

Outside Director Roundtable Discussion



Osamu Shibui Toshihiro Kubo Yayoi Ito Hajime Oshita

Organizational reform in times of rapid change The roles of the Board of Directors

Facilitator: Osamu Shibui, Director, Senior Managing Officer, General Manager of Management Unit

It has been one year since Mr. Hosokawa became president. President Hosokawa has the power to press forward like a bulldozer. I expect he will continue to advance at an accelerated pace toward achieving his goals. I would like to ask you outside directors about your views on the changes in the governance of the Company over the past year.

Ito: I have been an outside director since 2023. I believe that President Hosokawa thinks about not only his own field of expertise but also the things that we should do for Nishimatsu as a whole. Since taking office, he has actively implemented his ideas and demonstrated his leadership abilities. The Company seemed quiet, but I sense a positive shift in its corporate culture. It appears to be progressing with enthusiasm.

Oshita: I became an outside director last year, and it is challenging to compare the current situation with the past. I understand that President Hosokawa prioritizes emphasizing speed and the integration of distinctly divided divisions. I believe that the details will be fleshed out soon.

Kubo: I believe that we most need to optimize the Company as a whole. At Nishimatsu Construction, traditionally, the regional headquarters played central roles in the making of decisions. Discussions at the Board of Directors meetings were often focused on detailed issues within individual businesses, and there was limited discussion of strategic issues, which should be discussed first. However, in this era of rapid change, we need a system that connects the divisions across



Director Osamu Shibui
Mr. Shibui has been involved in strategy planning and business improvement in the corporate planning department for many years and is well versed in strategic thinking and business improvement. He was appointed as a director of the Company in June 2025.

Outside 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 outside director of the Company in June 2022.

Outside 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 outside director of the Company in June 2023.

Outside Director Hajime Oshita
In addition to a wealth of experience gained during his tenure at JFE Engineering Corporation, he possesses broad knowledge cultivated as President and CEO of JFE Engineering Corporation and Director of JFE Holdings, Inc. He was appointed as an outside director of the Company in June 2024.



individual matters regarding the execution of business. This makes it difficult to distinguish between the Management Meeting, which mainly consists of executive officers, and the Board of Directors. The Board of Directors must foster an environment that encourages open discussions about key topics concerning the Company's future, including responses to industry reorganizations and the Company's direction in the future.

Kubo: I agree. It is important for us, as outside directors, to assess whether matters have been considered adequately, whether risks have been evaluated properly, and whether the Company is committed to pursuing initiatives from the perspective of its shareholders and employees. Decisions regarding the execution of business should be made by the executive officers. Fundamentally, the Board of Directors should discuss medium- to long-term strategies, including cross-functional issues and the optimization of the entire company. In the second year of President Hosokawa's tenure, our challenge is to have more in-depth discussions of cross-functional and other issues.

the Company, quickly gathers information, and facilitates decision making. I believe that, recognizing the need to further strengthen the functions of the Board of Directors, President Hosokawa has created a new organizational structure and Board of Directors.

As was pointed out, discussions primarily focused on individual businesses, and the Company established new Corporate Unit to strengthen the functions of its organizational structure. What are your views on the discussions of the Board of Directors, including the efforts to reorganize.

Ito: Prior to the Board of Directors discussing reorganization, there were a few informal exchanges of opinions between President Hosokawa and outside directors. The president said that he believed there were issues with the current system. He shared his plan to strengthen the connections between the divisions. President Hosokawa has implemented significant changes in consideration of feedback from people outside the Company. However, this is not the intended goal. Executives and employees need to come together and move in the same direction.

Oshita: I must admit that I have a very negative impression of the Board of Directors. There are too many agenda items. Additionally, eighty to ninety percent of these items focus on

The reorganization has been reviewed dozens of times, but the reality is that as of April 2025, we were not even at the starting line. How should the Board of Directors ensure the effectiveness of the organizational reform?

Oshita: There is a lack of understanding about the term "cross-functional" within the Company. When I first became an outside director in the construction industry, I felt that there was a serious shortage of human resources. Cross-functional initiatives allow us to address this challenge across the Company, rather than each business division or regional headquarters dealing with it separately. I would like the executive side to recognize that through cross-functional initiatives we can steadily address issues, such as the securing of human resources.

Kubo: The difference between overall optimization and partial optimization lies in priorities. At Nishimatsu Construction, the principle of equality has been emphasized. There tends to have been a focus on improving everything, resulting in an overload of operations. This will not create a streamlined

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organization. The key to overall optimization is prioritizing certain areas over others, even if it means sacrificing some parts, and executing those priorities swiftly.

Ito: Since I became an outside director, I have observed that each business division at Nishimatsu Construction is strong, but the corporate divisions at the head office appear to be weak. First, based on discussions within each business division, the corporate divisions at the head office need to look at the overall picture, consider what the Company should do, put together opinions, and then submit proposals to the Management Meeting and the Board of Directors. I anticipate that the enhanced functions of the head office will clarify previously vague issues, such as issues related to human resources, and highlight priority areas.

After receiving criticism, I have come to realize the importance of working on optimization across the Company and putting it to practice. I also acknowledge that the Board of Directors has spent considerable time attempting to compensate for the lack of deliberation on the executive side. We appreciate your feedback on how to work effectively in the future.

Oshita: The narrow range of topics on the agenda is an issue. However, directors visit sites such as tunnels and high-rise buildings, interview different departments, and engage in dialogue with branch managers. I believe their efforts to understand the on-site environment are more extensive than at other companies. It is unfortunate that the discussions ultimately boil down to small issues. Conversely, we have potential for growth. If we implement changes, I believe there is a strong possibility we can come close to becoming the most attractive general contractor.

Kubo: The most important factor is the seriousness demonstrated by the executives and management during their meetings. The minutes indicate that some meetings lacked lively exchanges of views or deep discussions, despite opposing opinions being expressed. Directors occasionally asked whether the executive side had sufficiently discussed matters, which prompted conversations during Board meetings.

Ito: I have read a list of opinions and issues discussed at



Board meetings. It would have been better if they had been organized using the 5W1H approach. As Director Oshita mentioned, I noticed that the Management Meeting focuses on “small issues.” When will the initiative be implemented? Who will implement it? How will it be carried out? Answering these questions will help the Company grow.

Many employees actively seek ways to contribute to regions and communities, and there is a movement to measure this mindset using a KPI. What are your thoughts on sustainability management?

Kubo: I chair the Sustainability Committee and appreciate the connection of identified material issues to all business operations, as well as the reorganization of this system. If employees have a sustainability perspective and are motivated to achieve sustainability, their work will naturally expand, and they will feel fulfilled.

Ito: I am a Sustainability Committee member. I believe that the secretariat is very reliable and has provided a detailed description of specific initiatives.

Oshita: There are various sustainability themes. You cannot simply replicate what other companies are doing at similar levels. I believe that by clarifying the themes that Nishimatsu Construction will focus on, we can enhance our activities.

I would like to hear your thoughts on human capital as the foundation of sustainability management. The Company has several layers of middle management. Our challenge is to make their work more appealing.

Oshita: The key to improving human capital in the construction business is attracting talent to the Company. The fundamental challenge in management focused on human capital is not just developing systems, but taking necessary actions to enhance our unique strengths that competitors lack. The first step is to present to employees and stakeholders the Company’s uniqueness and appeal and a vision of what it will be like in ten years.

Kubo: I was previously in charge of the management of human resources. I believe that the best strategy is to manage

individuals. The key is to identify the abilities that each employee has, what they want to do, and what they are lacking. Additionally, we should enhance the capabilities of our human resources, use IT and AI to improve operational efficiency, and increase motivation by rewarding highly skilled individuals with competitive salaries.

Ito: I agree. The most important thing is to recognize each employee’s abilities and place them in positions where they can fully showcase their abilities. However, we have not arrived at this point yet. While there are opportunities for career advancement in specialized fields, a weakness of the Company is its human resources involved in its management and head office functions. To become the most attractive general contractor, it is essential that we secure human resources who can effectively manage the Company and develop its vision.

I anticipate that we will continue to collect many different opinions, especially from the outside directors. I now believe that the key to becoming a unique company that stands out is to set a clear direction and implement initiatives to achieve the vision. Finally, please explain how you, as outside directors, will be committed to the Company from a medium- to long-term perspective.

Ito: As society and the environment are changing faster than expected, and our relationships with competitors remain uncertain, I believe that the head office should take the lead in the creation of various scenarios, including worst-case scenarios, and establish an effective collaboration system. I believe that the Company lacks the concrete process design capabilities for reaching its ideal state. As an outside director, I aim to leverage the experience I gained at other companies to provide support.

Oshita: The Company’s responsibility is considering its future. Outside directors can express their opinions and engage in discussions about the Company’s policies from an outside perspective. I anticipate the industry will restructure over the next decade. We will leverage our diverse experience to assist the Company in navigating this change.

Kubo: The general contractor industry is highly competitive, and significant growth in the domestic market appears unlikely. In this environment, I hope that the Company aims to become a unique general contractor that stands out as the most attractive one. Actually, I anticipate that there will come a time when the Company cannot survive unless it differentiates itself. My goal is to engage in discussions to facilitate this change.

Message from the New Outside Director

Outside Director **Misako Kikuchi**

Ms. Misako Kikuchi has significant experience at MITSUI & CO., LTD. and has gained extensive knowledge and insight as the representative director and president of one of its subsidiaries. She was appointed as an outside director of the Company in June 2025.

I will sincerely listen to the opinions of society and contribute to the establishment of a sustainable future through the co-creation of value.

My name is Misako Kikuchi and I have recently been appointed as an outside director.

During my 38 years at a general trading company, I attentively listened to the needs of society, particularly in the areas of public relations and sustainability. My focus has been on enhancing the social responsibility of companies through strategic initiatives.

In recent years, the roles of the construction industry have changed from solely developing social infrastructure to taking on new social missions, such as responding to climate change, preparing for disasters, coexisting with local communities, and fostering a sustainable society. I believe that Nishimatsu Construction’s activities to co-create value aiming to rebuild social functions genuinely meet the needs of the times.

With the experience and knowledge I have gained, I aim to fulfill my mission, however small my role may be, to contribute to Nishimatsu Construction’s corporate philosophy: Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services. I aim to help the Company achieve sustainable growth. I greatly appreciate your continued support.