renovation of Miwa Power Station, which we received an order for from the Nagano Prefectural Enterprise Bureau in 2020. The project involves the large-scale renovation of the location's aging 12,200 kW dam-type power generation facilities using new categories under the FIT (Feed-in Tariff) scheme. The design and construction method (EPC) has been introduced. The Nippon Koei Group was highly evaluated for its track record and experience in power generation and EPC utilizing its one-stop services as well as for its proposal to introduce new technologies.

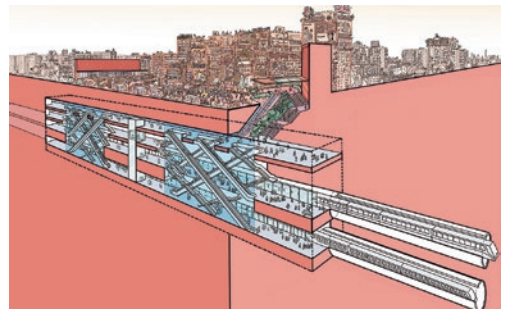
In addition to these services, we are promoting business development centered on energy storage facilities in Europe, where the electricity market is ahead of Japan. By utilizing this knowledge and providing one-stop services from EPC (engineering, procurement and design) to operation, we are developing solutions that meet the needs of our customers.



Case 2 Railway project in Dhaka, Bangladesh - An example of what our civil engineering and architectural services can provide

In Dhaka, Bangladesh, which is one of the most densely populated cities in the world, the Nippon Koei Group has received and implemented several Dhaka Metro Rail projects (Line 6, Line 5 (Northern Route), and Line 1). For Line 5 (Northern Route), BDP, an architectural design company which is part of the Nippon Koei Group, was responsible for the design of the station building. The railway project includes station construction, rail line development, MaaS and TOD (Transit Oriented Development: urban development that is based on public transportation and aims for a society that is not dependent on automobiles). We are promoting collaboration within our group in this area where we can take advantage of our strength in integrating civil engineering and architecture.

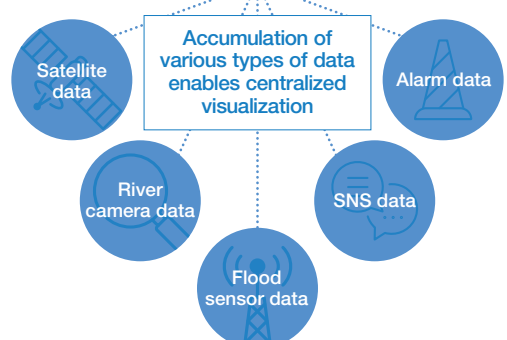
The Japanese government's Official Development Assistance (ODA) to Bangladesh is the second largest in the world after India, causing a boom in infrastructure development. In order to respond to this strong demand for infrastructure development in Bangladesh, the Nippon Koei Group established a local subsidiary in Bangladesh in 2018 and is currently involved in over 30 projects there. Our Head Office in Tokyo and the local staff of our subsidiary in Bangladesh are working together on projects. By training the local staff ourselves, we are contributing to the development of Bangladesh by transferring Nippon Koei's technology to grow the subsidiary.



Case 3 "Bosuke" - A disaster prevention platform utilizing knowledge accumulated in each department of Nippon Koei

Currently, too much disaster prevention information is provided from various sources, making it difficult for local governments to access effective information, grasp the extent of damage, and make appropriate decisions on evacuation orders for local communities. For this reason, we have developed "Bosuke," a water disaster prevention platform which enables centralized visualization of only the best data from this wide variety of information. The platform is equipped with basic functions to display rainfall, flow rate, water level, and inundation depth in real time with map data that incorporates topographical data, and can be customized with a high degree of freedom to add AI analysis, AR/VR, and other features. In the development of this platform, the company-wide technology strategy framework was utilized, and the specialized technologies and knowledge from related departments were accumulated before the platform was released in 2021. Since its release, we have been promoting its adoption and joint development in various fields.

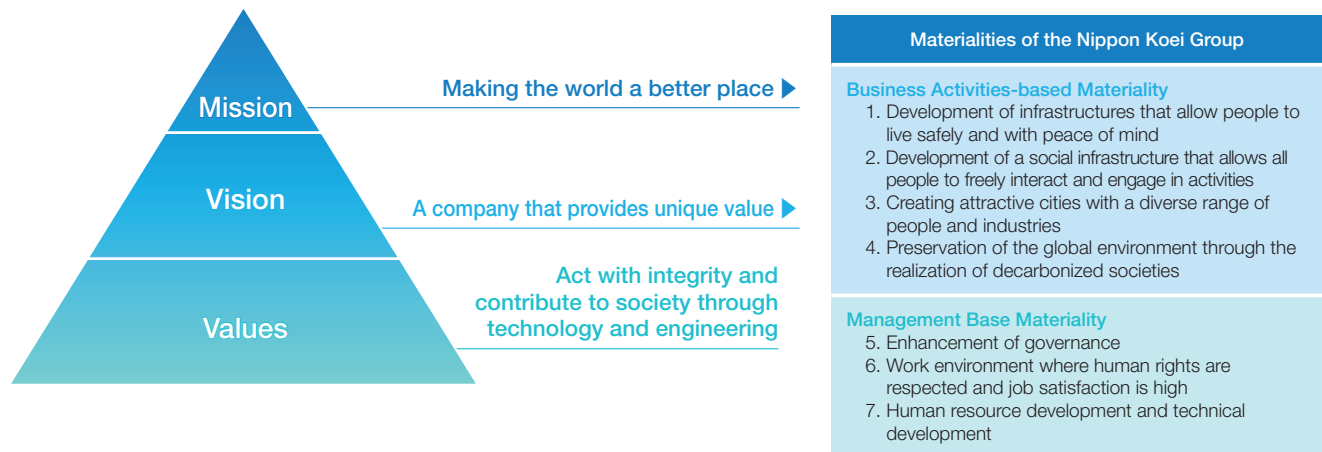
Currently, with the cooperation of Fujimino City, Saitama Prefecture, NTT Advanced Technology Corporation, Toshiba Corporation, and Nippon Telegraph and Telephone East Corporation, it utilizes highly accurate, real-time rainfall and flood prediction data. Since August 2022, we have been conducting field trials on the effectiveness of disaster response operations by local government officials. In addition, the partnership agreement that the Group formed with Iwaki City in Fukushima Prefecture for the promotion of river basin flood control in April 2022 aims to reduce flooding damage by promoting watershed flood control through demonstration experiments using this platform.



Long-Term Management Strategy

Mission and Materiality

The Nippon Koei Group believes that in order to achieve sustainable growth in light of surrounding business conditions, it is important to attract diverse human resources and co-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.



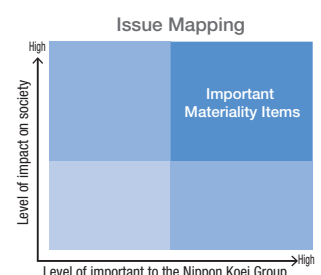
Materiality and Related SDGs

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

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, selected material items were presented to the Board of Directors for final section.



Assumed values

We at the Nippon Koei Group have 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 each and every employee, which is based on their “smarts,” “knowledge,” “skills”, and “outstanding human qualities.”

The Company has been contributing to the world as an essential business that contributes to the betterment of people's lives through the collective “wisdom” of our employees, 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 each employee, 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 that the Nippon Koei Group currently possesses: our “integrated capabilities.”

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	Nippon Koei Group response
Rapid urbanization	Railway business and urban space facilities 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 strengthening localization
Shift in global economic power	Create private businesses (new businesses)
Technological advancement	Promote collaboration with other industries

Long-Term Management Strategy

Opportunities and Risks Arising from Changes in the External Environment

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

Main Changes in the External Environment	Opportunities
<p>Rapid urbanization</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. <small>(According to the Population Division of the Department of Economic and Social Affairs of the United Nations)</small></p>	<p>Expansion of opportunities for the development of smart infrastructure and smart cities</p> <ul style="list-style-type: none"> ● Support for integrated projects by leveraging integrated strengths <p>Increase in transportation & urban planning field projects</p> <ul style="list-style-type: none"> ● Transportation system development and response to MaaS and TOD utilization
<p>Climate change and lack of resources</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. <small>** "Global Trends 2030: Alternative Worlds", US National Intelligence Council</small></p>	<p>Creation of businesses related to climate change</p> <ul style="list-style-type: none"> ● 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 <p>Large-scale natural disasters measures</p> <ul style="list-style-type: none"> ● Increased disaster prevention and mitigation measures to cope with disasters caused by climate change <p>Creation of projects related to energy and resource shortages</p> <ul style="list-style-type: none"> ● Increased consulting needs for resource conservation, circular economy, agricultural reform, and food value chain
<p>Changes in demographic structure</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.</p> <p>On the other hand, growing countries are expected to see the largest labor force and consumer markets ever.</p>	<p>Improvement of productivity through work style reform</p> <ul style="list-style-type: none"> ● Pursuit of optimal work styles including telework ● Improvement of business efficiency and productivity through the use of IT tools <p>Expansion of urban revitalization projects and public-private partnerships</p> <ul style="list-style-type: none"> ● Increase in compact city planning that consolidates urban functions to cope with declining/aging populations ● Expansion of concessions, PPP/PFI projects, etc. <p>Local subsidiary business expansion</p> <ul style="list-style-type: none"> ● Increase in projects and workers in emerging countries
<p>Shift in global economic power</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>Growth and expansion of scale in emerging markets</p> <ul style="list-style-type: none"> ● Expansion into emerging markets by leveraging Nippon Koei's operational know-how <p>Local subsidiary business expansion</p> <ul style="list-style-type: none"> ● Increase of projects in emerging countries, development of young workforce, and maintenance of diversity <p>Create private businesses (new businesses)</p> <ul style="list-style-type: none"> ● New customer development and business creation
<p>Technological advancement</p> <p>Breakthroughs in the field of technology and cutting-edge technologies in other R&D areas will increase the likelihood of commercialization and provide increased opportunities for new investment.</p>	<p>Business creation utilizing DX</p> <ul style="list-style-type: none"> ● Expansion of the utilization of BIM/CIM, 3D models, big data, etc. <p>Expansion of alliance opportunities</p> <ul style="list-style-type: none"> ● Promotion of collaboration beyond industry and regional boundaries

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

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 pure 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 the Nippon Koei Group.

We will improve the profitability of each business, expedite decision-making, strengthen our risk structure, and build a flexible and robust governance system.

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

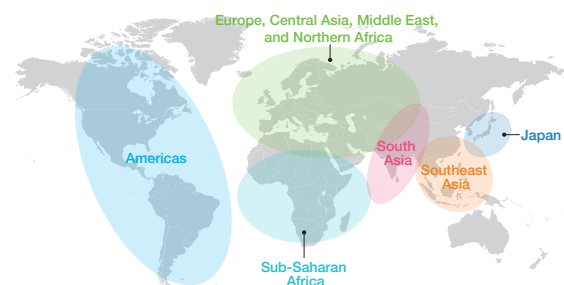
Through seamless integration and collaboration without segmenting by region or company, we aim to create a business structure that can provide a one-stop shop for services in each domain across the board.

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 Nippon Koei brand and Nippon Koei Group quality

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

Human resources are the most important management resource of the Nippon Koei 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.

NKG Global Academy

By establishing the NKG Global Academy to cultivate world-class human resources throughout the Group, we will foster human resources who embody the Nippon Koei 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

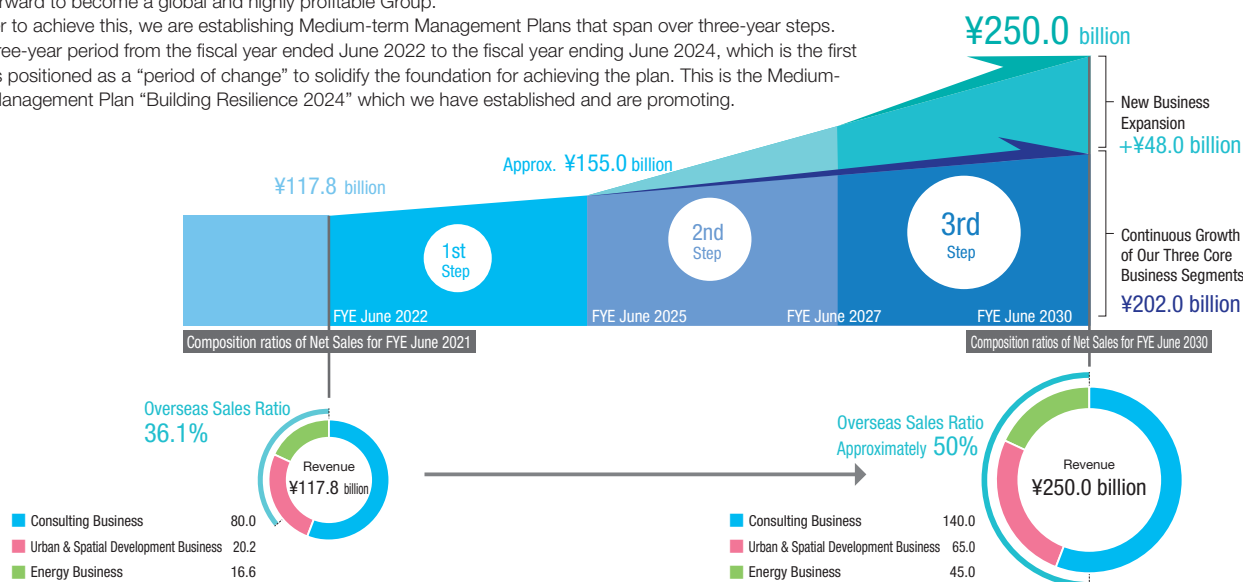
Revenue ¥250 billion	Operating profit ¥25 billion	Operating Margin 10%	ROE 15%
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Long-term Growth Graph and Positioning of the Medium-term Management Plan

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
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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.
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Market strategy: In the Japanese market, we will focus on architecture, urban redevelopment, public-private partnerships, smart cities, etc. Overseas, we will actively promote collaboration and alliances with BDP and Nippon Koei Urban Space for 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
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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

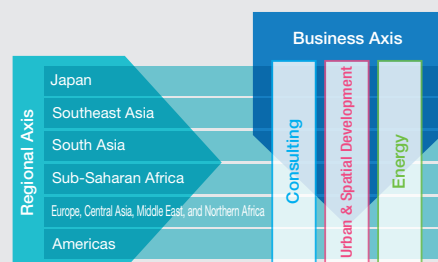
Building Resilience 2024

Based on our Long-term Management Strategy, we have formulated "Building Resilience 2023," 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 Nippon Koei brand and Nippon Koei 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, and ● Energy Business).

Key initiatives	Materiality
<ul style="list-style-type: none"> ● Advancement and global expansion of disaster prevention/mitigation technologies ● Full-scale expansion into the management field 	M1. Development of a safe and reliable infrastructure
<ul style="list-style-type: none"> ● Expansion of transportation related businesses ● Creation of smart city projects with a focus on decarbonization, safety, and security 	M2. Development of smart societies
<ul style="list-style-type: none"> ● Realization of one-stop services for urban (re)development projects ● Expansion of BDP market ● Full-scale development into urban management field 	M3. Creating attractive cities
<ul style="list-style-type: none"> ● Promotion of services that contribute to decarbonization ● Establish foundation for power generation and energy management business ● Strengthen manufacturing of core products and develop new products ● Provide one-stop solutions utilizing diversified and diverse technologies 	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"> ● Establishment of a pure holding company and governance structure to realize matrix management ● Establishment of regional management structure and support for autonomous regional management ● Realization of one-stop services 	M5. Enhancement of governance
<ul style="list-style-type: none"> ● Work style reform (promotion of well-being management) 	M6. Work environment where human rights are respected and job satisfaction is high

Measure 3 Establish the Nippon Koei brand and Nippon Koei 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 NKG Global Academy, a human resources development system.

Key initiatives	Materiality
<ul style="list-style-type: none"> ● DX Promotion ● Establishment of the NKG Global Academy 	M7. Human resource development and technical development

FYE June 2024 Numerical Targets (IFRS)

Revenue
¥155 billion

Operating profit
¥11.5 billion

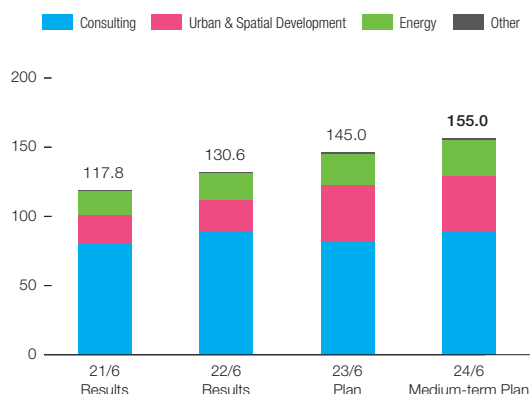
Operating Margin
7%

ROE
9%

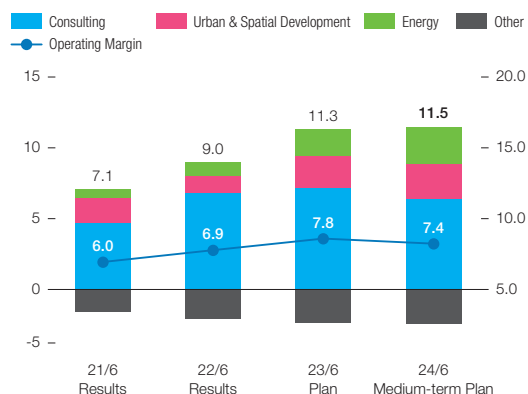
Expected Progress

- Revenue will grow by approximately 10% over the next three years.
- We anticipate that the operating margin for the fiscal year ending June 2023 will exceed the level expected for the final year of the Medium-term Management Plan due to special circumstances in the energy sector.
- Operating profit will grow more than 10% growth annually unless impacted by special circumstances.

Revenue (Billions of yen)



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



First-year Results and Initiatives Carried Out in the Second Year

	Review of the results for the fiscal year ended June 2022 (first year)	Initiatives carried out in the fiscal year ending June 2023 (second year)	
Measure 1	Consulting Business	<ul style="list-style-type: none"> ● Sales expanded due to strong progress in large overseas projects. Started acquiring technology to expand business areas and laying the foundation for new services 	<ul style="list-style-type: none"> ● Develop new services using new technologies and promote business expansion utilizing our co-creation partners
	Urban & Spatial Development Business	<ul style="list-style-type: none"> ● BDP and Quadrangle made good progress on their projects. Implemented organizational integration with the aim of expanding the Japanese market 	<ul style="list-style-type: none"> ● Strengthen integrated operations within the segment to promote collaborative order acquisition. Entry into the North American market by BDP
	Energy Business	<ul style="list-style-type: none"> ● Implemented measures to strengthen the production capacity of our existing Power Engineering business. Started construction of energy-related projects in Europe 	<ul style="list-style-type: none"> ● Establish a foundation for improving production efficiency and quality of core products. Implement specific initiatives to respond to changes in the Japanese energy market
Measure 2	Organizational Strategy	<ul style="list-style-type: none"> ● Examined the organizational restructuring execution scheme and prepared for the transition to a holding company structure ● Enhanced network infrastructure and improved information security measures 	<ul style="list-style-type: none"> ● Establishment of regulations and various reorganization procedures for HD, operating companies, and business management companies ● Formulate policies for capital structure and shareholder returns, and strengthen accounting functions for Group companies ● Formulate and promote strategies for addressing climate change issues and enhance our response to human rights issues
	Business Strategy	<ul style="list-style-type: none"> ● Continued examination of one-stop marketing system and regional control ● Nippon Koei has not continuously examined/ collaborated in developing new markets 	<ul style="list-style-type: none"> ● Establish basic policies on regional management and create a management system ● Implement measures to promote orders for domestic strategic projects, formulate projects led by regions, and promote digital marketing ● Make proactive use of business incubation functions
	Human Resources Strategy	<ul style="list-style-type: none"> ● Changed the position structure and qualifications for professional positions ● Responded to telework issues ● Set numerical targets for 2030 for the ratio of female, non-Japanese and mid-career hires in managerial positions 	<ul style="list-style-type: none"> ● Promote a telework campaign and use of satellite offices ● Increase the ratio of female managers and promote the employment of people with disabilities
Measure 3	Human Resources/ Technology Strategy	<ul style="list-style-type: none"> ● Planned the overall structure of the NKG Global Academy ● Developed technology strategy and implemented nine technology measure themes ● Developed advanced technologies including digital twin technology ● Implementation of smart city business and establishment of marketing system 	<ul style="list-style-type: none"> ● Examine professional occupations (expand number of public qualifications) ● Digital business promotion, digital technology development, productivity innovation, and DX human resource development ● Create the NKG Global Academy based on its basic design ● Conduct career development that is linked with external conditions

Financial Capital Strategy



We aim to expand and strengthen our business through aggressive growth investments to achieve sustainable earnings growth and shareholder returns.

Yasushi Hirusaki

Director and Managing Executive Officer

The Nippon Koei Group continues to take on further challenges and transform both financially and non-financially, such as balancing investment for growth with financial discipline and promoting ESG.

Continuing growth investments for a solid foothold

The Medium-term Management Plan currently underway spans a three-year period to strengthen the Group so that it can achieve its long-term management strategy, or in other words, solidify its foothold, and is in the phase of aggressively making growth investments to put new businesses on track and expand them. We expect to invest approximately 32 billion yen over the three years of the Medium-term Management Plan in growth investments, including new business development and M&A. An example of a business that we are working to diversify is the Energy Business, which is undergoing a remarkable business transformation. In the current energy markets in Japan and Asia are in a transitional period of changing to new business forms, involving changes such as electricity deregulation, promotion of renewable energy use, and spread of distributed power sourcing. We consider this to be an

important period for us to determine the future development policy of our power and energy businesses. For this reason, we have made up-front investments needed to conduct business in fields such as energy management in Europe where progress is being made in energy mixing and electricity deregulation. By the fiscal year ended June 2022, we made asset-holding investments and are promoting a grid storage battery project in Belgium and two in the UK. From the fiscal year ending June 30, 2023, we will finally complete the construction of power storage facilities and enter the phase of generating profits from the energy management business and expanding business to other regions.

As for the Consulting Business, in the summer of 2022 we consolidated ASAP Mobility SDN. BHD., a Malaysian railway system consulting company, into a subsidiary in order to strengthen the railway field, where demand continues to be strong overseas. In the railway business, construction consultants are mainly responsible for project management, civil engineering-related work and systems (signals, rolling stock, electricity, etc., and their integration). By joining the ASAP Group, which specializes in railway systems, we believe that we will be able to further strengthen our efforts in the railway business and establish a superior position as a railway consultant.

In addition, as natural disasters are becoming severer and more frequent in Japan, we are promoting businesses that utilize satellite data as an undertaking that contributes to national resilience. Since it is essential to acquire high-precision satellite data in real time in the event of a disaster, we invested in Institute for Q-shu Pioneers of Space, Inc., which is running a SAR satellite constellation project, at the end of 2021. We will continue to focus on disaster prevention and mitigation initiatives with the aim of providing services with greater accuracy than ever before.

In the Urban & Spatial Development Business, Nippon Koei is participating in concessions (management rights for public facilities, etc.) of Meiji Park and Hiroshima Central Park in anticipation of participation in urban redevelopment projects in the future. We plan to continue to actively consider PPP/PFI projects for public infrastructure where we can utilize our strengths.

Basic objectives for capital and shareholder return

Based on the aforementioned growth strategy, we recognize the need to further strengthen our financial strategy as we move forward with new asset holdings, alliances, M&A, and other investments. Therefore, in our Long-term Management Strategy, we are preparing for monitoring using ROIC, etc., further elaboration of fund management, upgrading of the Group's cash management system, and diversification of fund procurement methods according to the use of funds. As part of these efforts, we reviewed our investment screening system to strengthen our financial perspective from the fiscal year ending June 2023. In addition to returns from investees (dividends, loan repayments, and interest expenses), Nippon Koei has established a system that enables each business division to conduct independent and autonomous monitoring. We will effectively and efficiently monitor future investment success through qualitative evaluations, such as comparison of forecast and actual results of the income statement and cash flow as well as balance sheet of the investee, and quantitative evaluations such as changes in the investment environment as evaluation items. We will also consider selling investment projects based on the periodical reviews. In the fiscal year ending June 2023, we transferred a part of our shares in Singapore-based hydropower investment company Ironmont Hydro Pte. Ltd., in which we invested in the energy business for the purpose of participating in the creation and operation of small and medium-sized hydropower projects in Asia. In this way, we will increase our asset turnover ratio and achieve profitable growth while being mindful of financial control and improvement in asset efficiency.

Our basic objective regarding capital is to improve capital efficiency through medium- to long-term growth investment and raising appropriate capital suitable for such investment. In terms of

financial soundness, we have set a target of maintaining an equity ratio of 50%, which becomes 40% or more even during periods of intensive investment.

The basic objective of our dividend policy is to provide stable dividends and enhance shareholder returns in line with rising profit levels, with a target dividend payout ratio of 30% over the medium to long term.

In terms of improving the quality of our balance sheet, we are working to sustainably increase ROE by improving asset efficiency. By implementing the growth strategy formulated in the Medium-term Management Plan, we aim to raise ROE to the 9% level in FYE June 2024, the final year of the plan, and to boost it to the 15% level over the long term. In achieving the ROE target, we will place emphasis on profitability and plan to raise the operating margin from 6.9% in FYE June 2022 to 7.4% in the final year of the Medium-term Management Plan, and to 10% in the long term. Combining these plans with flexible share buybacks, we will continue to consider shareholder returns in accordance with conditions in order to improve capital efficiency and achieve an appropriate total return ratio. I would like to show you how we will put these initiatives together one by one and link them to a cycle of strengthening shareholder returns and investment for further growth.

The Group plans to transition to a holding company structure in the fiscal year ending June 2024 as one means of achieving its long-term management strategy, which focuses on the fiscal year ending June 2030. Although our organization form will change greatly, we will continue to strengthen our current strategies and maximize our corporate value on the financial front through appropriate and flexible measures tailored to business conditions. I would like to ask for your support as we look forward to the future development of our Group.

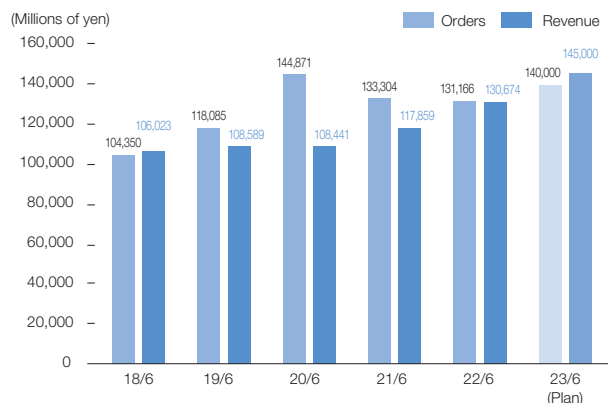


At a glance

Financial Highlights

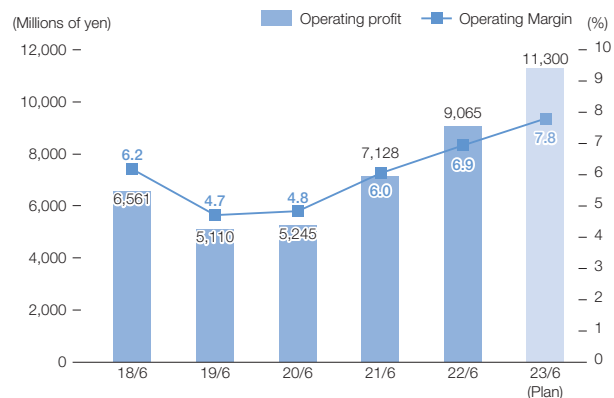
Orders and Revenue

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 even in the past few years when there were restrictions on overseas travel due to the COVID-19 pandemic. * Results until FYE June 2019 with Japanese GAAP



Operating Profit and Operating Margin

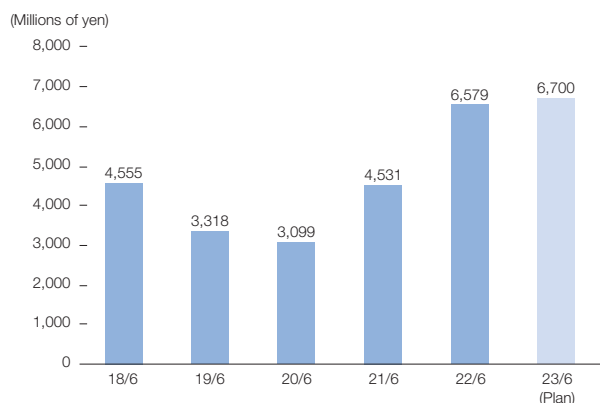
We are also working on measures to improve productivity in order to promote our business efficiently. In the fiscal year ended June 30, 2022, operating profit reached a record high due to strong performance by overseas business divisions and improved profits in the energy business. * Results until FYE June 2019 with Japanese GAAP



Profit attributable to owners of parent

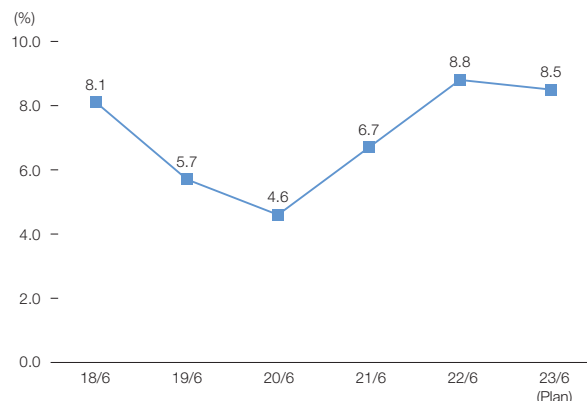
The Group is generating stable profits. In the fiscal year ended June 30, 2022, profits increased due to strong business performance and the effects of the yen depreciation.

* Results until FYE June 2019 with Japanese GAAP



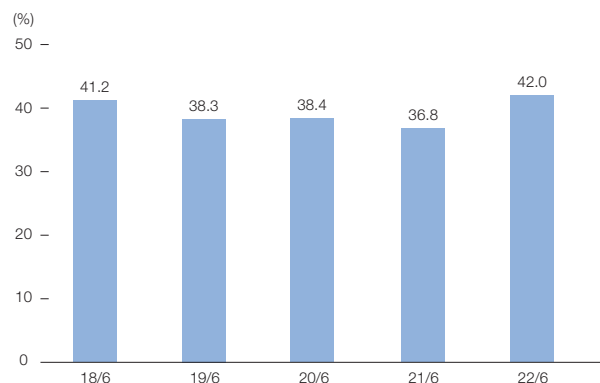
ROE (%)

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



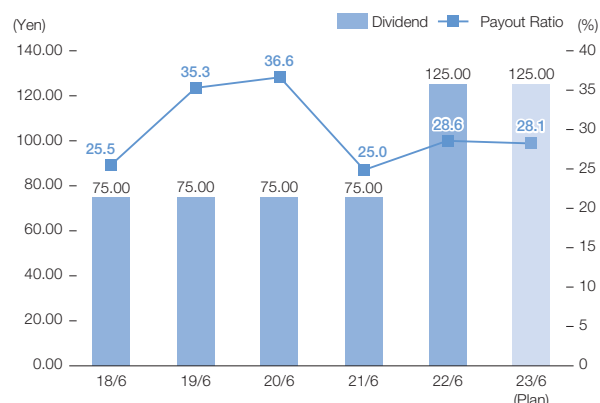
Overseas Sales Ratio

In the past few years, the overseas sales ratio has been in the high 30s% due to strong business in Japan and the impact of the COVID-19 pandemic. However, in the fiscal year ended June 2022, the ratio has increased due to an increase in the utilization of projects in our overseas business divisions.



Annual Dividend and Dividend Payout Ratio

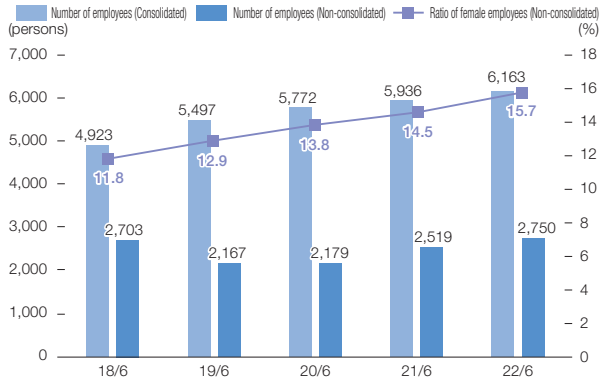
The basic objective of our dividend policy is to provide stable dividends and provide shareholder returns in line with rising profit levels, with a target dividend payout ratio of 30% over the medium to long term. Most recently, the dividend per share increased in line with the Group's strong business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



Non-financial Highlights

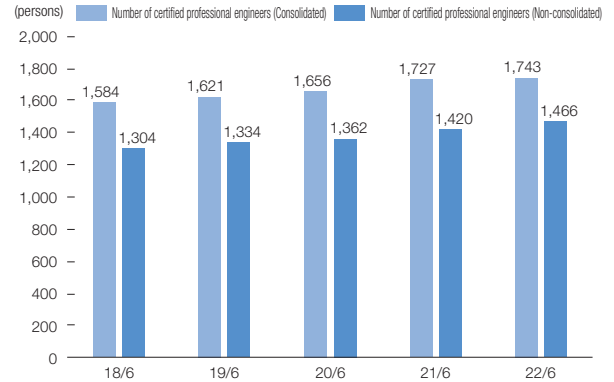
Number of Employees

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.
* Results until FYE 6/2019 with Japanese GAAP



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: "Sales ranking of engineering consulting firms," Nikkei Construction, April 20, 2022



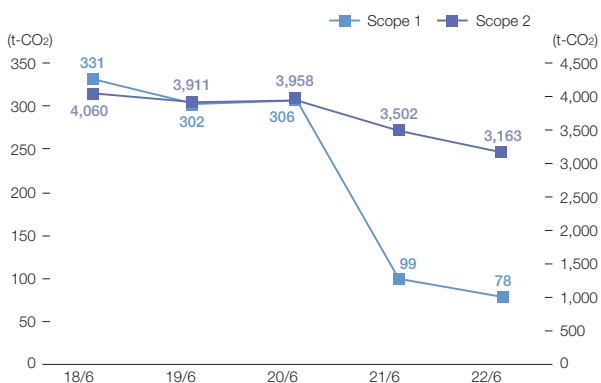
Recognition as an Outstanding Health and Productivity Management Organization (White 500) for four consecutive years

In order to put the Nippon Koei 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.



CO₂ Emissions

CO₂ emissions are decreasing due to the promotion of energy-saving activities at offices and factories and the use of solar power generation at factories.
* All Nippon Koei Co., Ltd. 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).

