Outside Director Roundtable Discussion



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

Toward Becoming “the Most Attractive General Contractor”: What Did the Board of Directors Discuss?

President Hosokawa’s Second Year in Office and Review of Medium-Term Management Plan 2025

Shibui Today, I would like to hear your candid views as outside directors on Nishimatsu Construction’s initiatives to become “the most attractive general contractor,” looking back over the past year.

From my perspective within the Company, President Hosokawa has continued to explore ways to realize this vision since the beginning of his tenure. His attentiveness to how employees feel represents a major change. How do you assess his leadership?

Kikuchi I have only been an outside director for one year, so my basis for comparison with the past is limited. Even so, I find President Hosokawa very agile and quick to initiate reforms. Rather than emphasizing his position as president, he visits worksites and shares issues directly with employees while remaining fully conscious of his responsibilities as the Company’s top executive.

Oshita I believe one of the president’s most important responsibilities is to have a firm resolve to change the Company. President Hosokawa clearly has that resolve. In our discussions leading up to Nishimatsu-Vision 2035 and Medium-Term Management Plan 2028, his position was consistently clear: whether the matter was large or small, if something needed to change, we should change it.

Ito One major change under President Hosokawa is the adoption of the clear and memorable goal of becoming “the most attractive general contractor.” It is easy to communicate and understand, while also prompting every employee to think about what it actually means for a company to be “attractive.” Another major change was the establishment of the Corporate Strategy Unit, Human Resource Strategy Unit, Technology Strategy Unit, and Management Unit within the Corporate Unit. This created a cross-functional structure that cuts across traditional silos such as Civil Engineering and Building, enabling company-wide issues and challenges to be discussed beyond the boundaries of individual business divisions. I see this as evidence of a strong determination and ability to reshape the organization so that it can change employee mindsets and implement highly effective measures.

Kubo President Hosokawa demonstrates strong leadership and follows through on what he decides. I believe it was effective to change the organization and put in place a structure for discussing the new long-term Vision and Medium-Term Management Plan. At the same time, precisely because his leadership is strong, there is a risk that discussion may not always go far enough. Going forward, the Board of Directors will need to ensure that issues are discussed thoroughly and supplement his leadership appropriately.

Shibui Medium-Term Management Plan 2025 (hereafter, the previous Medium-Term Management Plan) was formulated in response to unprofitable projects in the Building Business and International Business and focused on restoring performance. The Building Business improved, but challenges remained in the International Business, as well as in developing the next growth strategy and advancing structural reform.

Oshita I believe the previous Medium-Term Management Plan delivered the level of profit expected from the existing businesses. On the other hand, we cannot say that initiatives in new areas, responses to human resource shortages, or reforms to personnel systems were sufficient.

Kikuchi I view the integration of the Regional Environmental Solutions Business Division and the Asset Value-Added Business Division positively. Seeking to generate synergies in response to the issues identified was a concrete step toward change.

Kubo I believe the previous Medium-Term Management Plan progressed largely as planned in terms of business performance and financial indicators. However, I do not think it was discussed as thoroughly during the formulation process as the new Medium-Term Management Plan has been. For a general contractor, business performance over roughly the next three years can be forecast to some extent. What matters more is how we shape our medium- to long-term strategy. The major difference this time is that our discussions went much further into that area.

Ito I appreciate that several organizational changes were made in response to issues identified under the previous Medium-Term Management Plan. However, challenges remain, and these were incorporated into the discussions on the new Vision and Medium-Term Management Plan.



■ **Osamu Shibui, Director**

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.

Board Discussions on Nishimatsu-Vision 2035 and Medium-Term Management Plan 2028

Shibui The way the Board of Directors conducted its discussions also changed significantly during the formulation of Nishimatsu-Vision 2035 and Medium-Term Management Plan 2028. The many comments from the outside directors often made us realize that views we had taken for granted within the Company needed to be reconsidered from different angles. What points did you place particular emphasis on during the formulation process?

Oshita The point I stressed most strongly was that the Vision and Medium-Term Management Plan must communicate clearly to stakeholders. Abstract wording serves no purpose. Employees need to understand and internalize the plans, and shareholders and investors need to see clearly where Nishimatsu is headed.

Ito I thought it was essential to clearly define what kind of company we want to become over the long term and then specify what we need to do now to move toward that goal. Polished language alone does not lead to execution. Unless we clearly identify the issues, how they will be resolved, and the order in which they will be addressed, those responsible for execution will be left asking, “What exactly are we supposed to do?” Technology and society are also changing rapidly, including developments in AI, so it is important to enable every employee to relate those changes to their own work.

Kubo As I mentioned earlier, I believe the focus of our discussions this time was the long-term Vision rather than the three-year Medium-Term Management Plan itself. There are many players in the industry, and Nishimatsu Construction is positioned in the middle tier. We will not establish a distinctive presence by doing the same things as the major general contractors. As we flesh out the specific measures going forward, I intend to contribute from the perspectives of differentiation and where we should focus our resources.

Kikuchi I believe the formulation process worked very well. Rather than simply receiving reports, we had repeated opportunities for discussion, and I felt that we were genuinely involved as the content was refined in light of the views of the outside directors. In terms of substance, a key issue was how to position the goal of becoming “the most attractive general contractor” within Nishimatsu-Vision 2035 and Medium-Term Management Plan 2028 and how to make that vision a reality.

Shibui On the other hand, I feel we could have gone further in discussing the position Nishimatsu should aim for within the industry. What will net sales of 500.0 billion yen and operating income of 35.0 billion yen three years from now mean in terms of our position in the industry, and how will we strengthen our competitiveness? These questions will become even more important. We also discussed capital efficiency, PBR, and ROE, but the essential issue is what we invest in and where we differentiate ourselves.

Oshita The numbers should come last. First, we need to decide what we will do and which areas we will pursue in ways that set us apart from competitors. The numbers should

Outside Director Roundtable Discussion



■ **Toshihiro Kubo, Outside Director**
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.

follow from those choices. How will we use the assets we already have to generate cash, and where will we invest that cash? Without that discussion, the conversation becomes one about numbers for their own sake.

Kubo PBR is above 1.0x, and ROE is also at a reasonable level. However, I believe our cash allocation can be more decisive. If we spread limited funds evenly across everything, we will not be able to make a fundamental change.

Ito While we discussed ROE and PBR, they were not our main focus. The more important issue was what positioning Nishimatsu should adopt and how it can establish a stronger presence. How do we establish new business domains, and what direction should the International Business take? These are the areas that require deeper discussion.

The Role of Outside Directors and Enhancing Corporate Governance

Oshita In terms of the effectiveness of the Board of Directors, another major change in FY2025 was the introduction of a new category of agenda items specifically designated for discussion. When an item is put to a resolution, discussion can tend to focus on whether to approve it, whereas discussion items allow directors to exchange views and ask questions freely. I believe this approach was important in changing the way the Board operates.

Ito The outside directors also proposed that this type of approach might work better, and the President adopted it immediately. That ability to act and the speed with which he does so are also characteristic of President Hosokawa.

Shibui The outside directors have also participated frequently in worksite visits and exchanges of views with the various business divisions. I feel that closer interaction between the outside directors and the executive side has made communication easier.

Kikuchi I agree. I have been struck by how many opportunities outside directors have to visit worksites and regional headquarters. There are also many opportunities to exchange views with the President and other senior executives, and I feel we have ample opportunities to communicate. At the same time, I consciously maintain an independent perspective as an outside director. I sense a clear commitment to ensuring that outside directors properly understand Nishimatsu's businesses and people and then use that understanding to make Board discussions more meaningful.

Oshita Rather than having the outside directors first consolidate their views among themselves, our main approach is to discuss matters directly with general managers and department heads. I find this highly effective. We cannot have substantive discussions at the Board of Directors without understanding the realities on the front lines and the people involved.

Kubo Outside directors speak actively, but the relatively limited participation by internal directors is an issue. Many of them have spent long careers within particular business divisions, and when the topic is company-wide or concerns another division, they may find it difficult to enter the discussion. That is something we need to change.

Progress on Sustainability Management and Human Capital Strategy

Shibui Next, I would like to discuss sustainability management. It is positioned as an important theme in Medium-Term Management Plan 2028, but I believe the challenge is how to connect it directly to our business activities and translate it into action by each and every employee.

Kubo Sustainability management is not only about the environment or climate change. The business activities themselves need to be sustainable. What matters is how we take the interests of all stakeholders into account, including customers, suppliers, employees, and local communities.

Kikuchi I believe what matters is whether employees see sustainability as something that concerns them directly. They should not regard climate change, the circular economy, and other social issues as distant global concerns that have little to do with them. They need to connect these issues with their own work and business activities and ask what they themselves can do.

Oshita If we asked employees, "What does sustainability management mean at Nishimatsu?" we might not yet receive a clear answer. That is precisely why we need to communicate it in language that resonates with each employee and connect it with the value we provide to regions and communities and with their day-to-day activities.



■ **Yayoi Ito, Outside Director**
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.



■ **Misako Kikuchi, Outside Director**
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.

Shibui We also face challenges in human capital. President Hosokawa has been bold in rotating personnel. He has appointed people from the business divisions to the Corporate Unit, while also changing key assignments, including subsidiary presidents and sales personnel. These moves demonstrate his determination to change the Company across organizational boundaries.

Ito On human capital strategy, I believe one challenge is that we still do not have enough people to execute it. We need to develop human resources who see sustainability and other issues as directly relevant to themselves, and we need to seriously consider reskilling, the human resource portfolio, and cross-divisional exchanges.

Kikuchi Human resource development takes time, which is why we need to move quickly. It is important to provide learning and training opportunities at every level and for managers to recognize the development of their subordinates as their foremost responsibility. We also need to give employees cross-functional experience and establish Nishimatsu-specific measures to promote the active participation of diverse human resources, including women.

Oshita Human resources are our most important management priority. If our human resource strategy does not move forward, it will be difficult to execute our growth strategy. In areas requiring immediate action, including new businesses, the International Business, DX, AI, and M&A, we need to use every available means, including recruiting external talent.

Kubo There are many human resource issues, and I believe we still have much more to discuss across the Company. Personnel allocation and development, mid-career hiring, the advancement of women, and management training are not issues that can be solved easily, nor is there any single definitive solution. What matters is moving quickly from consideration to planning and implementation, then review and improvement. I expect this to remain an important discussion theme for the Board of Directors.

The Role of Outside Directors in Sustainable Growth

Shibui Finally, I would like to ask about stakeholder expectations and the role of outside directors going forward. How should Nishimatsu Construction demonstrate its appeal?

Kubo The construction industry has an important social mission, but its growth prospects tend to be viewed cautiously. With many players in the industry and the possibility of further restructuring, Nishimatsu needs a strategy that will enable it to remain competitive and strengthen its appeal. As an outside director, I intend to maintain a constant focus on strategic priorities and differentiation and to keep asking where Nishimatsu can truly become number one.

Ito I believe stakeholders expect Nishimatsu to become an attractive company. The role of outside directors is to apply our respective expertise and backgrounds and exercise objective judgment from a broad, strategic perspective. I hope to contribute when we assess the available options for enhancing corporate value and determine whether they truly represent the best course for the Company.

Oshita I regard employees as the Company's most important stakeholder. If employees are motivated, the results will also have a positive impact on shareholders and other stakeholders. As an outside director, I want to keep a close eye on employee satisfaction and the Company's efforts.

Kikuchi Outside directors also need to understand how Nishimatsu Construction is viewed externally. By attending an analyst briefing as an observer, I gained a better understanding of what investors want to know. External image survey results also suggested that, beyond our reputation for stability, there is further room to strengthen recognition of Nishimatsu as a leading brand and to communicate our technical capabilities more effectively.

Shibui I hope the outside directors will continue to share their candid views with us. For Nishimatsu Construction to move closer to becoming "the most attractive general contractor," it is essential to connect frank discussions at the Board of Directors with execution on the front lines. We will ensure that Nishimatsu-Vision 2035 and Medium-Term Management Plan 2028 are effectively implemented.



■ **Hajime Oshita, Outside Director**
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.

Corporate Governance

Basic Philosophy

The basic policy of the Company is to improve its corporate governance and maintain good and stable relationships with its stakeholders over the long term, in order to achieve sustainable growth of the Company and increase its corporate value over the medium-to-long term. Based on this policy, we will create structures that lead to the acceleration of decision-making and the strengthening of supervision by the Board of Directors and our business execution systems.

Compliance with the Corporate Governance Code

The Company implements all principles of the Corporate Governance Code (as revised in June 2021). With respect to the revised Code published in July 2026, we will take its intent into account, confirm the implementation status of each principle, take necessary measures, and make appropriate disclosures.

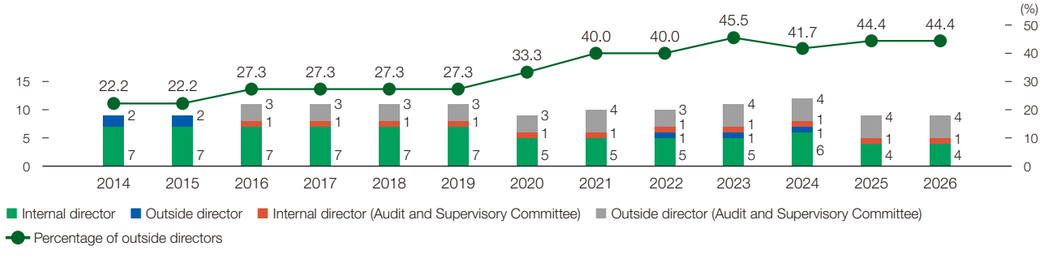
WEB Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd., Corporate Governance Report
➡ https://www.nishimatsu.co.jp/eng/company/governance.html

Initiatives for Strengthening Corporate Governance

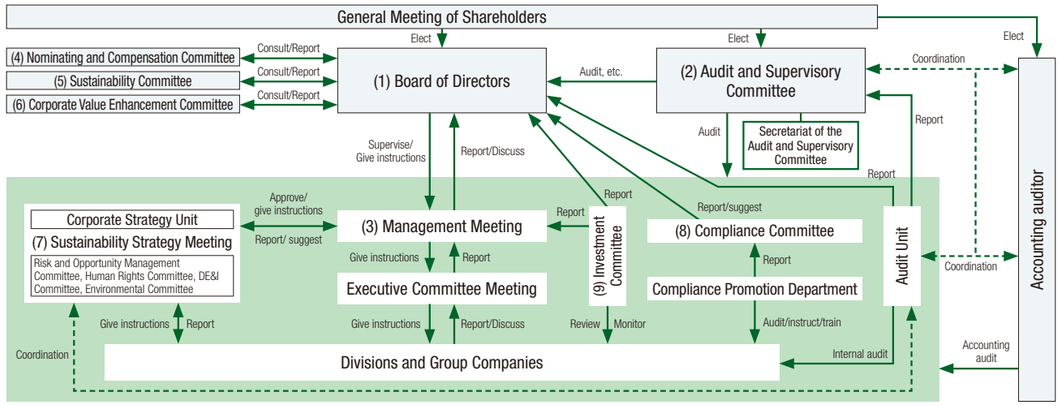
Strengthening the corporate governance system is one of the highest priority management issues that we are tackling at Nishimatsu Construction. In FY2016, we transitioned into a company with an Audit and Supervisory Committee and worked to ensure the efficacy of the oversight functions of the Board by bringing in Audit and Supervisory Committee members as part of the Board. In FY2023, we established the Sustainability Committee and the Risk and Opportunity Management Committee to increase corporate value from a sustainability perspective. In FY2024, the Sustainability Strategy Meeting began convening. In FY2025, we established the Corporate Unit, reviewed the roles of each meeting body and the connections between them, and reviewed the investment decision-making process of the Investment Committee, thereby enhancing our system for the execution of business. We will continue to strive to further strengthen our corporate governance system.

2006-2020		2021-2025	
2006	Introduction of an executive officer system	2021	Established the Corporate Value Enhancement Committee Introduction of performance-linked compensation and stock compensation Established the Investment Committee Began operation of the Company President Succession Plan
2008	Established the Internal Control Committee	2023	Established the Sustainability Committee and Risk and Opportunity Management Committee
2009	Established the Nishimatsu Hotline whistleblowing system First appointment of two outside directors Established the Nominating Committee and Compensation Committee Established the Compliance Committee	2024	Established the Sustainability Strategy Meeting
2016	Implemented an effectiveness evaluation of the Board of Directors Transitioned to a company with an Audit and Supervisory Committee	2025	Established the Corporate Unit and reviewed the meeting bodies responsible for the execution of business
2019	Established the President and General Managers Meeting (now the Management Meeting)		

Changes in the Percentage of Outside Directors on the Board of Directors



Corporate Governance System

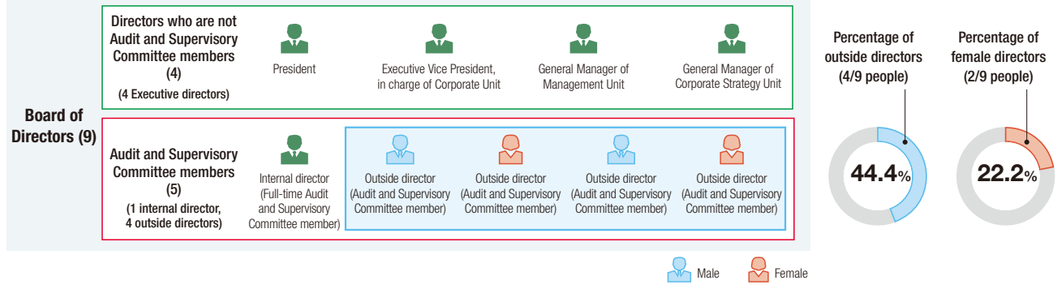


(1) Board of Directors	Makes decisions on basic management policies and other important management matters, and supervises the execution of duties by directors. In addition to matters stipulated by laws and regulations and the Articles of Incorporation, the Board of Directors deliberates and decides on matters stipulated in the rules of the Board of Directors.
(2) Audit and Supervisory Committee	Conducts audits of execution of duties by directors and other duties stipulated by laws and regulations.
(3) Management Meeting	Among the proposals to be submitted to the Board of Directors, it conducts preliminary deliberations mainly on important matters for sustainable growth. After such proposals are resolved by the Board of Directors, it determines specific measures for their implementation. It also decides or deliberates on some individual matters related to business execution.
(4) Nominating and Compensation Committee	Deliberates on the nomination of candidates for directors, with the aim of contributing to the establishment of an appropriate management system. It also deliberates on individual compensation for directors and executive officers with the aim of ensuring objectivity and transparency regarding compensation decisions.
(5) Sustainability Committee	Investigates and deliberates on matters regarding the policies for responding to materiality and environmental changes (risks and opportunities) linked to materiality from a long-term perspective and from a multi-stakeholder standpoint.
(6) Corporate Value Enhancement Committee	Deliberates on corporate governance, capital policy, and other important management matters in consultation with the Board of Directors.
(7) Sustainability Strategy Meeting	Investigates and implements sustainability strategies intended to solve materiality and realize a sustainable society. Within the Sustainability Strategy Meeting, the Company has established committees for essential areas that also require urgent strengthening in regard to promoting sustainability (Risk and Opportunity Management Committee, Human Rights Committee, DE&I Committee, Environmental Committee).
(8) Compliance Committee	Responds to various issues regarding compliance.
(9) Investment Committee	Investigates the propriety of plans related to investment projects based on the Company's capital strategy, and reports the investigation results and points at issue to the Board of Directors and to the President and Management Meeting.

Composition of the Board of Directors and the Audit and Supervisory Committee

The Company's Board of Directors comprises four executive directors and five directors who are Audit and Supervisory Committee members. The Audit and Supervisory Committee comprises one full-time internal director and four outside directors (who have management experience at a listed company, and experience at an information and communications company). All directors possess specialized knowledge in fields considered to be important for business management.

Currently, the percentage of outside directors on the Board of Directors is 44.4% and the percentage of female directors is 22.2%. Going forward, we will continue verifying the independence, skill sets, and diversity, including gender diversity, of those on the Board of Directors and will work to improve the efficacy of the Board.



Corporate Governance

Selection Criteria for Director Candidates

- Candidates for director shall be selected from those who have a wealth of knowledge, experience, and competence, and excellent character and high ethical standards.
- Candidates for executive director shall be appointed from among people who have extensive knowledge and experience in the Company's business, or who have superior knowledge of finance and accounting, etc.
- People who are candidates for director (Audit and Supervisory Committee) who are judged to be capable of auditing and supervising appropriately, with emphasis on their expertise and background, will be appointed.
- Candidates for outside director will be selected with an emphasis on independence, and those with specialized knowledge and experience in corporate management are selected. We also take into consideration the diversity of the Board of Directors.

For the reasons for appointing Outside Directors, see our website.

WEB Corporate Governance Report
➡ https://www.nishimatsu.co.jp/eng/company/governance.html

Board of Directors' Skill Set

Position	Full name	Gender	Independence	Expertise and Experience Criteria for Directors								Nominating and Compensation Committee	Sustainability Committee	Internal Directors: Main roles Outside Directors: Career and qualifications
				Corporate management	Construction technology & quality	Sustainability (Environment)	Sustainability (Society)	Treasury, Accounting, Finance	Legal, Governance, Risk management, Compliance	Digital & IT	Global			
Representative Director and President	Masakazu Hosokawa	Male		●	●	●							●	Chief Executive Officer and President
Representative Director	Makoto Isshiki	Male		●	●	●						●		Executive Vice President, in charge of Corporate Unit
Director	Osamu Shibui	Male		●			●	●	●			●	●	Senior Managing Officer, General Manager of Management Unit and in charge of Investor Relations
Director	Shinsuke Hamasaki	Male			●	●	●						● (Secretariat)	Managing Officer, General Manager of Corporate Strategy Unit
Director (Full-time Audit and Supervisory Committee member)	Hideyuki Kawano	Male					●		●					
Outside director (Audit and Supervisory Committee member)	Toshihiro Kubo	Male	●	●		●	●		●			●	●	Representative Director, Kubota Corporation
Outside director (Audit and Supervisory Committee member)	Yayoi Ito	Female	●	●			●			●		●	●	Head of the Business Planning Promotion Office, NTT Data Corporation, Executive Officer, SG SYSTEMS CO., LTD.
Outside director (Audit and Supervisory Committee member)	Hajime Oshita	Male	●	●		●		●	●		●	●	●	Representative Director, President and CEO, JFE Engineering Corporation Director, JFE Holdings, Inc.
Outside director (Audit and Supervisory Committee member)	Misako Kikuchi	Female	●	●		●	●		●			●	●	President and Representative Director, Mitsui Bussan Forest Co., Ltd.

* The above list does not exhaustively cover all of the knowledge and experience possessed by each director.

Reasons for Selecting the Skills

The Board of Directors has selected "Corporate Management," "Treasury, Accounting," "Legal, Governance," and "Sustainability" as foundational skills essential to corporate governance. In addition, given the characteristics of the construction business, including ensuring construction quality and safety, managing technology risks, and managing partner companies, it has selected "Construction Technology & Quality"; from the perspectives of improving business efficiency and strengthening competitiveness, "Digital & IT"; and as a capability for handling overseas projects, "Global." In this way, the Board ensures that it collectively possesses the skills necessary to realize the Long-Term Vision and achieve the Medium-Term Management Plan.

Director Compensation

Overview of our director compensation (excluding Audit and Supervisory Committee members)

Compensation for the executive directors comprises base compensation and performance-linked compensation.
Compensation for the non-executive directors shall be limited to base compensation.

Base compensation, as fixed (monthly) compensation determined in accord with the director's position, is calculated taking into account Nishimatsu Construction's employees' salary levels, standard salary levels in the business community, and other factors.

Performance-linked compensation fluctuates according to the degree to which performance targets were met. It includes a base level of compensation in accord with each director's position, with this base level multiplied by a performance-linked coefficient to calculate the final amount. To calculate the final amount, evaluation indices covering the director's contribution to corporate value are set for each position and job title, and the degree to which performance targets were met each fiscal year.

Performance-linked compensation is paid partly in cash, as a short-term incentive, and partly in stock, as a long-term incentive. The cash portion is paid as a bonus in July of each year and the stock portion is conferred every June in the form of conversion points for the Board Benefit Trust. When a director retires from his or her position as director, cumulative points are converted into shares of stock and delivered to the beneficiary.

The ratios of base compensation and performance-linked compensation are appropriately determined taking into account Nishimatsu Construction's management strategies, business environment, and the level of difficulty of achieving job responsibilities and targets, while also referencing relevant changes at other companies in our industry. To enhance the incentives to increase corporate value over the medium-to-long term, base compensation was reduced and performance-linked compensation was increased in FY2025, resulting in a ratio of base compensation to performance-linked compensation of approximately 7 to 3. Within performance-linked compensation, there is generally a two-to-one ratio of cash-based compensation to stock-based compensation.

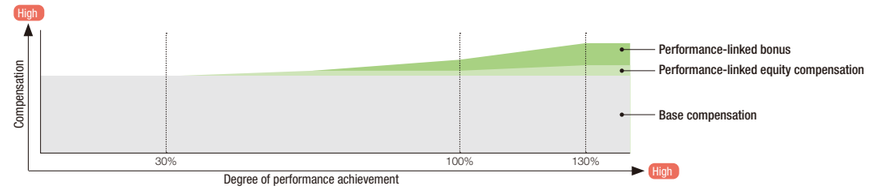
Based on these policies, the President drafts a preliminary proposal, then consults with the Nominating and Compensation Committee, whose input is taken into account and decided on by the Board of Directors (Base compensation and performance-linked compensation are determined in March and June, respectively, each year).

Compensation details

Category		Performance-linked indices	Overview of payment method
Base compensation		—	Base amount paid in cash
Short-term incentives	**Performance-linked bonus**	• Company-wide performance (operating income, profit attributable to owners of parent) • Evaluation by the President (ROE, PBR, and behavioral indicators that contribute to corporate value enhancement, environmental management (reduction of CO_2 emissions), and prevention of compliance incidents and reduction of disaster risk)	Amount calculated by multiplying the base amount by a performance-linked coefficient, paid in cash
Long-term incentives	**Performance-linked equity compensation (Board Benefit Trust)**		Points conferred (calculated by multiplying the base amount by a performance-linked coefficient); cumulative points converted into an equivalent amount of stock when the director retires

* The President's own evaluation is based on Company-wide performance (operating income and profit attributable to owners of parent).
* The indicators that contribute to enhancing corporate value in the President's evaluation include "improving engagement" and "employee development."

Compensation conceptual image



Overview of compensation for directors who are Audit and Supervisory Committee members

Directors who are Audit and Supervisory Committee members receive only base compensation that takes into consideration the compensation of directors who are not Audit and Supervisory Committee members, as well as the standard salary levels in the business community. Said base compensation is determined through discussions among all directors who are Audit and Supervisory Committee members.

Directors' compensation (FY2025)

Category	Paid personnel	Base compensation	Performance-linked compensation (cash-based compensation)	Performance-linked compensation (non-cash-based compensation)	Total amount of compensation, etc.
Directors (excluding Audit and Supervisory Committee members) **(of which outside directors)**	9 (1)	¥145 million (¥2 million)	¥67 million (-)	¥20 million (-)	¥234 million (¥2 million)
Directors (Audit and Supervisory Committee members) **(of which outside directors)**	6 (5)	¥58 million (¥40 million)	- (-)	- (-)	¥58 million (¥40 million)
Total **(of which outside directors)**	15 (6)	¥204 million (¥43 million)	¥67 million (-)	¥20 million (-)	¥292 million (¥43 million)

* The total amount of performance-linked compensation (cash-based compensation) indicates the amount of provision for directors' bonuses in FY2025. In addition, the total amount of performance-linked compensation (noncash-based compensation) indicates the amount of provision for directors' stock benefits in FY2025 based on the "Board Benefit Trust (BBT)," a performance-linked stock compensation plan that uses a trust.
* The above includes five Directors (excluding Directors who are Audit and Supervisory Committee Members) and one Director who is an Audit and Supervisory Committee Member who retired at the conclusion of the 88th Ordinary General Meeting of Shareholders held on June 26, 2025.

Corporate Governance

Analysis and Evaluation of the Effectiveness of the Board of Directors

The Company, 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, has stipulated in the "Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd." that it shall make efforts toward enhancing the functions of and improving the Board of Directors by performing analysis and evaluation of the effectiveness of the Board of Directors once every year.

Based on the policies for initiatives, the Company conducted evaluations of the effectiveness of the Board of Directors over the period as described in (1), (2) below. Based on the results of the evaluation shown in (3), (4) below, the Board of Directors confirmed to continue its initiatives toward improving the effectiveness of the Board of Directors as described in (5) below in order to further advance corporate governance.

(1) Evaluation Process

The secretariat of the Board of Directors led in creating a questionnaire given to all members of the Board of Directors and in conducting interviews with them.

The counting process of the collected questionnaires was outsourced to a third-party institution. An analysis and evaluation were conducted based on the compiled questionnaire results and the interview findings, and were then reported to and discussed by the Board of Directors.

Period covered by questionnaire: FY2025 (April 2025-March 2026)
Consideration of questionnaire items: December 2025-January 2026
Questionnaire response: February 2026
Interview held: March 2026
Questionnaire results compilation and analysis: March 2026
Report to and discussion by Board of Directors: March, April and May 2026

(2) Questionnaire Evaluation Items

The questionnaire evaluated the following items: "Roles and functions of the Board of Directors," "Composition and size of the Board of Directors," "Operation of the Board of Directors," "Establishment of internal control systems, etc.," "Utilization of Outside Directors," and "Relationship with shareholders and investors."

(3) Overview of Evaluation Results

The evaluation results confirm that the number of members of the Company's Board of Directors and the ratio of Outside Directors are appropriate, and that the effectiveness of the Company's Board of Directors is being improved, with frank discussions taking place due to open commenting by individual Directors under the smooth proceedings conducted by the Chairperson.

In addition, appropriate discussions on compensation and other matters continue to be recognized as a strength of the Company's Board of Directors.

(4) Response to Issues Identified in the Previous Fiscal Year (FY2024)'s Questionnaire

The following notes responses to items identified as the main issues in the previous fiscal year.

1) Enhancement of discussions on how the Board of Directors should be: It was found that the decision-making function has been enhanced through discussions with the Board of Directors, and that active exchanges of opinions are taking place. However, it was indicated that while the roles and functions of the Board of Directors have become more clearly defined than before, the process is still evolving and, in the future, it would be beneficial to set themes for discussion in advance to encourage deeper discussions.
2) Regularization (scheduling) of discussions from a medium- and long-term perspective: The departments and timing for drafting discussions on value creation, human capital management, Group risk management, and medium- to long-term strategies (the four key agenda items) were clearly defined and scheduled, and the agenda items were organized. As a result of this series of measures, it was evaluated that the time spent on these discussions increased. However, it was indicated that there is still some work to be done to achieve in-depth discussions, and it will be necessary to focus on individual key themes going forward.
3) Development of a system for ensuring response to indicated matters: We checked the subsequent response status to indicated matters and provided prompt answers. However, it was indicated that there was a minor lack of follow-up and monitoring of the progress of the proposals resolved.
4) Ensuring sustainable growth through flexible risk management: The Company established a management framework to enable its business divisions and affiliates to flexibly address both short-term and medium- to long-term risks. The Company's Risk and Opportunity Management Committee monitors whether this system is being effectively implemented, and reports the results of such monitoring to the Board of Directors. However, it was indicated that comprehensive discussions on medium- to long-term risks remain insufficient, and that there is a need for more proactive risk management.

(5) Future Initiatives Taking into Account Issues

To further advance the effectiveness of the Board of Directors, the Company will continue to address the issues identified in the previous fiscal year's questionnaire and has acknowledged the following to be matters of particular importance.

1) Enhancement of discussions from a medium- and long-term perspective: We have defined key agenda items (value creation, human capital management, Group risk management, and medium- to long-term management strategy) that contribute to sustainable management (sustainable growth and continuous creation of medium- to long-term corporate value), and will set specific discussion themes related to business strategies and functional strategies linked to corporate strategies that embody value creation, in order to revitalize discussions.
2) Clarification of the role of the secretariat of the Board of Directors: The President Office serves as the secretariat (corporate secretary), identifying and sharing various information and issues across Operational Divisions and the Corporate Unit, and coordinating the operations of the Board of Directors. The Corporate Strategy Unit is responsible for functions such as submitting proposals and conducting follow-ups, while the Management Unit monitors Board meetings and conducts effectiveness evaluations from an objective perspective.
3) Strengthening the Group risk management system: The Company will promptly establish measures to address medium- to long-term risks, particularly those requiring urgent attention, and will create a system for monitoring their implementation. We will also revise our rules on management of affiliated companies, including through a review of the reporting lines for Group companies.

The Board of Directors will continue discussions in the future.

Discussions of the Board of Directors in FY2025

Corporate strategy	Medium- to long-term corporate strategies, growth investments, and shareholder return policies were discussed.
Sustainability	Sustainability-related policies, risks and opportunities related to climate change, natural capital, and biodiversity, human resource strategies, and other matters were reported and discussed.
Governance	The effectiveness evaluation of the Board of Directors, succession plan, nomination of candidates for directors, officer compensation, and the reduction of strategic shareholdings were discussed.
Risk management	Internal control, medium- to long-term risks, company-wide management of business risks, and investment-related risk management were reported and discussed.
Compliance	Compliance reports and the direction of compliance activities were reported and discussed.
Finance	Financial strategies were reported on and discussed.

Main Topics Discussed Regarding the New Medium-Term Management Plan

In formulating Nishimatsu-Vision 2035 and Medium-Term Management Plan 2028, the Board of Directors held multiple discussions on the Company's vision for 2035, its understanding of the external environment, its corporate strategy, and the financial and business strategies for realizing that strategy.

The opinions expressed by the Board of Directors through these discussions were reflected in the Long-Term Vision and Medium-Term Management Plan.

Policy on Director Training

The Company will assist all directors, including new directors, in gaining necessary knowledge by providing them with group training taught by external instructors, e-learning programs, and information about external seminars.

Directors will actively engage in these opportunities to enhance their understanding of their roles and responsibilities and strive to acquire and appropriately update their knowledge as necessary. Executive directors will provide new outside directors with a comprehensive overview of the Company's business activities, organizational structure, and financial status, and other information.

Overview of the Succession Plan and Governance System

To ensure the planned succession of its future management structure, the Company implemented a next-generation management development plan from FY2021 through FY2023. Building on the experience accumulated through these efforts, we reorganized the content, broadened the perspectives used to evaluate candidates, systematized the development process, and restructured the plan as a succession plan that also incorporates the insights of Outside Directors, launching the revised plan in FY2026. The plan is designed as an integrated framework for developing, evaluating, and selecting candidates from multiple perspectives, including those of Outside Directors, under the supervision of the Board of Directors. This helps ensure that decisions do not depend on any particular individual and makes the selection process more transparent. Going forward, the Board of Directors will continue to review the implementation status of the plan to ensure the effectiveness and transparency of the management structure.

Strategic Shareholdings

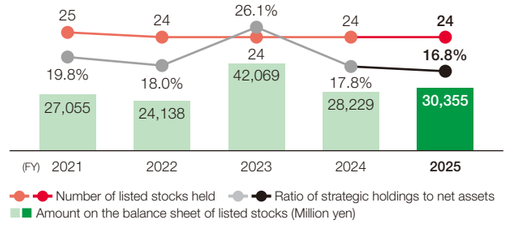
Policy regarding reducing strategic shareholdings

The Company's policy is to hold only those equities that are necessary in terms of business operations as strategic shareholdings, and to reduce any other equities except in special circumstances. The Company aims to reduce the ratio of strategic shareholdings to consolidated net assets to less than 15% by FY2028.

At the Management Meeting, the propriety of holding each individual strategic 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 status of obtaining information on construction projects, and whether there are any other special circumstances. The results are then reported to the Board of Directors. It reviews the reports, makes a decision on the appropriateness of each individual holding, and discloses the details of its review.

Status of reduced strategic shareholdings

Since formulating the reduction policy in FY2018, the Company has significantly scaled down strategic shareholdings. In FY2025, certain stocks held were sold, and the ratio of strategic shareholdings to consolidated net assets fell to 16.8%. The Company will continue efforts to further reduce strategic shareholdings through ongoing dialogue with investee companies.



Sustainability Promotion System

Our Thoughts Behind the Sustainability Slogan (Basic Policy)

The Company has set forth as its Corporate Philosophy to "Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services," while having as its mission to contribute to regional society and the environment through the structures and services it provides, and to build a sustainable future. This embodies the very concept of sustainability.

Under this Corporate Philosophy, we have formulated our Sustainability Slogan (Basic Policy), which is to "Create together, shine together." We will further put into practice sustainability management as we look to realize our goal of a sustainable society.

We have set the Sustainability Slogan—the goal to be achieved through sustainability promotion with 2050 in mind—as our KGI and created a KPI tree. This is intended to ensure that the slogan and materiality do not remain mere catchphrases, but that each employee recognizes that their day-to-day work is connected to sustainability.

➡P.29 KGI and KPI Tree

Sustainability Slogan (Basic Policy)

"Create together, shine together."

Our thoughts

In 2050, a time when we can imagine that an array of social issues will become even graver, just what kind of sustainable society will we be able to accomplish?
Our strength lies in our ability to develop social infrastructure, which we have cultivated over the years, and in our ability to bring together a diverse range of skills to fulfill our objectives.

Our intent is to provide solutions to social issues by keeping close relationships with regional communities and by making full use of our collaboration with various partners.

We strive to realize a society where everyone can shine by thoughtfully connecting people, communities, and nature, and creating vibrant spaces for all.

Sustainability Promotion System

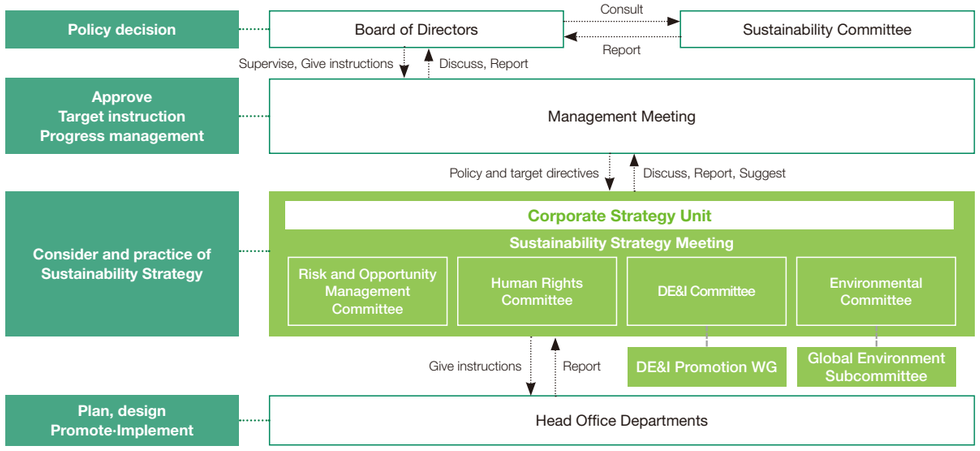
Sustainability promotion system

As part of our sustainability promotion system, we have established the Sustainability Committee, an advisory body to the Board of Directors, and the Sustainability Strategy Meeting, which is composed mainly of deputy general managers from each business division and strategy unit, among others.

The Sustainability Committee consists of outside directors, internal directors, and outside experts. The committee convenes four times a year. It investigates and deliberates on matters regarding the policies for responding to materiality and environmental changes (risks and opportunities) linked to materiality from a long-term perspective and from a multi-stakeholder standpoint, in response to consultations from the Board of Directors, and then reports back to the Board of Directors.

The Sustainability Strategy Meeting studies and implements sustainability strategies. To promote sustainability through more practical action, we have established four area-specific committees within the Meeting—the Risk and Opportunity Management Committee, Human Rights Committee, DE&I Committee, and Environmental Committee—to facilitate thorough discussion of measures to be undertaken in each priority area and enhance the effectiveness of their implementation. With the General Manager of the Corporate Strategy Unit serving as chair, the Meeting leads company-wide sustainability promotion in coordination with each business division and strategy unit.

Sustainability promotion system chart



FY2025 activities

The Sustainability Strategy Meeting met 16 times in FY2025. Each committee within the Sustainability Strategy Meeting includes relevant department heads and personnel as committee members and secretariat staff. This has helped clarify the measures to be undertaken in each priority area and led to steady discussion and implementation of those measures.

The Risk and Opportunity Management Committee held ongoing discussions on the quarterly assessment of risks in business activities that could hinder the achievement of the Medium-Term Management Plan, as well as on the scenarios and monitoring of the seven medium- to long-term risks.

➡P.78 Risk and Opportunity Management

The Human Rights Committee followed up on the human rights due diligence conducted across the supply chain in FY2024 (hereinafter, "human rights D.D.") and held an online study session.

The DE&I Committee, in collaboration with the Human Resource Strategy Unit, enhanced internal systems, including by removing the cap on the number of remote work days, to promote the development of a framework that enables diverse human resources to play active roles with excitement.

The Environmental Committee reviewed how climate-related information disclosure and other measures were being implemented, and worked to promote environmental management and facilitate company-wide environmental activities.

Initiatives under the Medium-Term Management Plan 2028

Under the Medium-Term Management Plan 2028, we will deepen sustainability management by implementing initiatives to resolve the six material issues and strengthening sustainability governance that supports sustainability management.

Within the Sustainability Strategy Meeting, the Environmental, Human Rights, and DE&I Committees will take the lead in implementing priority initiatives to resolve the Company's material issues, including promoting the formation of a decarbonized society, addressing the construction labor shortage, promoting respect for human rights, including in the supply chain, and promoting women's participation in the workforce. The Risk and Opportunity Management Committee will manage risks that could threaten the achievement of the Medium-Term Management Plan 2028 and support steady progress toward its achievement. The Meeting will also comprehensively examine measures to achieve the sustainability management targets set out in the Medium-Term Management Plan 2028, including areas outside the remit of the individual committees, and work to ensure their implementation while making recommendations to the Management Meeting and taking other actions.

The Sustainability Committee will monitor the progress and effectiveness of each measure, as well as progress toward achieving the targets set out in the Medium-Term Management Plan 2028, and provide advice and instructions for improvement.



Sustainability Strategy Meeting in session



Participants in the Sustainability Strategy Meeting

Sustainability Strategy Meeting and Each Committee

Name	Purpose	Major agenda items in FY2025
Sustainability Committee	Investigates and deliberates on matters regarding the policies for responding to materiality and environmental changes (risks and opportunities) linked to materiality from a long-term perspective and from a multi-stakeholder standpoint and reports back to the Board of Directors.	• Monitoring risks from a long-term perspective • Reviewing the value co-creation model in the Integrated Report ➡P.16
Sustainability Strategy Meeting	Studies and implements sustainability strategies to address material issues and realize a sustainable society.	• Initiatives to improve ESG ratings and refine KPIs • Integrating sustainability into Nishimatsu-Vision 2035 and Medium-Term Management Plan 2028 ➡P.20, P.26
Risk and Opportunity Management Committee	Implements company-wide risk management pertaining to risks and opportunities, including the management of risks and opportunities from a long-term perspective and in business activities.	• Assessing risks in business activities • Examining scenarios for medium- to long-term risks ➡P.78
Human Rights Committee	Promotes initiatives to internal and external stakeholders for respecting human rights based on our Human Rights Policy, including human rights due diligence across the supply chain.	• Promoting awareness and understanding of the Anti-Corruption Policy • Following up on human rights D.D. and raising awareness of respect for human rights across the supply chain • Conducting human rights D.D. within the Company ➡P.72
DE&I Committee	Nurtures a corporate culture that enables diverse human resources to play active roles with excitement as well as evaluates, implements and monitors diversity, equity, and inclusion initiatives with a long-term view.	• Considering and implementing DE&I promotion measures (including removing the cap on the number of remote work days) • Updating the General Employer Action Plan under the Act on Promotion of Women's Participation and Advancement in the Workplace ➡P.40
Environmental Committee	Promotes environmental management and facilitates company-wide environmental activities.	• Examining climate- and nature-related information disclosure (risks and opportunities, monitoring, etc.) • Reviewing the operational status of the Nishimatsu Management System and making continuous improvements ➡P.74

Creating Safe Construction Sites

WEB See the Company's website for details
➡ https://www.nishimatsu.co.jp/eng/esg/social/safety.html

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2025 results
Create systems that enable diverse human resources to play active roles with excitement	Provide environments in which everyone can work with a sense of fulfillment and demonstrate their abilities	Promote work environment improvements	Frequency rate (4 or more days of absence from work)	0.4 or below (FY2025) 0.2 or below (FY2030)	0.81

Basic Safety and Health Policy

WEB Basic Safety and Health Policy
➡ https://www.nishimatsu.co.jp/eng/company/safety.html

We have established a Basic Safety and Health Policy which reads, "We implement occupational health and safety measures (COHSMS)*1 to uphold the basic principle of respecting human life, to comply with the law, and in consideration of all people related to our Company. All people that work at our offices cooperate to achieve a safe, healthy, and comfortable workplace environment and to promote physical and mental health." Under that, we are committed to ensuring the safety and health of not only our employees, but also temporary staff, sub-contractors and their crews, and all workers at construction work sites.

[*1] COHSMS: Construction Occupational Health and Safety Management System (COHSMS) formulated by the Japan Construction Occupational Safety and Health Association. The scope of application covers all business locations in Japan, excluding the Technical Research Institute.

Initiatives to Reduce Workplace Accidents

To achieve the health and safety management goals for FY2025, we focused on three actions.

- Implement safety measures incorporating inherently safe design and engineering controls
- Eliminate the "big three" accidents designated by Nishimatsu Construction
- Promote voluntary activities by fully establishing Action 7.

However, none of the targets were achieved.

In FY2026, to prevent the "big three" accidents designated by Nishimatsu Construction (slips/falls; getting caught up in machinery, equipment, vehicles or materials; and flying/falling objects), we will further promote intrinsic safety and engineering measures and strengthen alignment between work procedures and actual work practices, including the introduction of a Work Procedure Review Month, with the aim of achieving our targets.

FY2025 safety and health management targets*2	Results
Maintain zero fatal accidents	Fatal accidents: 1
Frequency rate of 0.4 or below for injuries requiring 4 or more days of absence from work (9 or fewer incidents)	Frequency rate: 0.81 (incidents: 18)
Frequency rate of 0.6 or below for injuries requiring 1 or more days of absence from work (15 or fewer incidents)	Frequency rate: 1.13 (incidents: 25)
Five or fewer "big three" accidents designated by Nishimatsu Construction (slips/falls; getting caught up in machinery, equipment, vehicles or materials; and flying/falling objects).	"Big three" accidents designated by Nishimatsu Construction: 8

[*2] The frequency rates and number of fatal accidents are figures for domestic operations on a non-consolidated basis only.

Occurrence of Fatal Accidents

In October 2025, one person lost their life at an overseas worksite while investigating a pneumatic pressure test of sprinkler piping. In March 2026, another person lost their life after falling through an opening while performing rework at a worksite in Japan.

To prevent similar accidents from ever occurring again, we conducted a comprehensive inspection of pressure-test work procedures and re-communicated procedures for responding to abnormalities. We also re-inspected measures prohibiting entry into hazardous areas such as openings and provided refresher training aimed at eliminating unsafe behavior.

We will continue to verify implementation through patrol inspections and repeated training.

Occupational Health and Safety Management System

The Company is not certified to OHSAS 18001 or ISO 45001, but our occupational health and safety management system operates in accordance with Japan's Construction Occupational Health and Safety Management System (COHSMS) established by the Japan Construction Occupational Safety and Health Association, and has obtained COHSMS certification.

At new project sites, we perform safety and health risk assessments prior to beginning work and create construction safety and health management plans based on the results of these assessments. We carry out risk assessments on a case-by-case basis when applying methods or using equipment or materials that are different than initially planned. Each fiscal year, we review our plans to prevent accidents.

WEB Occupational safety and health management system certifications
➡ https://www.nishimatsu.co.jp/eng/esg/social/safety.html

Quality Management

WEB Policy on Quality
➡ https://www.nishimatsu.co.jp/eng/company/safety.html

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2025 results
Create an organization that can maximize on-site capabilities	Build an organization that can continually improve its trusted on-site capabilities	Improve customer satisfaction	Evaluation by clients	• Ministry of Land, Infrastructure, Transport and Tourism's Average score for the year in construction result evaluations (Average: 80 or higher/target year) • Questionnaire evaluations upon completion of private-sector projects gain 99% or higher S/A evaluation	• 79.8 points • 97%

Quality Management System

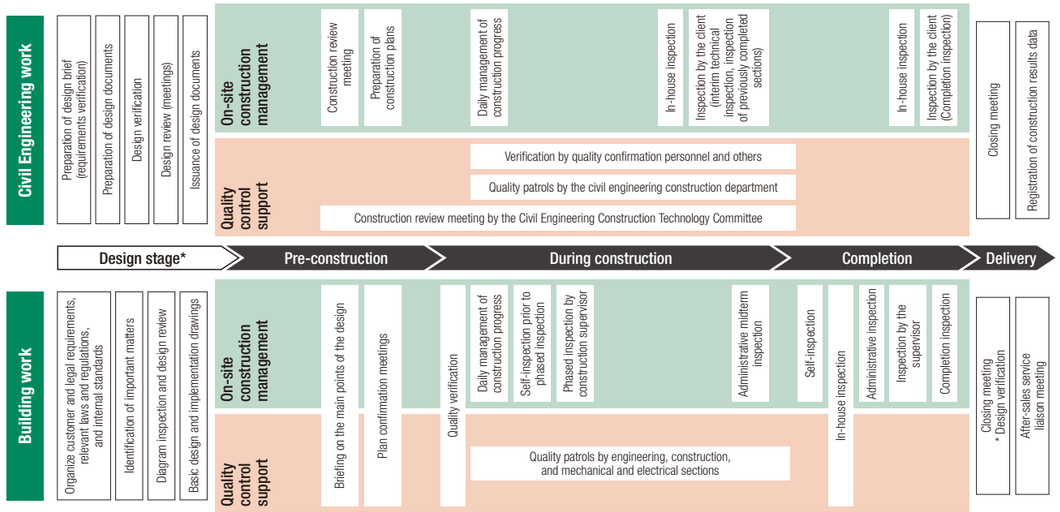
In the Civil Engineering and Building divisions, we have established a Quality management system based on ISO 9001, and are working to ensure quality and continuously improve the system at each stage of sales, design, construction, and after-sales service to achieve our quality policy of Providing Trusted Structures and Services and Improving Customer Satisfaction.

Quality Control Systems in Construction Projects

The Civil Engineering Business aims to ensure high quality by effectively addressing defects that occur during construction at worksites throughout Japan. Specifically, it investigates the causes, response measures, and recurrence prevention measures at worksites, and reports on these to the Civil Engineering Department at the Head Office through the regional headquarters. The Head Office's Civil Engineering Department compiles and analyzes reports from each regional headquarters, after which it shares information with each regional headquarters. Along with reflecting these defect case studies in construction plan drafts for similar projects to be built in the future, each regional headquarters utilizes these as learning materials as part of technical training for young employees. The Civil Engineering Construction Technology Committee is a specialized technical group involved in tunnel, shield, dam, and general civil engineering projects. It holds construction review meetings and other reviews as needed to provide technical guidance to improve quality and prevent product accidents.

In order to assure the quality of buildings, the Building Business manages quality through a workflow that integrates every step from design to construction and after-sales service following delivery. Specifically, the Building Business focuses first on communicating points of concern raised in the design stage to on-site workers to steadfastly resolve them after construction begins. Second, it focuses on providing technical guidance and education through worksite review meetings, and on-site quality confirmation meetings and quality verification covering the actual materials and structures. Third, it is focused on providing quality and technical support through the Quality Management Department for the construction of buildings whose quality can be assured. Moreover, in regard to after-sales service following delivery, the Building Business is working to strengthen the review function used to determine if service is provided in a fast, precise manner, and from a customer-oriented perspective.

Quality control flow



* In the case of design and construction by Nishimatsu

Addressing Human Rights Issues

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2025 results
Put in place partnerships that can maximize value creation	Build sustainable supply chains	Continue to implement human rights due diligence	Number of companies engaging in human rights due diligence in the supply chain	400 companies or more	Confirmation rate for companies subject to human rights due diligence: 100%

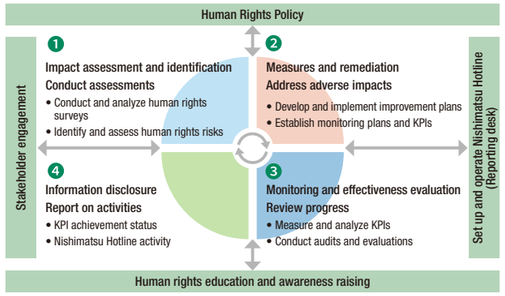
Human Rights Policy

WEB Human Rights Policy (Japanese only)
➡ https://www.nishimatsu.co.jp/company/policies.html#anc-06

Guided by its Corporate Philosophy, "Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services," the Nishimatsu Group believes that the fundamental human rights of all people involved in its business should be respected. In accordance with the United Nations Guiding Principles on Business and Human Rights, the Group has formulated its Human Rights Policy and promotes initiatives to respect human rights.

In FY2025, we revised the Human Rights Policy to reflect international expectations and changes in the social environment surrounding human rights.

Human rights due diligence process



Human Rights Due Diligence

The Group has established the Human Rights Committee within the Sustainability Strategy Meeting and promotes initiatives for internal and external stakeholders through Company-wide discussions and activities on respect for human rights. To conduct human rights due diligence covering both the Nishimatsu Group and its supply chain, we conduct separate biennial human rights surveys of the Group and the supply chain.

The Nishimatsu Group

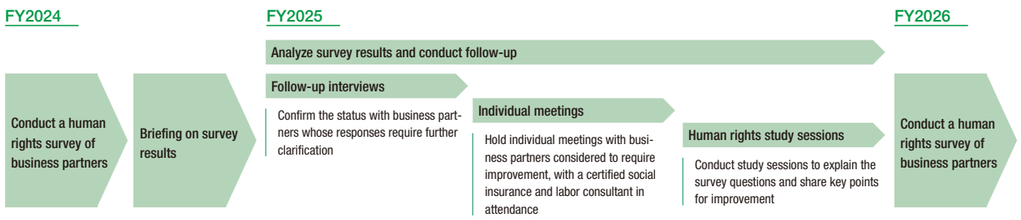
As part of our human rights due diligence, we conducted a human rights survey of employees in FY2022. Based on the results, we identified priority issues and human rights risks, mapped those risks on a human rights risk map, and have since taken steps to address them. In FY2025, to assess progress on improvements and gain a fuller understanding of human rights risks across the Group, we expanded the scope of the survey to include employees of Group companies and locally hired employees at overseas operations. In FY2026, we will analyze the survey results and consider and implement measures to address the issues identified.

Supply Chain

In FY2024, we conducted a human rights survey of more than 400 major business partners and achieved a response rate of over 80%. Based on our analysis of the responses, we identified compliance with the international human rights standards set out in our Human Rights Policy and with domestic labor laws as priority issues, and formulated an action policy. In FY2025, in accordance with that policy, we followed up with business partners considered to have a high level of human rights risk and worked to resolve issues and implement corrective measures. In FY2026, we will conduct a second survey to assess progress in addressing the priority issues and reassess human rights risks.

As part of our human rights awareness activities, we use meetings with partner companies and online study sessions to share survey results, deepen understanding of respect for human rights, and raise awareness of the Company's reporting desk. Through dialogue with partner companies, we also seek to understand matters that are difficult to capture through surveys alone, including the issues each company recognizes and the employment and participation of foreign workers. We will use these insights to help resolve issues and further advance respect for human rights.

Follow-up process for human rights due diligence in the supply chain



Supply Chain Management

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2025 results
Put in place partnerships that can maximize value creation	Build sustainable supply chains	Provide training and support to skilled construction workers	• Worksite retention rate of Nishimatsu Meisters and Senior Forepersons • Touch rate for Construction Career Up System (CCUS)	• Civil Engineering 50%, Building 60% • Civil Engineering 93%, Building 83%	• Civil Engineering 47%, Building 56% • Civil Engineering 92%, Building 81%
		Collaborate with partner companies	• N-NET order rate • Conducting a survey regarding the Declaration of Partnership Building	• Civil Engineering 60% or more, Building 60% • 400 companies or more	• Civil Engineering 48%, Building 46% • Confirmation rate for the survey on the Declaration of Partnership Building: 100%

Sustainability-Conscious Procurement Activities

We conduct procurement activities in line with our Procurement Policy and Procurement Guidelines formulated in March 2023.

We are working to realize a sustainable society by considering sustainability throughout our supply chain in our procurement activities and seeking our supplier partner companies' understanding of our policies.

WEB Procurement Policy and Procurement Guidelines (Japanese only)
➡https://www.nishimatsu.co.jp/company/policies.html#anc-07

Initiatives for Securing and Training a Labor Force and Establishing a Sustainable Supply Chain

To secure skilled workers, we have pursued initiatives including the Declaration of Respect for Labor Cost Estimates. In 2026, to comply with the amended Construction Business Act, we prepared a "Statement Itemizing Labor and Other Costs" and revised the "Standard Terms and Conditions for Construction Subcontracts" to add commitment provisions. These changes represent a major shift in longstanding business practices. We will continue to steadily advance initiatives to secure and develop skilled workers and build a sustainable supply chain.

<Milestones>

September	2018	Declaration of Respect for Labor Cost Estimates
February	2023	Declaration of Partnership Building
January	2024	Formulated the Guidelines Concerning Price Negotiation for Appropriate Shifting of Labor Costs
February	2026	Revised the Declaration of Respect for Labor Cost Estimates
June	2026	Voluntary Declaration by a Company That Values Skilled Construction Workers
July	2026	Prepared a Statement Itemizing Labor and Other Costs
		Revised the Standard Terms and Conditions for Construction Subcontracts

<Results of Price Pass-Through Negotiations>
FY2024 Approx. 500 cases
FY2025 Approx. 600 cases

Co-Creation with the Supply Chain

In 2011, we established the Nishimatsu Subcontractor's Network (N-NET), primarily comprising partner companies with which we have long-standing, ongoing business relationships. We hold regular discussions to address industry-specific challenges such as labor shortages and the need to improve productivity, thereby building strong relationships of trust.

Provision of a comfortable working environment

We strive to create a comfortable working environment for all skilled construction workers, including older workers, foreign workers, and women.

Specific examples: Air-conditioned clothing (FY2025 results: 715 items), subsidies for assistive suit purchase costs (FY2025 results: 110 suits), promotion of pleasant workplaces, multilingual worksite announcements

Training and support of skilled construction workers

We are actively promoting the Construction Career Up System (CCUS), led by the Ministry of Land, Infrastructure, Transport and Tourism, to address the industry-wide issue of labor shortages and to improve the treatment of skilled construction workers. As the Ministry of Land, Infrastructure, Transport and Tourism publishes annual income figures by CCUS level, CCUS is becoming a benchmark for labor costs in the construction industry. To promote its adoption, we have established the Nishimatsu Construction Registration Support Office, which handles new registrations and updates following job changes or newly acquired qualifications. To date, we have processed 2,860 registrations. In FY2025, the CCUS touch rate was 92% in Civil Engineering and 81% in Building, showing steady progress in adoption.

Moreover, as part of the improvement of benefits, we developed our own program for recognizing highly skilled construction workers that is linked to the four-level competency evaluation system in the CCUS, and have provided allowances to technicians. Over 15 years, a total of 1,157 skilled construction workers have been recognized as high-caliber technicians. Highly skilled forepersons and skilled construction workers play active roles on our worksites.

As a step toward increasing the utilization of CCUS, we have introduced the Kentaikyo (Construction Industry Retirement Allowance Mutual Aid Organization) electronic application system linked to CCUS's accumulated work records at 152 sites.

Touch rate for Construction Career Up System (CCUS)

	2021	2022	2023	2024	2025	2026 (target)
Touch rate for CCUS	24%	47%	61%	74%	Civil Engineering 92% Building 81%	Civil Engineering 93% Building 83%

Environmental Initiatives

Certified as an Eco-First Company by the Minister of the Environment

Nishimatsu Construction has identified "Realize a society for people with safety and vibrancy" as one of its material issues. As an Eco-First Company, we are addressing three key environmental priorities: the formation of a decarbonized society, consideration for biodiversity and coexistence with nature, and the formation of a recycling-oriented society. We have set specific numerical targets and are implementing effective measures for each. Through collaboration with our stakeholders, we will continue to work across the Company to help solve social issues and enhance corporate value.

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2025 results
Realize a society for people with safety and vibrancy	Preserve the environment and biodiversity while realizing a circular economy through business activities	Promote the formation of a decarbonized society	<ZERO30 Roadmap 2023> • Reduction rate of Scope 1 + 2 • Reduction rate for Scope 3 Category 11 emissions (CO_2 emissions coinciding with energy use during building operation after completion and delivery) • Renewable energy business generation	• Compared with FY2020 54.8% reduction (FY2030) • Compared with FY2020 27% reduction (FY2030) • 100 kMWh (FY2030)	• Compared with FY2020 32.1% reduction • Compared with FY2020 64.5% reduction • 17 kMWh
		Taking into consideration biodiversity and coexistence with nature	Implementation rate of biodiversity preservation activities undertaken	100%	100%
		Promote the formation of a recycling-oriented society	Final percentage of construction waste sent for landfill disposal	Less than 2.5% (as of FY2030)	2.3%

Decarbonization (Carbon Neutrality)

Progress of the ZERO30 Roadmap 2023

In FY2025, the use of electricity generated from renewable energy sources helped reduce Scope 1 + 2 CO_2 emissions. However, higher diesel fuel consumption in the Civil Engineering Business caused emissions to increase by approximately 10% from FY2024. As a result, emissions were 32.1% lower than the FY2020 base-year level. We will continue to strengthen reduction measures, including the expanded use of renewable electricity.

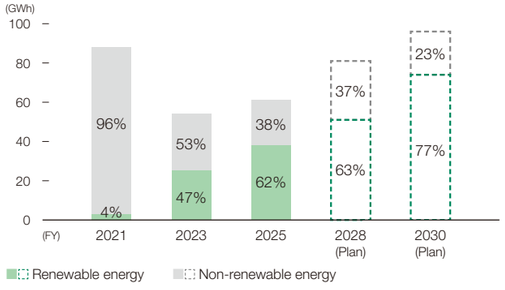
Scope 3 Category 11 emissions fell substantially because the number of completed properties and total completed floor area were lower than in a typical year. As a result, emissions were 64.5% lower than the FY2020 base-year level. Emissions are expected to increase in FY2026, but we will continue to promote ZEB design, including improvements in BEI.

Renewable energy generation exceeded the previous fiscal year's level following the start of operations at the Company's first methane fermentation biogas power generation facility. Going forward, we will expand the business while monitoring changes in the domestic renewable energy market and exploring opportunities overseas.

Expanding the use of renewable electricity

The Company is a member of RE100 and aims to achieve 100% renewable electricity use by FY2040. In the domestic construction business in particular, we aim to reach 100% as early as possible, and the rate reached 72% in FY2025. Renewable electricity use is also expanding in other business areas, excluding the International Business, bringing the overall rate to 62%.

Renewable electricity use: Historical results and plan



TOPIC **Environmentally friendly concrete using CO_2-absorbing and fixing materials**

Through joint research with Asahi Soft Drinks Co., Ltd. and academic institutions, we developed environmentally friendly concrete and successfully applied it to precast concrete products such as U-shaped gutters. The technology uses a special material that has absorbed atmospheric CO_2 collected by Asahi Soft Drinks' "CO_2-Eating Vending Machines," together with CO_2-fixing recycled materials (fine powder and coarse aggregate) developed by academic institutions. Recycled materials, including construction by-products, account for approximately 60% of the product by volume. CO_2 emissions are just 1.4 kg-CO_2 per m^3, approximately 99.5% lower than conventional products, based on the Company's calculations.



Example of a precast concrete product manufactured using CO_2-absorbing materials

WEB See the Company's website for details
➡ https://www.nishimatsu.co.jp/eng/esg/environment/

Biodiversity (Nature Positivity)

We aim to achieve nature positivity by promoting business activities that curb biodiversity loss and give due consideration to maintaining and restoring ecosystem services.

Biodiversity preservation activities at construction sites

Using our original Nishimatsu Nature Action (NNA) Guidebook, we implement biodiversity conservation initiatives at all construction sites. At the Kusu River Intake Weir Restoration Project, we are protecting the river ecosystem, including fish, aquatic insects, and turtles, through measures such as installing silt fences to prevent turbid water runoff, neutralizing concrete wash water to prevent river pollution, and using generators with integrated oil guards to prevent oil spills. We also schedule construction to take the growth period of ayu sweetfish into account.



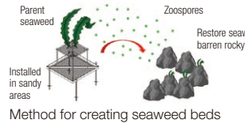
Installation of a silt fence (Kusu River Intake Weir Field Office)

WEB For details of the NNA Guidebook and examples of initiatives, please see the following website. (Japanese only)
https://www.nishimatsu.co.jp/esg/environment/nature_positive/

Initiatives toward the conservation and restoration of seaweed bed environments

The nationwide spread of barren rocky reefs is causing serious environmental problems, including the loss of biodiversity in marine ecosystems, the decline of seaweed beds that serve as CO_2 sinks, and the depletion of fisheries resources. The Company is actively working to conserve and restore seaweed beds in collaboration with Yokosuka City and private-sector companies through joint research and development on methods for creating seaweed beds.

In Munakata City, the Company is cooperating with the Ministry of the Environment's "Priority Survey on Blue Carbon" by providing substrates for seaweed settlement (carbon-negative concrete test blocks) and sharing its technical expertise, thereby contributing to demonstration initiatives aimed at conserving and restoring seaweed beds.



Method for creating seaweed beds



Carbon-negative concrete test block

TOPIC **Certified as a Water Cycle ACTIVE Company—"Nishimatsu Forest" and Gozenyama Biotope Activities**

Nishimatsu Construction has been certified as a Water Cycle ACTIVE Company under the Water Cycle Company Registration and Certification System, administered by the Secretariat of the Headquarters for Water Cycle Policy of the Cabinet Secretariat. The system certifies companies that actively undertake initiatives contributing to the water cycle. Our certification recognized the Nishimatsu Forest Conservation Activities, which include forest conservation measures such as thinning, and the Gozenyama Biotope Development Activities, which focus on maintaining ecosystems around the dam and protecting rare species.

水循環認証 ACTIVE
Water Cycle Active-company Certification

TOPIC **Certification of "Nakatsu Crosspoint®" as a nature coexistence site**

Following the Company-owned "Nishimatsu Shioya Coexistence Forest," which was certified by the Minister of the Environment, initiatives at "Nakatsu Crosspoint®," a biotope developed and managed by our Technical Research Institute in Aikawa, Aiko District, Kanagawa Prefecture, received Nature Coexistence Site certification in October 2025 from the competent ministers under the newly enacted Act on Promotion of Regional Biodiversity Enhancement. The site is one of the relatively few certified under the "creation" category and represents an advanced initiative aimed not only at conserving and restoring biodiversity but also at creating new ecosystems. We will continue to share widely the knowledge and expertise on biodiversity and ecosystems gained through these activities and contribute to achieving nature positivity.

自然共生サイト 認定 30by30



Nature Coexistence Site "Nakatsu Crosspoint®" (Technical Research Institute)

WEB For details of Nature Coexistence Sites, please see the following website.
➡ https://www.env.go.jp/nature/biodiversity/OECM.html

Resource Circulation (Circular Economy)

Promoting zero emissions of waste

To advance resource circulation and the circular economy, we aim to reduce the final landfill disposal rate to less than 2.5% by FY2030 and to zero by FY2050. We are working with intermediate treatment operators to diversify recycling routes while rigorously applying the Nishimatsu Sorting Rules to reduce the generation of mixed waste. Through careful guidance at each worksite, we are further improving sorting accuracy, increasing recycling rates, and reducing landfill disposal.

Advancing the circular economy through local resource circulation

We used diesel blended with the high-purity biodiesel fuel ReESEL to power construction machinery at dam and site preparation projects under the North Japan Regional Headquarters. The feedstock includes waste cooking oil collected from Company housing and dormitories in Sendai. By circulating local resources in this way, we are working toward a circular economy that reduces both the use of new resources and waste generation.

Climate- and Nature-Related Information

The Company participates in a range of initiatives in Japan and overseas with the aim of realizing a carbon-neutral society and a society in harmony with nature (nature positivity). Alongside implementing effective measures, we actively disclose our assessments of climate- and nature-related risks and opportunities and the status of our responses.

WEB Nishimatsu Climate Information 2026
➡ https://www.nishimatsu.co.jp/eng/esg/environment/pdf/nishimatsu_climate_information_2026.pdf

[TCFD] Strategy, Metrics and Targets

Progress on plans to address risks and opportunities

The Company actively discloses climate-related information in line with the TCFD recommendations. We regard responding to climate-related risks and opportunities as essential to sustainable growth and use the PDCA cycle to manage progress. We review KPIs and targets as needed to keep them aligned with our Company-wide business strategy.

For the risk item "technological responses for mid- and high-rise wooden buildings," we have set a target of two initiatives per year through FY2030 and are developing technologies such as the hybrid two-direction moment-resisting frame. For the opportunity item "promotion of ZEB," we have set a target of achieving a 90% ZEB/ZEH rate for properties we design by FY2030 and are building a track record, primarily in logistics facilities and multi-unit housing.

(1) Status of key initiatives for climate-related risks

Business classification	Material item	Response policy	KPI (indicators)	Targets	FY2025 results	Action up to FY2025
Civil Engineering Business	[Temperature rise] Response to declining numbers of skilled construction workers (examination of labor-saving methods)	Establishment of large pre-cast construction technology and accumulation of achievements	Number of orders for slab replacement construction	A total of 5 cases by FY2030	A total of 2 cases	• Develop large-scale precasting-related technology • Promote use of precast products with design proposals * A total of 2 projects: 1 in FY2023 and 1 in FY2024
Civil Engineering Business	[Temperature rise] Response to declining numbers of skilled construction workers (unmanned and automated construction)	Establishment and on-site introduction of unmanned and automated construction technologies	Number of tunnel workers in mountain tunnel and shield construction	Reduce 30% from FY2018 level by FY2030	0%	• Develop unmanned and automated construction-related technologies in mountain tunnel construction • Develop manpower-saving and automated technologies for shield tunnel construction
Building Business	[Decarbonization needs] Loss of order opportunities due to delays in technological development of environmentally friendly concrete	Promotion of development of environmentally friendly concrete	(1) Volcanic glass powder concrete (VGP) (2) Geopolymer (3) Carbon negative concrete (4) Slagrete (high-strength applications)	(1) Apply to one real project by FY2026 (2) Apply as a structural material in one real project by FY2027 (3) Apply to one real project by FY2028 (4) Apply as a structural material in one real project by FY2028	0 ((1)-(4))	(1) Consider VGP concrete mixing technology (2) Clarify the regulatory status of geopolymer under the Building Standards Act (3) Consider application of secondary products using carbon negative concrete (4) Plan to introduce Slagrete into real project (structural material)
Building Business	[Decarbonization needs] Response to mid- and high-rise wooden buildings	Strengthening design and construction technologies for mid- and high-rise wooden buildings	Engage in mid- to high-rise wooden buildings initiatives	2 projects / year by FY2030	2	• Complete implementation design that uses two-way timber frame hybrid structure • Rationalize mid- to high-rise timber building construction technologies (cost reduction) • Acquire expertise on reliability through demonstration tests and measurements in actual projects

(2) Status of efforts for climate-related opportunities

Business classification	Material item	Response policy	KPI (indicators)	Targets	FY2025 results	Action up to FY2025
Civil Engineering Business	[Temperature rise] Increase in disaster recovery work	Establishment of a system for rapid response to disaster recovery work	Acceptance of requests for disaster recovery assistance	Achieve 100% by FY2030	100% (7/7 cases)	• Establish an emergency readiness system • Establish a system that contributes to strengthening procurement capabilities for emergency materials, equipment, and labor • Consider introduction of unmanned and remote construction technologies in actual construction
Civil Engineering Business	[Temperature rise] [Stricter policies] Increase in disaster prevention and mitigation-related construction	Strengthen orders for shield construction and renewal construction (disaster prevention and mitigation-related)	Revenue from disaster prevention and mitigation-related construction	More than 14 billion yen/year as of FY2030	14.6 billion yen	• Strengthen bidding system • Related technological development • Continuously receive orders for shield construction and renewal-related construction
Building Business	[Decarbonization needs] Increase in demand for ZEB	Promotion of ZEB in new construction and renovation projects	ZEB/ZEH rate (offices, logistics facilities, housing)	Achieve 90% by FY2030	85% (6/7 cases)	• Enhance designers' environmentally conscious design capabilities • Demonstrate ZEB technology at company facilities • ZEB Ready design in office design and construction projects
Regional Environmental Solutions Business	[Decarbonization needs] [Stricter policies] Response to regional environmental issues	Promotion of renewable energy business and related businesses	Amount of electricity generated by renewable energy business	100 kMWh per year by FY2030	17 kMWh	• Continue 5 solar (PPA) projects, geothermal power generation (1 project), and wood biomass power generation (1 project) • Start full-scale operations for the methane fermentation biogas power generation project (Kumamoto N-Energy) • Consider business strategy to achieve power generation targets

WEB Nishimatsu Nature Information 2026 (Japanese only)
➡ https://www.nishimatsu.co.jp/esg/environment/pdf/tnfd_202606.pdf

[TNFD] Strategy, Metrics and Targets

Identification of risks, opportunities, and issues

In 2025, the Company announced its intention to make disclosures in line with the TNFD recommendations and has since been conducting the necessary assessments in stages based on the TNFD disclosure framework. After assessing our dependencies on and impacts on natural capital using ENCORE, a TNFD-recommended tool, we identified nature-related risks and opportunities across the value chain. Upstream in the value chain, we identified risks related to the depletion of construction materials and tighter traceability regulations and requirements, as well as opportunities arising from growing demand for recycled construction materials and raw-material recycling. In direct operations, we identified risks such as constraints on development and construction arising from tighter nature conservation regulations, and opportunities such as growing demand for the sustainable use of natural capital and green infrastructure. Going forward, we will formulate specific response policies for these risks and opportunities, establish KPIs and targets, and implement effective initiatives.

Key findings for the upstream value chain

CE: Civil Engineering Business B: Building Business I: International Business

Value chain	Dependency (dependence of our business on nature)	Impacts (impacts on local communities and society)	Risks and opportunities	Relevant business divisions	Risks and opportunities (drivers)	Risks and opportunities (details)	Time horizon	Magnitude of impact	Issues for consideration
Upstream	[Use of resources] Procurement of raw materials (construction materials and fuel)		Risks	CE / B / I	Depletion of construction materials (steel, cement products, timber, etc.)	• Difficulty securing materials ➡ construction stoppages (lower sales due to lost business opportunities ➡ lower profits) • Higher prices ➡ increased costs ➡ lower profits	Short-Long	High	• Promote the use of recycled construction materials (recycled steel, eco-cement, wood-based materials, etc.) • Promote sustainable forest management (reforestation and thinning) * Select materials legally permitted for structural applications (e.g., JIS-compliant materials)
			Risks	CE / B / I	Tighter traceability regulations and requirements	• Higher management costs ➡ lower profits • Difficulty procuring raw materials if traceability requirements are not met • Reputational damage if traceability requirements are not met • Supply shortages due to growing demand for construction materials with verified traceability	Medium-Long	Low	• Review supplier initiatives and assess traceability • Diversify the supply chain ➡ partnering with suppliers and securing new procurement sources (= restructuring the supply chain) • Promote the use of locally sourced and certified timber
			Opportunities	CE / B / I	Growing demand for recycled construction materials and raw-material recycling	• Improved reputation • Increased opportunities to win orders ➡ higher sales ➡ higher profits	Long	Medium	• Increase the use of recycled construction materials • Develop, use, and commercialize raw-material recycling technologies * Performance of recycled construction materials must be assured

Key findings for direct operations in the value chain

CE: Civil Engineering Business B: Building Business I: International Business EUD: Environment and Urban Development Business

Value chain	Dependency (dependence of our business on nature)	Impacts (impacts on local communities and society)	Risks and opportunities	Relevant business divisions	Risks and opportunities (drivers)	Risks and opportunities (details)	Time horizon	Magnitude of impact	Issues for consideration
Direct operations	[Provisioning and regulating services] Dependence on sites suitable for development (stable ground, areas with low earthquake and flood risk, etc.) Dependence on surrounding natural environments that enhance living conditions and real estate value		Risks	EUD	Restrictions on development locations and property specifications due to tighter nature conservation regulations and growing requirements to address biodiversity	• Loss of business opportunities due to restrictions on development locations and specifications ➡ lower sales ➡ lower profits • Higher regulatory compliance costs ➡ lower profits	Medium-Long	Medium	• Consider biodiversity-conscious development (assess impacts in advance) • Formulate development policies in collaboration with local governments, residents, and environmental NPOs
			Opportunities	CE / B / I	Growing demand and order opportunities for high value-added solutions involving the sustainable use of natural capital and green infrastructure	Higher order win rates ➡ higher sales ➡ higher profits	Medium-Long	Medium	• Build expertise in developing environmentally friendly buildings, including wooden buildings • Assess needs and potential projects for green infrastructure and related areas (develop technologies and construction methods)
		[Land-use change, noise, and vibration] Site preparation, land-use change, changes to river flows, and construction-related noise and vibration associated with construction and renewable energy businesses	Risks	CE / B / I	Constraints on construction activities due to tighter regulations on biodiversity conservation, exhaust emissions, noise, and vibration	• Regulatory compliance requirements ➡ higher costs and construction delays ➡ lower profits • Failure to comply increasing litigation risk ➡ higher costs ➡ lower profits	Short-Long	Medium	• Implement biodiversity conservation activities based on the Nishimatsu Nature Action Guidebook • Conduct patrols to monitor impacts on biodiversity • Provide education and awareness raising on biodiversity considerations and conservation

TOPIC **CDP Disclosure and evaluation**

Since 2018, the Company has responded to questionnaires from CDP, an international environmental NGO, and currently covers areas including Climate Change, Water Security, and Forests. In Climate Change, we have received a score of B (Management level) or higher every year. In FY2025, our efforts to enhance governance were also recognized, earning us an A- (Leadership level) score.

In addition, we were named a Supplier Engagement Leader, CDP's highest rating in its Supplier Engagement Assessment for climate change, for the third consecutive year from FY2023.

Supplier Engagement Leader CDP 2025

Climate change score

2020	2021	2022	2023	2024	2025
A-	A-	B	A-	B	A-

Score Levels		
High ↑	A	Leadership level
	A-	
	B	Management level
	B-	
	C	Awareness Level
	C-	
	D	Disclosure Level
Low ↓	D-	

Risk and Opportunity Management

Group-Wide Risk and Opportunity Management System and Activities

In order to adequately manage risks and opportunities of the Nishimatsu Construction Group, minimize loss, and achieve sustainable growth, the Sustainability Strategy Meeting (Risk and Opportunity Management Committee and Environmental Committee), in accordance with internal rules, collects risk and opportunity information, monitors these across the organization, and comprehensively manages risks for the Group.

The Company designates departments responsible for managing the collected risks and opportunities. Meanwhile, the Meeting monitors risk and opportunity management in a preventative and heuristic manner, and evaluates the effectiveness of management efforts. If any issue is found, the Meeting provides the department responsible for management with recommendations for improvement. At the same time, the Meeting reports to the Management Meeting regarding the management system for and management status of risks and opportunities, and reports to the Board of Directors following deliberations and approval by the Management Meeting. The Board of Directors then deliberates on reports made by the Management Meeting and gives final approval as a corporate decision.

Risk management system



[*1] For an overview of the Sustainability Strategy Meeting, please refer to P.68.

Risk and Opportunity Management Committee

The Risk and Opportunity Management Committee, which is purposed with ensuring adequate Company-wide risk management related to risks and opportunities, implements "management of risks and opportunities in business activities" and "management of risks and opportunities from a long-term perspective." The committee members are mostly deputy general managers from the Corporate Unit and business divisions.

The Committee thoroughly discusses the management of high-level risks in business activities, focusing on risks that are rated as high in quarterly evaluations. The Committee also discusses the assessment of the risk level and the status of the risk level control of each risk that has materialized or whose risk level has changed. The Committee strives to mitigate risks from a group-wide perspective.

Regarding risks from a long-term perspective, we built upon discussions initiated in 2023—including the formulation of the Sustainability Slogan (Basic Policy) and KGI, as well as the identification of materiality—and conducted further deliberations to identify seven risks.

Management of risks in business activities	Results
• From the perspective of efficacy toward establishing and implementing risk management practices, the Committee makes a judgement on the propriety of the risk assessment results provided by the responsible department and Audit Unit. As necessary, the Committee instructs the responsible department to revise the definition of risk levels and the validity of hypotheses. • In regard to risks for which both the likelihood of occurrence and degree of impact are judged to be high, the Committee verifies the outcomes of the concrete countermeasures devised by the responsible department, and monitors the status of risk management on a quarterly basis.	• Based on the Sustainability Slogan (Basic Policy) and materiality, etc., the Committee verifies the validity of hypotheses. • As necessary, it instructs the responsible department to make revisions, and considers and monitors specific actions to promote sustainability.

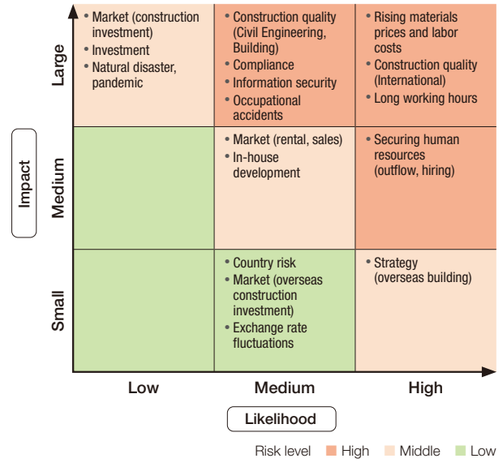
Identification and evaluation of risks in business activities

The Committee regards risks arising from business activities as potential threats to the achievement of the Medium-Term Management Plan and assesses each risk on a three-level scale in terms of its impact and likelihood using a risk map. The Committee will monitor the management status of individual risks and evaluate the effectiveness of its efforts on a quarterly basis. The Company has established internal quantitative financial and asset maintenance indicators and qualitative business continuity indicators to assess impacts.

Identification and evaluation of risks from a long-term perspective

The Committee has identified seven risks that need to be addressed to continue enhancing corporate value. They are climate change risk and six risks identified based on the Sustainability Slogan (Basic Policy) and material issues, taking into account their potential impact on growth and the expected timing of their materialization. The Committee has conducted scenario analysis to develop response policies for these risks and monitor them.

Risk map showing risks associated with business activities (extract)



1 Risks related to human resources (shortage of engineers)
2 Risks related to human resources (shortage of on-site office manager candidates)
3 Risk of a shortage of labor force for the construction industry
4 Industry restructuring risk
5 Risks related to technology development
6 Long-term market risk
7 Climate change risks

Information Security Risk Management

The Group possesses important business information, personal information obtained in the course of business, and confidential information related to our business partners. Various measures are being implemented to prevent loss of social credibility and economic losses due to information leaks.

Prevention measures

(1) Technical measures

- Strengthening measures against computer viruses and unauthorized access
- Visualizing and controlling cloud service use
- Measures to prevent internal misconduct (unauthorized removal and introduction)

(2) Personnel measures

- Conducting security training and targeted e-mail drills
- Having outside experts assess security and investigate risk

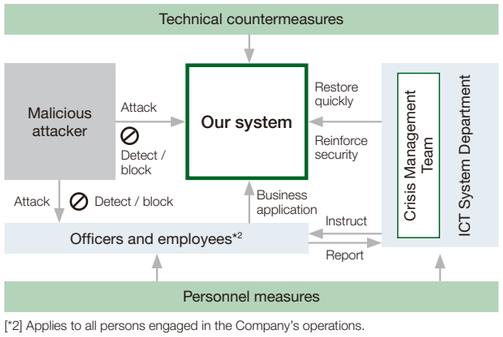
Countermeasures in the event of an incident

- Conducting incident response training
- Reinforcing cyber resilience for early recovery of systems

Recent cyberattacks, including ransomware and targeted e-mails, pose risks not only to our Company but also to the entire supply chain, and must therefore be addressed across the entire supply chain. The Company conducted targeted e-mail drills, cybersecurity training sessions, and cybersecurity assessments for N-NET (Nishimatsu Subcontractor's Network). Additionally, through the N-NET members' website, we shared information to help member companies strengthen their cybersecurity measures.

The entire Group, including N-NET, will continue to improve information security.

Information security system



[*2] Applies to all persons engaged in the Company's operations.

Compliance

Materiality	Materiality solutions	KPIs (Company-wide)	Specific KPIs	Numerical target	FY2025 results
Adhere strictly to compliance	Upgrade, expand, and continue compliance education	Upgrade, expand, and continue compliance education	Compliance understanding test participation rate	80% or more	81.1%

Nishimatsu Construction's Approach

Our view of compliance is not limited to the observance of laws, rules, and various regulations, but also serves as the foundation (corporate culture and climate) that allows us to conduct sustainable business activities based on the trust and confidence of all stakeholders in accordance with our Company Motto and Corporate Philosophy. Based on this concept, we are working to improve compliance awareness among every officer and employee through various measures that include in-house training.

WEB Compliance Basic Policy
➡https://www.nishimatsu.co.jp/eng/company/safety.html#anc-04

Compliance Promotion System

The Company established the Compliance Committee with the aim of providing support and guidance for ensuring that compliance is practiced by the Group, and appoints a person from outside the Company to chair the Committee. The Compliance Committee meets once a month to address and discuss various compliance-related issues, and plans and conducts compliance training to maintain and improve the compliance system. In addition, the Compliance Committee chair also attends Board of Directors meetings to report on the details of responses to various issues and make recommendations.

The Compliance Promotion Department takes the initiative in promoting compliance as the secretariat of the Compliance Committee, playing a role in educating officers and employees about the activities of the Committee. As the persons in charge of compliance, the heads of each division at the Head Office, the general managers at each regional headquarters, and the presidents of affiliated companies inform and raise awareness among officers and employees in the organizations they run.

Whistleblower System

The Company established the Nishimatsu Hotline (the Hotline) as a whistleblower contact point to deter misconduct and corruption, promptly address scandals, and improve our corporate culture, and has devised a system whereby all stakeholders can make reports using their actual names or anonymously.

Reports received via the Hotline are promptly forwarded to the Manager of the Office of President and the Chair of the Compliance Committee. The Compliance Promotion Department, while duly considering the protection of whistleblowers and the confidentiality of information, works with the relevant departments to verify the facts. If the facts are verified as reported, the Company takes the required corrective actions, formulates a recurrence prevention plan, and implements disciplinary action against the employees involved in the misconduct. The results of these actions are then provided as feedback to the whistleblower. Acts that result in disciplinary action will be reported to the Executive Committee Meeting.

Number of reports

In FY2025, the Hotline received 62 reports. Necessary measures were taken in each case.

Counseling service

The Company has set up the "Workplace Hotline," a counseling service where employees can easily seek advice about mental anxiety or human relations in the workplace.

Number of calls to the Nishimatsu Hotline and Workplace Hotline

(Number of reports)

Category	FY2021	FY2022	FY2023	FY2024	FY2025
Nishimatsu Hotline	28	45	38	57	**62**
Nishimatsu Workplace Hotline	12	8	6	17	**17**

Compliance Training

We carry out ongoing career-level-specific training and e-learning for all employees to improve compliance awareness, eliminate acts of corruption, misconduct, and harassment, and boost understanding and dissemination of the whistleblowing system. As is standard, in FY2025 we provided information regarding our compliance system and the most recent issues involving compliance, including corruption prevention.

Each October, which the Japan Federation of Construction Contractors has stipulated as Corporate Code of Conduct Practice Promotion Month, we conduct compliance training for Nishimatsu Group officers and executives, and endeavor to raise compliance awareness among the management class. These efforts serve the purpose of enhancing and maintaining compliance awareness among officers and employees.

IR Communication

Dialogue with Shareholders

Through constructive dialogue with our shareholders, we aim to achieve sustainable growth and create corporate value over the medium to long term. At dialogue meetings, the President, the Director in charge of Investor Relations, who is also the General Manager of the Management Unit, the General Manager of the Corporate Strategy Unit, and others serve as speakers and interact with shareholders. Depending on the subject of the dialogue, such as sustainability or voting rights, the heads of the relevant departments also attend these sessions. We also seek to enhance dialogue by providing opportunities for outside directors to attend.

Shareholders' opinions and concerns ascertained through dialogue are fed back to the management team as necessary, and important matters are reported to the Board of Directors and incorporated into the formulation of management strategies, the long-term vision, and medium-term management plans. We continuously monitor progress under these plans and review and improve measures based on the results, thereby enhancing the sophistication of management and further increasing corporate value. Reports received from securities company analysts are also shared as appropriate and used in management decision-making.

Going forward, in addition to individual meetings, we will expand opportunities for dialogue in various formats and further enhance constructive dialogue with shareholders.

Dialogue Results (FY2025)

Category	Number of times	Major Nishimatsu attendees
Individual interviews	79	General Manager of the Management Unit, General Manager of the Corporate Strategy Unit, General Manager of the Corporate Planning Department, heads of ESG-related departments, etc.
Small meetings	1	President, Executive Vice President, General Manager of the Management Unit, General Manager of the Corporate Strategy Unit, General Manager of the Human Resource Strategy Unit, General Manager of the Technology Strategy Unit, Outside Director
Financial results briefings	2	President, Executive Vice President, General Manager of the Management Unit, General Manager of the Corporate Strategy Unit, General Manager of the Corporate Planning Department, General Manager of the Finance & Accounting Department

Main themes of dialogue and matters of interest to shareholders

Item	Dialogue themes and matters of interest to shareholders	
Business environment, growth strategy	• Outlook for the business environment (order environment, rising construction costs, labor shortages) • Feasibility of the long-term vision and Medium-Term Management Plan • More proactive M&A and investment in new businesses	• Progress in collaboration with ITOCHU Corporation and specific synergies being generated • Significance, profitability, and risks of the overseas business • Investment strategy and earnings model for the real estate business (balance among development, sales, and leasing)
Financial strategy, shareholder returns	• Capital allocation to improve ROE (priorities among growth investment, M&A, and shareholder returns) • D/E ratio and equity ratio levels and policies for improvement	• Impact of expanding real estate investment on financial leverage • Shareholder return policy • Background to the increase in interest-bearing debt
Business profitability, performance	• Earnings progress • Sustainability of profit margins and target levels in the Civil Engineering and Building businesses	• Profitability at the time orders are received, status of price pass-through, and impact of rising costs
Human capital, human resource strategy	• Shortage of engineers and optimization of the human resource portfolio • Securing and developing human resources needed in growth areas (Asset Value-Added Business and Regional Environmental Solutions Business) • Analysis of employee engagement and improvement measures	• Promotion of women's participation and advancement (low percentage of women in management and measures to address it) • Workstyle reform (remote work, evaluation system, career support)
Sustainability Social, environment	• Progress and feasibility of the decarbonization plan (ZERO30) • Effectiveness of CO_2 emissions reductions and future challenges • Progress in biodiversity initiatives and quantitative assessments	• Balancing environmental costs and business earnings • Need for action throughout the supply chain
Corporate governance	• Reduction of strategic shareholdings (quantitative targets and progress disclosure) • Officer compensation system (performance-linked compensation and introduction of human capital indicators)	• Composition of the Board of Directors (percentage of outside directors, size, diversity) • Effectiveness of the Board of Directors and strengthening of its supervisory functions • Skill set

Communicating our growth strategy through the financial results briefing



At the financial results briefing for analysts and investors for the fiscal year ended March 31, 2026, President Hosokawa personally explained the newly formulated Nishimatsu-Vision 2035 and Medium-Term Management Plan 2028, in addition to the financial results for the fiscal year ended March 31, 2026.

By presenting an integrated view of our approach to future growth investments and M&A, the expansion of core businesses, and the establishment of a next-generation foundation for growth, we communicated the path toward enhancing our corporate value over the medium to long term. Participants asked questions about the business environment, profitability, M&A, and the status of our collaboration with ITOCHU Corporation, among other topics, and we worked to deepen their understanding through active question-and-answer exchanges.

List of Company Officers (As of June 29, 2026)

Directors

Masakazu Hosokawa

Representative Director and President



Apr. 1987 Joined the Company
Apr. 2024 Executive Vice President
Jun. 2024 Representative Director and President, Chief Executive Officer and President (to present)
Jun. 2026 Outside Director (Part-time), Nippon Venture Capital Co., Ltd. (to present)

Number of Company shares held 7,507 shares
Attendance at Board Meetings 19 out of 19 (100%)

Makoto Isshiki

Representative Director
In charge of Corporate Unit



Apr. 1984 Joined the Company
Jun. 2016 Director, Senior Managing Officer
Apr. 2025 Representative Director and Executive Vice President, in charge of Corporate Unit (to present)

Number of Company shares held 16,597 shares
Attendance at Board Meetings 19 out of 19 (100%)

Osamu Shibui

Director
General Manager of Management Unit,
In charge of IR



Apr. 1985 Joined the Company
Apr. 2025 Senior Managing Officer, General Manager of Management Unit
Jun. 2025 Director, Senior Managing Officer, General Manager of Management Unit, in charge of Investor Relations (to present)

Number of Company shares held 6,019 shares
Attendance at Board Meetings 14 out of 14 (100%)

Shinsuke Hamasaki

Director
General Manager of
Corporate Strategy Unit



Apr. 1983 Joined the Company
Apr. 2025 Managing Officer, General Manager of Corporate Strategy Unit
Jun. 2025 Director, Managing Officer, General Manager of Corporate Strategy Unit (to present)

Number of Company shares held 4,431 shares
Attendance at Board Meetings 14 out of 14 (100%)

Audit and Supervisory Committee Members

Hideyuki Kawano

Director
(Audit and Supervisory
Committee Member)
(Full-Time)



Apr. 1987 Joined the Company
Jun. 2024 Director (Full-Time Audit and Supervisory Committee Member) (to present)

Number of Company shares held 800 shares
Attendance at Board Meetings 19 out of 19 (100%)
Attendance at Audit and Supervisory Committee Meetings 15 out of 15 (100%)

Toshihiro Kubo

Outside Director
(Audit and Supervisory
Committee Member)



Jul. 2014 Representative Director and Executive Vice President, Kubota Corporation
Jun. 2021 Chairman of the Osaka Federation of Health Insurance Societies (to present)
Vice Chairman, National Federation of Health Insurance Societies (to present)
Jun. 2022 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)
May 2025 Outside Director (Member of Audit and Supervisory Committee), Nakamoto Packs Co., Ltd. (to present)

Number of Company shares held 0 shares
Attendance at Board Meetings 19 out of 19 (100%)
Attendance at Audit and Supervisory Committee Meetings 15 out of 15 (100%)

Yayoi Ito

Outside Director
(Audit and Supervisory
Committee Member)



Apr. 2008 General Manager, Business Planning Promotion Division, Headquarter of Public System Business, NTT DATA Corporation
Feb. 2017 General Manager, Digital Innovation Promotion Office, YAMATO HOLDINGS CO., LTD.
Apr. 2018 General Manager, Information Technology Strategy Department, YAMATO HOLDINGS CO., LTD.
May 2019 Managing Executive Officer, Corporate Planning, UNIZO Holdings Company, Limited
Jun. 2021 Outside Director, KANADEN CORPORATION (to present)
Jun. 2023 Outside Director, JAPAN POST HOLDINGS Co., Ltd. (to present)
Outside Director (Audit and Supervisory Committee Member) of the Company (to present)

Number of Company shares held 0 shares
Attendance at Board Meetings 19 out of 19 (100%)
Attendance at Audit and Supervisory Committee Meetings 15 out of 15 (100%)

Hajime Oshita

Outside Director
(Audit and Supervisory
Committee Member)



Mar. 2017 Representative Director, President and CEO of JFE Engineering Corporation (resigned in Mar. 2024)
Jun. 2017 Director, JFE Holdings, Inc. (resigned in Jun. 2024)
Apr. 2024 Special Advisor of JFE Engineering Corporation (resigned in Mar. 2026)
Jun. 2024 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)
Mar. 2026 Representative Director and President (Part-time), Ryugasaki Country Club Co., Ltd. (to present)
Jun. 2026 Outside Director, KANADEN CORPORATION (to present)

Number of Company shares held 0 shares
Attendance at Board Meetings 19 out of 19 (100%)
Attendance at Audit and Supervisory Committee Meetings 15 out of 15 (100%)

Misako Kikuchi

Outside Director
(Audit and Supervisory
Committee Member)



May 2001 General Manager of Public Relations Department, Corporate Communications Division, MITSUI & CO., LTD.
Apr. 2015 General Manager of Environmental-Social Contribution Division, MITSUI & CO., LTD.
Oct. 2018 President and Representative Director, Mitsui Bussan Forest Co., Ltd. (resigned in Jun. 2022)
Apr. 2022 Auditor, St. Luke's International University (resigned in Jun. 2025)
Jun. 2022 Outside Director, KOMERI Co., Ltd. (resigned in Jun. 2026)
Outside Director, OKAMURA CORPORATION (to present)
Jun. 2025 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)

Number of Company shares held 0 shares
Attendance at Board Meetings 13 out of 14 (93%)
Attendance at Audit and Supervisory Committee Meetings 9 out of 10 (90%)

* The number of shares of the Company held includes the number of shares to be delivered under the stock compensation plan.
* Attendance figures for Board Meetings and Audit and Supervisory Committee Meetings are for FY2025.

Executive Officers

Chief Executive Officer and President
Masakazu Hosokawa

Executive Vice President
Makoto Isshiki

Senior Managing Officer
Kazutoyo Hamada

Senior Managing Officer
Masakazu Namba

Senior Managing Officer
Noboru Matsutomo

Senior Managing Officer
Osamu Shibui

Senior Managing Officer
Takafumi Inoue

Managing Officer
Takuo Yoshida

Managing Officer
Takashi Kuroda

Managing Officer
Shinsuke Hamasaki

Managing Officer
Hiroyuki Kawataki

Managing Officer
Hiroki Kimura

Managing Officer
Kazutoshi Narita

Executive Officer
Keiji Hashisako

Executive Officer
Seigo Yamamoto

Executive Officer
Katsuzo Honda

Executive Officer
Hiromi Tsuboi

Executive Officer
Hisashi Torii

Executive Officer
Hitoshi Kususako

Executive Officer
Masanori Ishii

Executive Officer
Humihide Takano

Executive Officer
Koichi Oniki

Executive Officer
Makoto Nomura

Executive Officer
Atsuro Munezawa

Executive Officer
Ichita Takahashi

Executive Officer
Osamu Yanagisawa

Executive Officer
Kozo Kusano

Executive Officer
Eiichi Sakuma

Executive Officer
Junichi Usuki