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June 28, 2023

Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd.

Nishimatsu Construction Co., Ltd.

The basic policy of Nishimatsu Construction Co., Ltd. (the “Company”) is to improve its corporate governance and maintain good and stable relationships over the long term between the Company and its stakeholders, in order to strive for the Company’s sustainable growth and increase its corporate value over the mid- to long-term.

Based on this policy, we will create systems that will lead to the acceleration of decision-making by and strengthen supervision functions of the Board of Directors as well as our business execution systems.

In addition, by establishing our “Corporate Motto,” “Corporate Philosophy,” and “Code of Conduct,” which are put into practice by our officers and employees, and engaging in our CSR Management based on “CSR Management Policy,” we will forge win-win relationships with all our stakeholders and contribute to society.

Based on the above basic views on corporate governance, the Company establishes the following policies for initiatives corresponding to each of the principles in the Corporate Governance Code.

## **1. Securing the Rights and Equal Treatment of Shareholders**

### **[1-1 Securing the Rights of Shareholders]**

The Company takes appropriate measures based on laws and regulations and endeavors to develop those circumstances which fully secure shareholders’ rights.

When a considerable number of votes have been cast against a proposal at a general meeting of shareholders, the Company analyses the reasons and looks into the need for shareholder dialogue and other measures.

Also, in cases where it is considered desirable to delegate certain matters subject to resolution at a general meeting of shareholders to the Board of Directors from the perspective of ensuring agility and expertise in managerial decisions, the Company establishes a system which thoroughly fulfills its roles

and responsibilities in corporate governance, and deals with the matter accordingly.

Adequate consideration is given to special rights that are recognized for minority shareholders (including the right to seek an injunction against illegal activities and the right to file a shareholder lawsuit).

#### **[1-2 Exercise of Shareholder Rights at General Meeting of Shareholders]**

The Company properly provides accurate information to facilitate appropriate decision-making by shareholders at a general meeting of shareholders.

Notice of convocation is sent at an early date to give shareholders sufficient time to consider the proposals, and it is disclosed straight away on TDnet and the Company's website. In addition, the Company appropriately determines the date of the general meeting of shareholders and any associated dates.

Bearing in mind the number of institutional investors among the shareholders, the Company takes measures to facilitate the exercise of voting rights by shareholders, including the use of the Voting Rights Electronic Exercise Platform.

Taking into consideration the number of foreign shareholders among the shareholders, the Company provides English translations of the notice of convocation.

Institutional investors (substantial shareholders) that hold shares in the name of a trust bank or other such organization are not allowed to attend and exercise their voting rights at general meetings of shareholders as they differ from the shareholders listed in the shareholder register. However, in observation of trends of business practices in general meetings of shareholders, the Company will examine ways for the substantial shareholders to attend general meetings of shareholders in the future.

#### **[1-3 Basic Strategy for Capital Policy]**

In the "Midterm Management Plan 2025," in addition to funds acquired through business activities, we will make use of interest-bearing debt to invest in growth. From a perspective of financial soundness, we will firmly maintain our capital adequacy ratio at around 30%, and D/E ratio at around 1.5 times. In addition, during the period of Midterm Management Plan 2025, we will carry out shareholder returns with a consolidated payout ratio of 70%. Based on the above financial plan, we are aiming for an ROE of 8% or more in FY2025.

#### **[1-4 Cross-Shareholdings]**

The Company's policy is to hold only those equities that are necessary in terms of business operations as cross-shareholdings, and to reduce any other equities except in special circumstances.

At the President and General Managers Meeting, the propriety of holding each individual cross-shareholding is reported to the Board of Directors each fiscal year upon examining and verifying the existence of any transactions with an issuing company, the availability of works' and other information, and the existence of any other special circumstances. After receiving the report, the Board of Directors verifies and judges the propriety of the shareholding individually, and discloses the details of its verification.

The standards for exercising voting rights regarding the Company's cross-shareholdings are as follows.

- (1) In principle, voting rights shall be exercised on all proposals.
- (2) We will determine approval or disapproval for each proposal from the perspective of increasing the mid- to long-term corporate value of the company of which we maintain cross-shareholding, also taking into consideration the business conditions of the company. In particular, we will exercise an even greater examination and make a more cautious judgement with regard to proposals relating to matters such as corporate restructuring including mergers, the presentation of retirement benefits to officers by companies with a sluggish business performance, capital increase by means of third-party allotment, and the introduction of anti-takeover measures.

In the event that the Company is advised of the intention by a company holding the Company's shares as cross-shareholdings (Cross-Shareholder) to sell said shares, the Company shall accept this.

Even in cases where the Company engages in transactions with the Cross-Shareholder, the Company considers the economic rationale of such transactions to be its highest priority.

#### **[1-5 Anti-Takeover Measures]**

The Company does not currently adopt any anti-takeover measures, however, in cases where such measures are adopted in the future, the Board of Directors will thoroughly examine their necessity and rationale, and provide explanations to the shareholders.

In the event that a tender offer is made for shares in the Company, the Board of Directors' views on the offer will be promptly disclosed.

#### **[1-6 Capital Policy that May Harm Shareholder Interests]**

The Company does not currently expect to implement any capital policy resulting in a change of control or significant dilution, however, if it does so in the future, in order not to unfairly harm the existing shareholders' interests, the Board of Directors will thoroughly examine the necessity and rationale, and provide an explanation to shareholders.

### **[1-7 Related Party Transactions]**

In the event that the Company engages in transactions with its officers or major shareholders, etc. (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the Company or the common interests of its shareholders, it is specified in the Regulations of the Board of Directors that the approval of the Board of Directors is required, and in the Audit Criteria of the Audit and Supervisory Committee with respect to auditing and approval of conflict of interest transactions, etc. The Company's Board of Directors monitors such transactions in line with these procedures.

## **2. Appropriate Cooperation with Stakeholders Other Than Shareholders**

### **[2-1 Management Principles as the Foundation of Corporate Value Increase Over the Mid- to Long-Term]**

The Company formulates its "Corporate Motto" and "Corporate Philosophy" as the management principles forming the basis for increasing its corporate value over the mid- to long-term.

Corporate Motto, Corporate Philosophy:

<https://www.nishimatsu.co.jp/eng/company/philosophy.html>

### **[2-2 Code of Conduct]**

The Company establishes the "Code of Conduct" and "CSR Management Policy" based on its "Corporate Motto" and "Corporate Philosophy" referred to above, and implements them accordingly. It also conducts regular reviews each year to verify whether the Code of Conduct is being widely implemented by all the Company's employees.

Code of Conduct: <https://www.nishimatsu.co.jp/eng/company/philosophy.html>

CSR Management Policy: <https://www.nishimatsu.co.jp/eng/esg/policy.html>

### **[2-3 Sustainability Issues, Including Social and Environmental Matters]**

The Company responds appropriately to sustainability issues, including social and environmental matters.

The Board of Directors recognizes that dealing with sustainability issues, such as taking care of climate change and other global environmental issues, respect of human rights, caring for the health and working environment of the workforce, and the establishment of a collaborative system with supply chains into the future, are important management issues that can lead to earning opportunities as well as risk mitigation. For this reason, it positions sustainability as a key strategy in the “Nishimatsu-Vision 2030” and “Midterm Management Plan 2025,” and positively and proactively works toward addressing these issues.

Integrated Report: <https://www.nishimatsu.co.jp/eng/esg/report/>

Environmental Initiatives: <https://www.nishimatsu.co.jp/eng/esg/environment/climate.html>

### **[2-4 Ensuring Diversity, Including the Active Participation of Women]**

#### **(1) Policies for Ensuring Diversity, Human Resource Development and Internal Environment Development**

The Company has positioned “diversity & inclusion” as one of the pillars of our human resources strategies, and actively recruited human resources with diverse values, knowledge, and experience and promoted them to leadership positions in order to achieve our Corporate Philosophy and Vision. At the same time, we have worked to create an environment in which they can demonstrate their abilities to the fullest.

Toward the achievement of the “Nishimatsu-Vision 2030” and “Midterm Management Plan 2025,” the Company will continue to strive to recruit, develop, and promote diverse human resources, as well as work to implement measures to transform differences in values, abilities, and work styles of individual employees into strengths that contribute to an increase in corporate value, including creating a culture that encourages further use of systems that enable flexible work styles, to promote value creation activities.

#### **(2) Voluntary and Measurable Goals for Ensuring Diversity**

With regard to promotion of women to middle managerial positions, we will provide explanation on the Company-specific background to the matter and current status as a construction company, and then disclose numerical goals. In terms of promotion of midcareer hires and foreign nationals to middle managerial positions, we will explain solely about the current status, as no numerical goal has been set. Going forward, the Company will start discussion on the establishment of numerical goals, after considering various factors such as business fields and overseas development.

## **[2-5 Whistleblowing]**

The Company establishes an internal whistleblower system as described below to enable employees, etc. to report illegal or inappropriate behavior, information relating to disclosure of information, or other serious concerns without fear of being subject to disadvantageous treatment, and to allow for an objective assessment and appropriate response to reported information and concerns.

- (1) Contact points (internal and external) are established for reporting, which may be used by officers and employees of the Nishimatsu Construction Group and their families. The operation of the external contact point is outsourced to an external specialist company, and anonymity is ensured.
- (2) The “Nishimatsu Hotline” is set up on our website, which serves as a contact point for our partner companies.
- (3) Internal rules are established to prevent persons who have made reports from being subjected to disadvantageous treatment, and thereby ensures the effectiveness of the whistleblower system.
- (4) The Compliance Committee chaired by an outside expert deals with compliance issues that have been raised through whistleblowing.
- (5) The Board of Directors receives reports from the Compliance Committee and supervises the status of the whistleblower system’s operations.

## **[2-6 Roles of a Corporate Pension Fund as an Asset Owner]**

In order to demonstrate the roles expected as an asset owner of a corporate pension fund, the Company assigns employees with specialized knowledge and experience to the Personnel Department, which is the Secretariat for corporate pension fund management, and strives to improve those functions by having said employees attend various seminars held by financial institutions handling pension fund business and consulting companies. On the operational side, the Retirement Benefit System Steering Committee implements initiatives such as the regular monitoring of the status of operations.

The Company will appropriately manage conflicts of interest that may arise between the beneficiaries of the corporate pension fund and the Company.

## **3. Ensuring Appropriate Information Disclosure and Transparency**

### **[3-1 Full Disclosure]**

#### **(1) Proactive Provision of Information**

The Company carries out appropriate and timely information disclosure in accordance with laws and regulations and the rules of the Tokyo Stock Exchange. It also strives to actively provide information beyond that required by laws, etc. as set forth below.

a. Management Principles, etc., Management Strategy, and Management Plan

The Company publishes its “Corporate Motto,” “Corporate Philosophy,” “Code of Conduct,” “CSR Management Policy,” “Nishimatsu-Vision 2030,” “Midterm Management Plan 2025,” and other information on its website.

The Company’s website (Japanese): <https://www.nishimatsu.co.jp/>

The Company’s website (English): <https://www.nishimatsu.co.jp/eng/>

b. Policies and Procedures for Determining Compensation for the Management and Directors  
(Compensation for executive directors and Executive Officers)

The compensation of executive directors and Executive Officers consists of basic compensation and performance-linked compensation. The compensation of Outside Directors (excluding those who are Members of the Audit and Supervisory Committee) consists solely of basic compensation.

Basic compensation is fixed compensation (monthly compensation) that is determined based on position, and the amount of employee salary and the industry average, etc. are taken into consideration when calculating the said compensation.

Performance-linked compensation is variable compensation that is determined in accordance with the degree of achievement of the performance targets. The performance-linked compensation that forms the base is established for each position and multiplied by the performance-linked coefficient to calculate the amount to be paid. To calculate the amount to be paid, evaluation indices that contribute to an increase in corporate value are set for each position and job title, and the degree of achievement of the targets and the performance compared with the previous fiscal year are evaluated each fiscal year.

Performance-linked compensation is separated into monetary compensation paid as a short-term incentive, and share-based compensation paid as a long-term incentive. Monetary compensation is paid in July each year as a bonus, and share-based compensation is granted in June each year in the form of conversion points through a stock benefit trust, and shares equivalent to the accumulated points are paid when an officer retires.

The ratios of basic compensation and performance-linked compensation are to be set appropriately, based on trends among other companies in the same industry and taking into account factors such as the Company’s management strategy, the business environment, responsibilities, and the degree of difficulty in achieving the targets. In addition, the ratio of monetary compensation to share-based compensation in performance-linked compensation is 1:1. A minimum amount of compensation for share-based compensation is established, which is the same as the minimum amount of performance-linked compensation.

Based on the above policies, the President prepares the proposals, and the Company consults the Nominating and Compensation Committee, and after receiving the report from the Committee, the compensation is determined by the Board of Directors (basic compensation is determined in March each year and performance-linked compensation is determined in June each year).

(Compensation of Directors who are Members of the Audit and Supervisory Committee)

Compensation of Directors who are Members of the Audit and Supervisory Committee consists solely of basic compensation, and is determined by consultation with all the Directors who are Members of the Audit and Supervisory Committee, taking into consideration the compensation of the executive directors and the industry average, etc.

c. Policies and Procedures for Appointment or Dismissal of the Management and Nomination of Candidates for Director

Candidates for Director and Executive Officers shall be appointed from among persons who have extensive knowledge, experience and abilities, as well as outstanding character and high ethical standards.

Candidates for executive director shall be appointed from among persons who have extensive knowledge and experience in the Company's business, or who have superior knowledge of finance and accounting, etc.

Candidates for Director who is a Member of the Audit and Supervisory Committee shall be appointed from among persons the Company determines to be able to audit and supervise appropriately, with emphasis on their expertise and career history.

Candidates for Outside Director shall be appointed with emphasis on their independence from the Company, and efforts are made to appoint persons with specialized knowledge and persons with experience in corporate management, etc. Also, diversity of the Board of Directors is taken into consideration.

A mandatory retirement system for executive directors and Executive Officers is established, and a maximum term of office is put in place for Directors who are Members of the Audit and Supervisory Committee, Outside Directors, and Executive Officers.

Based on these policies, the President and Director prepares the proposals, and the Company consults the Nominating and Compensation Committee, and after receiving the report from the Committee, the appointments are determined by the Board of Directors.

The dismissal of Executive Officers, including the President, shall be determined by the Board of Directors upon deliberation by the Nominating and Compensation Committee, based on the dismissal criteria and procedures stipulated in the Regulations of the Executive



Officers.

d. Explanation of Appointment, Dismissal and Nomination of Candidates for Director

The reasons for the appointment, dismissal and nomination of individual candidates for Director are stated in the notice of the general meeting of shareholders.

(2) Full Disclosure

The Company strives to ensure that the disclosures of information add value for investors and provides necessary information in the disclosure documents in English.

When disclosing management strategies, the Company appropriately discloses its initiatives on sustainability. It also provides information on investments in human capital and intellectual properties, while being conscious of the consistency with its own management strategies and issues. The Company collects and analyzes the necessary data on the impact of climate change-related risks and earning opportunities on its business activities and profits, and enhances the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.

**[3-2 External Accounting Auditors]**

The Audit and Supervisory Committee appropriately selects candidates for External Accounting Auditor and establishes criteria for appropriate evaluation of the External Accounting Auditor. It also confirms whether the External Accounting Auditor has the required independence and expertise.

The Board of Directors and the Audit and Supervisory Committee examine the number of auditors and the audit schedule, etc. based on the External Accounting Auditor's audit plan and confirm whether they are appropriate. They also identify changes to the audit environment during the accounting period on a need basis, and confirm whether an appropriate amount of time for auditing is ensured.

Directors participate in the discussions of corporate managers held by the External Accounting Auditor, and exchange opinions with regard to corporate risk, evaluation of internal control, and key audit items, etc.

The Audit and Supervisory Committee and the Audit Department, which is an internal audit department, engage in mutual exchanges of opinions with the External Accounting Auditor on audit plans of the other party and regularly conduct audit reporting, in order to cooperate with the External Accounting Auditor.

The Board of Directors and the Audit and Supervisory Committee make efforts to ensure that the audit environment of the External Accounting Auditor is appropriate, and to respond appropriately to requests from the External Accounting Auditor in relation to irregularities identified by the External Accounting Auditor.

#### **4. Responsibilities of the Board of Directors**

##### **[4-1 Roles and Responsibilities of the Board of Directors (1) (The Company's Strategic Direction)]**

###### **(1) Formulation of Mid- to Long-Term Management Strategy and Midterm Management Plan**

The Board of Directors carries out constructive discussion of mid- to long-term management strategies and management plans, etc. and sets strategic directions for mid- to long-term management issues.

Based on the "Midterm Management Plan," each of the business divisions' plans are carried out mainly by the executive directors and Executive Officers. Progress is monitored in the Management Meeting and reported to the Board of Directors. The Board of Directors requests that the executive directors and Executive Officers revise the plans as necessary.

If the targets of the Midterm Management Plan are not achieved, the reasons, etc. will be thoroughly analyzed, an explanation will be provided to the shareholders, and the analysis will be reflected in the Midterm Management Plan for the next and subsequent periods.

###### **(2) Outline of Scope of the Matters Delegated to the Management**

The Board of Directors deliberates and determines matters specified in the Regulations of the Board of Directors, in addition to important management issues including the basic management policy as well as matters stipulated by laws and regulations and in the Articles of Incorporation. With regard to decision-making authority over matters other than those to be resolved by the Board of Directors, the Rules for the President and General Managers Meeting are established, among other rules, and the decision-making authority is delegated to executive directors and others at the President and General Managers Meeting.

###### **(3) Plans for Successors of the Chief Executive Officer, etc.**

The Board of Directors shall clearly state the qualities and abilities required of candidates for the next President in the form of Requirements of Candidates for President, and shall consult with the Nominating and Compensation Committee to receive a report. The Requirements of Candidates for President will be reviewed as appropriate.

Based on the Requirements of Candidates for President, the Board of Directors shall select multiple candidates for the next President from among officers and employees, and shall consult with the Nominating and Compensation Committee to receive a report.

The Board of Directors shall formulate an education and training plan for the selected candidates for next President.

## **[4-2 Roles and Responsibilities of the Board of Directors (2) (Establishment of an Environment that Supports Appropriate Risk-Taking)]**

### **(1) Support for Decision-Making of the Management**

When proposals are made by the management, including executive directors or Executive Officers, with respect to matters that should be resolved by the Board of Directors, the Board of Directors collects and analyses information on the reasons for the proposals and the background circumstances, and makes rational decisions. It also supports prompt and decisive decision-making by the management when approved proposals are to be implemented, and creates systems for the implementation of such proposals.

### **(2) Compensation for the Management**

The Company designs the compensation system in accordance with objective and transparent procedures, and the Board of Directors decides specific amounts of compensation after deliberation by the Nominating and Compensation Committee.

The Company has introduced a performance-linked compensation plan so that compensation for executive directors and Executive Officers functions as a sound incentive for sustainable growth. Performance-linked compensation is variable compensation that is determined in accordance with the degree of achievement of the performance targets. The performance-linked compensation that forms the base is established for each position and multiplied by the performance-linked coefficient to calculate the amount to be paid. To calculate the amount to be paid, evaluation indices that contribute to an increase in corporate value are set for each position and job title, and the degree of achievement of the targets and the performance compared with the previous fiscal year are evaluated each fiscal year.

Performance-linked compensation is separated into monetary compensation paid as a short-term incentive, and share-based compensation paid as a long-term incentive. Monetary compensation is paid in July each year as a bonus, and share-based compensation is granted in June each year in the form of conversion points through a stock benefit trust, and shares equivalent to the accumulated points are paid when an officer retires.

### **(3) Initiatives on Sustainability**

From the perspective of increasing corporate value over the mid- to long-term, the Board of Directors formulates basic policies for initiatives on sustainability and effectively supervises the allocation of management resources based on the policies, and the implementation of the business portfolio strategies.

#### **[4-3 Roles and Responsibilities of the Board of Directors (3) (Highly Effective Supervision of the Management)]**

The Board of Directors views the highly effective supervision of the management and Directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It evaluates the status of progress of the Midterm Management Plan and business results, etc. and reflects the evaluation in its assessment of the management and Directors.

The Board of Directors nominates a Director in charge of Investor Relations and conducts supervision to ensure that timely and accurate information disclosure is provided by the person in charge of Information Management. It also appropriately establishes internal control and company-wide risk management systems and supervises the status of their operations by utilizing an internal audit department.

The Board of Directors appropriately manages conflicts of interest between related parties of officers and major shareholders, etc. and the Company. Procedures with respect to such matters are specified by the Regulations of the Board of Directors, etc.

The Board of Directors establishes objective, timely and transparent procedures for the appointment or dismissal of Executive Officers, including the President, and clarifies these in the Regulations of the Executive Officers.

#### **[4-4 Roles and Responsibilities of the Audit and Supervisory Committee]**

The Company's Audit and Supervisory Committee is comprised of five Directors who are Members of the Audit and Supervisory Committee (including four Outside Directors). In addition, in an effort to strengthen the audit system and information collection system, a person from within the Company serves as a Full-Time Member of the Audit and Supervisory Committee.

Directors who are Members of the Audit and Supervisory Committee are aware of their authority and responsibilities pursuant to laws and regulations, and bearing in mind their fiduciary responsibilities to shareholders, appropriately audit and supervise the execution of Directors' duties from an independent and objective standpoint. They also positively and actively exercise their authority and appropriately express their views on management and audit issues to the executive directors.

Outside Directors who are Members of the Audit and Supervisory Committee receive appropriate reports with respect to the status of audits and other matters from the Full-time Member of the Audit and Supervisory Committee and collect information in cooperation with the dedicated staff of the Secretariat of the Audit and Supervisory Committee.

#### **[4-5 Fiduciary Responsibilities of Directors]**

Directors, with due attention to their fiduciary responsibilities to shareholders, secure the appropriate cooperation with stakeholders and act in the interests of the Company and the common interests of its shareholders.

#### **[4-6 Business Execution and Oversight of the Management]**

The Company appoints six Directors who are non-executive directors, including five Outside Directors. Also, all Outside Directors serve as members of the Nominating and Compensation Committee, which is an advisory body to the Board of Directors.

Through the involvement of the non-executive directors in relation to nomination and compensation, the Company strives to create an appropriate management system and ensure objectivity and transparency in determining compensation. In this way, the effectiveness of independent and objective management supervision by the Board of Directors is ensured.

#### **[4-7 Roles and Responsibilities of Independent Outside Directors]**

The Company makes effective use of Independent Outside Directors and establishes the following as the roles and responsibilities to be carried out by them.

- (1) Provision of appropriate advice on management policies and management improvement based on their knowledge and experience;
- (2) Supervision of management through important decision-making of the Board of Directors including the appointment and dismissal of the management;
- (3) Supervision of conflicts of interest between the Company and the management or controlling shareholders, etc.; and
- (4) Appropriate representation of the views of minority shareholders and other stakeholders at meetings of the Board of Directors from a standpoint independent of the management and controlling shareholders.

#### **[4-8 Effective Use of Independent Outside Directors]**

The Company, in accordance with the Criteria for Determining the Independence of Outside Directors, appoints at least one-third of Directors as Independent Outside Directors who have been judged to be independent from the Company and to have no risk of conflict of interest with the general shareholders. Communication and coordination, etc. between Outside Directors and the management is handled by the Secretariat of the Audit and Supervisory Committee and the Administration Department.

#### **[4-9 Criteria for Determining the Independence and Qualifications for Independent Outside Directors]**

The Company, to ensure the independence of candidates for Outside Director, formulates and discloses the Criteria for Determining the Independence of Outside Directors. Furthermore, in addition to use of the Criteria for Determining the Independence of Outside Directors, the Company makes efforts to select Independent Outside Director candidates who can be expected to contribute to frank, active and

constructive discussions at meetings of the Board of Directors.

Criteria for Determining the Independence of Outside Directors:

<https://www.nishimatsu.co.jp/eng/company/governance.html>

#### **[4-10 Use of Optional Approach]**

The Company establishes the Nominating and Compensation Committee, an independent, optional advisory body to the Board of Directors, whose main members are Independent Outside Directors, with the aim of building an appropriate management system and ensuring management transparency, and obtains the appropriate involvement and advice of the Committee.

The Nominating and Compensation Committee, in response to requests of consultation from the Board of Directors, nominates candidates for Directors, appoints and dismisses Representative Directors, appoints and dismisses the President, promotes, demotes and dismisses Executive Officers, and reports on individual compensation for Directors and Executive Officers, etc.

In order to ensure its independence, the Nominating and Compensation Committee has a total of seven members, five of whom are Outside Directors, and two of whom are executive directors. The Committee is chaired by an Outside Director.

#### **[4-11 Preconditions to Ensure the Effectiveness of the Board of Directors and the Audit and Supervisory Committee]**

(1) Board of Directors and Audit and Supervisory Committee

1) Board of Directors

The Company, by having a small number of Directors and introducing an executive officer system, strives to accelerate decision-making in relation to management by the Board of Directors and strengthen its business execution system. Also, by increasing the proportion of Outside Directors on the Board of Directors, it works to improve supervision over the Board of Directors.

The Board of Directors is comprised of eleven persons, five of whom are executive directors serving as the President, General Manager of Civil Engineering Division, General Manager of Building Division, General Manager of Asset Value-Added Business Division and General Manager of Management Division, as well as one Outside Director who is not a Member of the Audit and Supervisory Committee. The remaining five are Directors who are Members of the Audit and Supervisory Committee, including four Outside Directors.

Candidates for Director shall be appointed from among persons who have extensive knowledge, experience and capabilities, as well as outstanding character and high ethical standards.

Candidates for executive director shall be appointed from among persons who have extensive knowledge and experience in the Company's business, or who have superior knowledge of finance

and accounting, etc.

Candidates for Director who is a Member of the Audit and Supervisory Committee shall be appointed from among persons whom the Company deems capable of appropriate audits and supervision, with emphasis on their expertise and career history.

Candidates for Outside Director shall be appointed with emphasis on their independence from the Company, and efforts are made to appoint persons with specialized knowledge and persons with experience in corporate management, etc. Also, diversity of the Board of Directors is taken into consideration.

The Company establishes a mandatory retirement system for its Directors (excluding Directors who are Members of the Audit and Supervisory Committee and Outside Directors), in order to prevent a stiff hierarchy among the Board of Directors.

The Company consults the Nominating and Compensation Committee in relation to the nomination of candidates for Director and makes decisions in meetings of the Board of Directors after receiving the report from the Committee, in order to contribute to the establishment of an appropriate management system. In addition, the Company discloses a so-called “skill matrix” that lists knowledge, experience and capabilities, etc. possessed by each candidate for Director.

## 2) Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of five Directors who are Members of the Audit and Supervisory Committee (four of whom are Outside Directors).

Candidates for Outside Director who is a Member of the Audit and Supervisory Committee shall be appointed with emphasis on independence from the Company, and efforts are made to appoint persons with specialized knowledge and persons with experience in corporate management, as well as persons with suitable knowledge regarding finance and accounting.

The Company establishes a Secretariat of the Audit and Supervisory Committee and places dedicated staff in the Secretariat who are not subject to the instructions and orders of Directors other than those who are Members of the Audit and Supervisory Committee. In addition, a system is established of cooperation between the Secretariat of the Audit and Supervisory Committee and each department in conducting investigations and collecting information required for auditing, in order to ensure the effectiveness of the instructions by Audit and Supervisory Committee Members.

## (2) Directors' Concurrent Positions

In cases where a Director holds a concurrent position as an officer of another listed company, the Company does not set a limit on the number of concurrent positions held, because roles and responsibilities are different for the respective entities where he/she holds concurrent positions due to the scale of entities, etc. On the other hand, the Company selects candidates for Director after adequately investigating their concurrent positions and ensuring that the candidates are able to appropriately fulfill their roles and responsibilities as a Director of the Company.

The Company discloses the Directors' concurrent positions in its securities reports and business reports.

## (3) Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole

To confirm whether the Board of Directors is appropriately carrying out its role in the Company's sustainable growth and the increase of its corporate value, analysis and evaluation of the effectiveness of the Board of Directors is performed once every year, and efforts are made toward enhancing the functions of and making improvements to the Board of Directors.

An outline of the results of the analysis and evaluation of the effectiveness of the Board of Directors is disclosed in the Corporate Governance Report.

### **[4-12 Active Board Deliberations]**

The Company's Board of Directors is comprised of a small number of persons in order for active deliberations, that is, free, open-minded and constructive discussions and exchanges of views to take place. Creation of an environment in which it is easy for Outside Directors to state their opinions without reserve is also taken into consideration.

Of matters to be resolved by the Board of Directors, important matters mainly for sustainable growth are deliberated in advance at the President and General Managers Meeting, where main points are sorted out, and proposals are submitted to the Board of Directors.

In principle, materials for meeting of the Board of Directors are distributed by five business days prior to the meeting of the Board of Directors, and the Company responds appropriately to enable Directors to obtain materials other than those for the meetings of the Board of Directors whenever necessary.

The Company determines the yearly schedule of meetings of the Board of Directors in advance and notifies Directors in advance.

In principle, meetings of the Board of Directors are held once every month and on the date of disclosure of final settlement of accounts, at the time of the decision to convene a general meeting of shareholders, and after a general meeting of shareholders. Also, by holding extraordinary meetings of the Board of Directors as necessary, etc. the required time for deliberation is ensured.



#### **[4-13 Information Gathering and Support System]**

Directors make efforts to proactively acquire information and share information held by them, in order to fulfill their roles and responsibilities.

The Company establishes a system whereby important documents, such as documents for requesting approval and financial accounting data, are available for inspection by all Directors at any time. Furthermore, to ensure that adequate information is provided to Outside Directors who are Members of the Audit and Supervisory Committee, the Company establishes a system in which Directors who are Full-Time Members of the Audit and Supervisory Committee and dedicated staff of the Secretariat of the Audit and Supervisory Committee report and provide support to them as appropriate.

The Company created a system where the Audit Department, which is an internal audit department, directly reports to the Board of Directors and the Audit and Supervisory Committee. Aside from this reporting, Directors and the Audit Department work to cooperate through the Risk and Opportunity Management Committee, which monitors the internal controls over financial reporting and conducts business risk management. Furthermore, the Audit and Supervisory Committee Members and the Audit Department cooperate through mutual exchanges of opinions on audit plans of the other party and regularly conduct audit reporting.

If a Director determines that it is necessary to utilize an external expert to fulfill his/her responsibilities, the Company covers the costs after undertaking the prescribed procedures.

#### **[4-14 Director Training]**

The Company takes measures including holding group training by external instructors and e-Learning for all Directors, including new Directors, and providing information on external seminars, and thereby supports their learning of required knowledge.

Directors actively utilize these opportunities to deepen their understanding of their roles and responsibilities, and they make efforts to learn required knowledge and appropriately update their training, etc.

Executive directors are tasked with adequately explaining the Company's business, organization, and financial situation, etc. to newly appointed Outside Directors.

### **5. Dialogue with Shareholders**

#### **[5-1 Policy for Constructive Dialogue with Shareholders]**

##### **(1) Policy and System Regarding Constructive Dialogue with Shareholders**

The Company strives for its sustainable growth and to increase its corporate value over the mid- to long-term through constructive dialogue with shareholders.

The Company nominates a Director in charge of Investor Relations to promote constructive dialogue with shareholders, and fosters mutual cooperation between the Corporate Planning,

Administration, Accounting and other related departments, in which the Director in charge of Investor Relations plays a central role.

The General Affairs Department serves as the point of contact and responds to requests for meetings from institutional investors. If it is judged necessary, taking into consideration the purpose of the meeting, the importance of its content, the attributes of the person requesting the meeting, and other factors, the meeting will be handled by the Director in charge of Investor Relations.

The Company holds financial briefings for institutional investors and analysts twice a year, in addition to holding explanatory meetings when it establishes its Midterm Management Plan and at other times as necessary. The President and the Director in charge of Investor Relations provide explanations at these briefings and meetings.

The Director in charge of Investor Relations reports accordingly to the Board of Directors the opinions obtained during the dialogue with shareholders. The Board of Directors then looks into these opinions, as necessary, and strives for the Company's sustainable growth and to increase its corporate value over the mid- to long-term.

The Insider Trading Management Rules are strictly applied with respect to insider information, and the Director in charge of Investor Relations makes efforts with the person responsible for Information Management to prevent the leakage of information.

The Company will disclose information in a timely, appropriate and fair manner to all shareholders from the perspective of fair disclosure. In order to prevent unauthorized disclosure of the financial closing information and to ensure fairness of the disclosure of information, the Company observes a silent period. The silent period begins at the following day of each reporting period and ends at the publication of the quarterly financial report or financial report release. During the silent period, the Company will neither answer nor comment to enquiries about the Company's financial performance.

## (2) Identifying the Composition of Shareholders

The Company makes an effort to know the composition of its shareholders based on the register of shareholders, and endeavors to ascertain its substantial shareholders through investigation by an external investigative entity.

### **[5-2 Establishing and Disclosing Management Strategy and Management Plan]**

The Company sets forth its target vision as a company as well as its management objectives, etc. in its "Nishimatsu-Vision 2030" and "Midterm Management Plan 2025," after accurately identifying its capital cost. It also sets basic policies for the business portfolio and revision of the business portfolio, along with strategies and target figures, etc. for each business division and announces them.

Nishimatsu-Vision 2030: <https://www.nishimatsu.co.jp/eng/ir/library/plan.html>

Midterm Management Plan 2025: <https://www.nishimatsu.co.jp/eng/ir/library/plan.html>