

External Director Roundtable Discussion



Toshihiro Kubo

Hidetaka Matsuzaka

Noriko Suzuki

Yayoi Ito

Hopes are high that the new president's reform skills will lead to accelerated decision-making and execution

As far as corporate governance at Nishimatsu Construction is concerned, in what areas do you think improvements have been made and in what areas do you think improvements are still needed? Also, Director Ito, one year has passed since you took up your position, so please share your thoughts on Nishimatsu Construction's governance.

Kubo: Last year, having ascertained the situation at worksites, I spoke of my desire to accelerate management decision-making. The proactive approach taken by worksites and branch offices is also one of Nishimatsu Construction's strengths. When problems arise, however, they are dealt with only within the relevant branch office or business division, and there is insufficient timely and accurate information gathering at Head Office, which can result in delayed action when a Company-wide response is required. For example, the recent rise in the prices of construction materials must be dealt with appropriately as a Company-wide effort, not just within single business divisions. Securing human resources amid a declining workforce is also an urgent issue, and there is still room for

improvement in terms of quickly consolidating information from across the Company and taking the necessary measures.

Matsuzaka: What I have consistently wanted to say is that you should acquire sufficient fundamental skills necessary for practical application. The external environment is changing more rapidly, and even if you are able to achieve the level that is currently required, it could be a negative if you are only at the same level or have made little progress a year from now. Another point is that I would like everyone in the Company to go beyond sectionalism and have a sense of "for the good of



External Director Hidetaka Matsuzaka

Mr. Matsuzaka has extensive experience in business management at Osaka Gas Co., Ltd, both within and outside Japan, and in corporate management as Representative Director of Osaka Gas Co., Ltd. He was appointed as an external director of the Company in June 2022.

External Director Noriko Suzuki

In addition to her expertise as a certified public accountant, Ms. Suzuki has extensive experience in accounting in the real estate industry. She was appointed as an external director of the Company in June 2021. She mainly provides advice in finance, accounting, and real estate matters.

External Director Toshihiro Kubo

Mr. Kubo has experience in environment-related businesses and corporate divisions at Kubota Corporation. He has extensive experience in corporate management as Representative Director of Kubota Corporation. He was appointed as an external director of the Company in June 2022.

External Director Yayoi Ito

In addition to a wealth of experience gained during her tenure at NTT DATA Corporation and other companies, Ms. Ito possesses extensive knowledge of ICT. She was appointed as an external director of the Company in June 2023.

Nishimatsu Construction as a whole" and I feel that on this point positive changes are gradually taking place.

Suzuki: Last time, I mentioned that because Nishimatsu Construction is a company that takes itself very diligently, its employees tend to be slow to respond to urgent issues because they try to tackle them carefully from the outset. However, my honest impression is that the situation hasn't changed much even now, a year later. It is desirable for any matters raised at Board of Directors' meetings that require consideration or improvement be acted on one by one with a sense of urgency.

Ito: Now that more than a year has passed since I assumed the position of external director, I have gained the sense that Nishimatsu Construction is a very serious and honest company. One area that seems to be lacking and in which I would like to see improvement is in project management-style thinking, which involves identifying issues, taking measures, checking the results, and then moving on to the next step. Another thing is that there are apparently not many personnel transfers between divisions. In promoting projects that involve collaboration across divisions and Company-wide efforts, I believe that further growth could be targeted in particular by the management team engaging with more of a bird's-eye view.

President Hosokawa took office in 2024. Following the appointment of the new president, please share your thoughts on Nishimatsu Construction's succession plan. We would also like to hear about the changes in management structure and what expectations you have of the new president.

Matsuzaka: I think a change in leadership is a very positive thing, because it gives rise to new ways of thinking. President Hosokawa himself is very enthusiastic about reform, so in that sense I have high hopes for the capabilities of the new president. However, implementing reforms often requires going against the work of those who have gone before us, so I have

told President Hosokawa not to shy away from this. I am very excited to see how he will change the current system.

Suzuki: For the process of appointing a president, the selection of a successor was carried out in line with the plan for the development of the next generation of management, with progress reports submitted to the Nomination and Compensation Committee on several occasions throughout the year. Each time, I was provided with information about the candidates' thoughts and the changes that had occurred through training, so although the decision was made by management, even as an external director I am satisfied with the selection of the new president. However, a year will pass in the blink of an eye, so we will continue to move forward with our efforts toward change as quickly as possible and hope that the Company will feel free to consult with us if any advice is needed.



Ito: Nishimatsu Construction's succession plan allows us to follow the process and receive progress reports from an early stage, and I think it is quite comprehensive when compared with other companies' plans. I understand that the members who participated in the succession plan this time have appealingly grown in terms of their development following various training sessions, which made for a very good process. Going forward, I think it will be important for these members to form the management team around President Hosokawa and for all to work together to support him and make the most of his strong points.

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Kubo: I also believe that Nishimatsu Construction's succession plan is very advanced, as selection was made over a period of two years and included third-party evaluations. As an external director, I have high expectations for President Hosokawa, who was selected through this process. I would like him to demonstrate strong leadership, proactively work to convey messages to all employees, and move in the direction toward he himself is aiming.



Matsuzaka: I believe that the qualities required of a leader are courage and the ability to explain. The strategies themselves can even be thought up by someone other than the president, but in times of emergency it will be the words of the top executive himself that are needed the most. It is extremely important to have the courage to remain calm and possess the ability to explain things, as not doing so could lead to crucial problems. It is for those reasons that I recommend that these two factors be included in future selection processes.

Ito: As presidents have the role of speaking to the outside world as the public face of this or that company, it would be desirable for them to be people with broad and unbiased perspectives. Having nerves of steel is another necessary prerequisite.

At the start, you mentioned that securing human resources is an urgent issue. I would like to ask if you have any suggestions for the current situation and policies at Nishimatsu Construction with regard to human capital initiatives and productivity improvements.

Ito: From a recruitment perspective, I think it might be a good idea to try to appeal to people more and attract more attention so that, regardless of whether they are newly graduated or mid-career, the number of applicants increases. As I mentioned at the beginning, after joining the Company they will need opportunities to broaden their horizons through personnel transfers and interaction between divisions. If you can

make it so that employees get to see their work from other departments, they will have learned a lot when they return to their original jobs, and it will also provide opportunities to monitor other companies and industries. Right now, I think it is important for Nishimatsu Construction to increase not only the number of highly specialized personnel but also the number of personnel who possess broader perspectives.

Kubo: Now that it has become difficult to secure human resources, you need to make efforts to become a highly attractive "company that brings people together." For example, as digitalization advances, the barriers between traditional fields such as civil engineering, building, and administration will dissipate. As people will be able to work without being limited to a specific field, you should also consider new ways of utilizing human resources, such as hiring people from a broad range of fields rather than being limited to a specific specialty. If all goes well, that may make people interested in your company and prompt them to be among those people who Nishimatsu Construction is bringing together.

Matsuzaka: General contractors carry out their work in partnership with a host of subcontractors, and Nishimatsu Construction alone is unable to accomplish all the tasks involved in a project. Nowadays, supposing that the Company were even to successfully receive an order, there may be cases in which concerns would be raised with regard to securing the variety of specialized construction companies to work on the project. Unless you take steps to secure human resources in the supply chain, such as addressing the shortage of skilled construction workers, which it is feared will become progressively critical in the industry, you will not be able to receive stable orders, and the sustainability of your business will become uncertain.

Suzuki: As was recently reported in the news, the government is trying to further accelerate women's participation in the workforce. Due to the nature of the industry in which it operates, Nishimatsu Construction has precious few female managers, so achieving the targets that have now been adopted will not be easy. However, I believe that gradually increasing the number of female managers in response to social demands and becoming a company where diverse human resources can play active roles will lead to improved employee engagement and ultimately to the securing of human resources.

Now that Nishimatsu Construction is marking its 150th anniversary, what issues do you think the Company needs to address to continue to grow sustainably in the years to come?

Kubo: As I said at the beginning, as corporate activities involve responding to changes in the environment, I think it all comes down to increasing the speed of decision-making and accelerating changes. In that case, and in the context of what to do, management should discuss and decide upon a course of action depending on the times.

Matsuzaka: It's all about building basic skills. If everyone in the Company regularly communicates with those around them, understands the content and significance of the tasks they need to undertake, and then takes action, this accumulation will naturally build up a foundation of skills that can be applied in other ways. I believe that this will lead to the Company being able to survive for the next 150 years.

Suzuki: I would like to see Nishimatsu Construction retain the good qualities it has cultivated over the years—including its diligence and relationships of trust with local communities and its customers—but, as Mr. Kubo said, increase the speed at which it can adapt to change. I also think it will be necessary to change the organizational culture from one that is merely a collection of individual worksites to one where each site is supported by the combined strength of the Company as a whole.

Ito: Looking at the world, I feel that every industry is currently at a major turning point. Amid an environment that is dramatically changing, to continue to grow Nishimatsu Construction will have to add new elements to its current efforts. I hope that the management team and we external directors will work together to determine which option is best and consider the decisions and paths that will enable the Company to survive and grow.



Message from the Appointed External Director



External Director (Audit and Supervisory Committee Member)
Hajime Oshita

In addition to the wealth of experience from his time at JFE Engineering Corporation, he possesses broad knowledge cultivated as Representative Director, President and CEO of JFE Engineering Corporation and Director of JFE Holdings, Inc. Mr. Oshita was appointed an external director of the Company in June 2024.

I want to assist in resolving the problems surrounding the construction industry by utilizing my experience and common perspectives from the engineering industry.

My name is Hajime Oshita and I have recently been appointed as an external director. Having been in the engineering industry for about 40 years, I have been able to gain a wealth of experience in areas such as accounting, sales, overseas business, and recycling. Since taking on management roles, I have focused on sustainability issues such as diversity, corporate culture reform, and personnel system reform.

I believe that the engineering industry has some things in common with the construction industry, but also some areas where our perspectives are slightly different. At the present time, the construction industry is facing many challenges, such as work style reform and the rapid increases in material and construction costs. There are also medium- to long-term challenges, such as carbon neutrality and the promotion of DX as well as the expansion of new businesses.

I hope that my experience can be of some help in resolving these issues. I will continue to work hard to further develop Nishimatsu Construction, so will appreciate your ongoing support.