

Sustainability

We developed a sustainability promotion system in April 2023 with the aim of establishing a sustainable society for people to live with peace of mind, as is written in our corporate philosophy.

We will strengthen our sustainability management to help solve social problems as a member of society.

Sustainability promotion system



Sustainability Committee

We established the Sustainability Committee as an advisory body to the Board of Directors. It consists of outside experts, external directors, and internal directors. Incorporating the diverse values of internal and external committee members, the Committee discusses and reports on Group-wide sustainability issues in response to inquiries from the Board of Directors. These issues include materiality from a long-term, multi-stakeholder perspective as well as the risks and opportunities associated with materiality.

In the first year of its establishment, the Sustainability Committee has worked to identify materiality, set materiality-linked KPIs, and formulate a sustainability policy.

Risk and Opportunity Management Committee

We established the Risk and Opportunity Management Committee after revamping the existing Group-wide risk and opportunity management system. The Committee is composed of the assistant general managers of each business division, and operates and monitors the risk and opportunity management system in current business activities, which includes identifying risks and opportunities at the Group-wide management level based on the policy for addressing materiality.

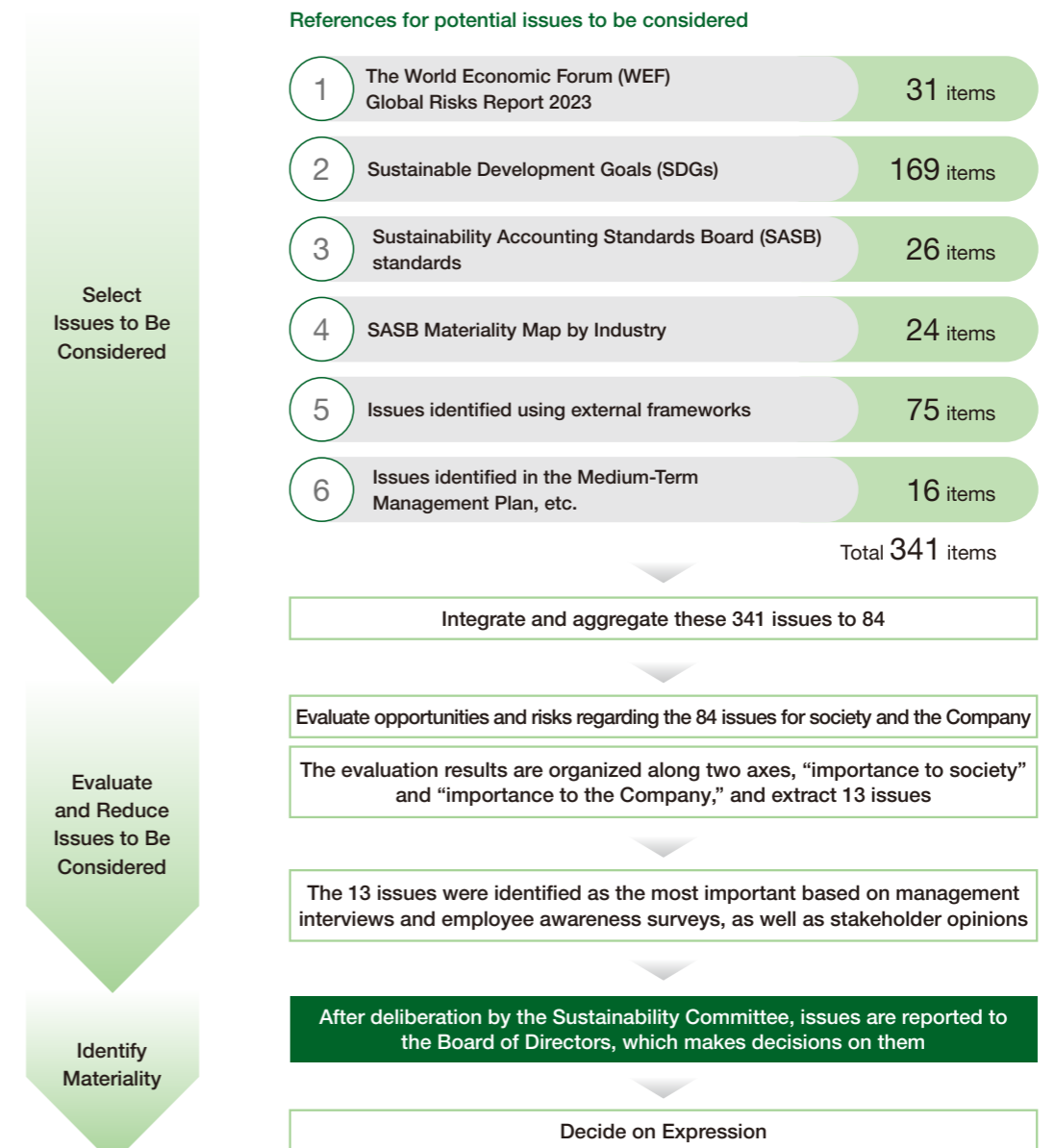
→ See P.61

Identifying Materiality

The Company formulated a new long-term vision in February 2023, and in April, revised its corporate philosophy. In order to realize Nishimatsu-Vision 2030, we are working to identify key issues to be addressed with the aim of evolving existing materiality into a new materiality based on our new corporate philosophy and long-term vision.

Identification Process

We will establish an identification process that is acceptable to our stakeholders, encompassing a variety of global and other perspectives, while making use of management interviews and employee awareness surveys. We aim to complete this identification process in autumn 2023.



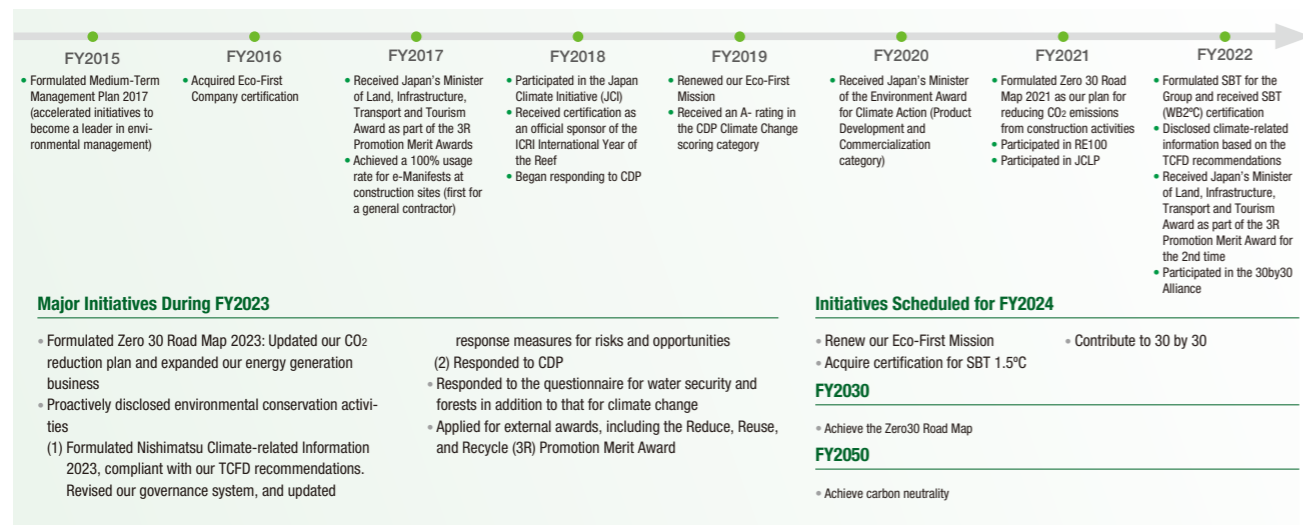
The Risk and Opportunity Management Committee implements risk and opportunity management from a long-term perspective at the Group-wide management level based on the identified materiality.

Environmental Initiatives



Today's world is faced with climate-change issues that leave no time to waste, which has led to a growing movement unifying the environment, society, and the economy. Similarly, various initiatives are picking up speed with the aim of realizing a circular economy and a nature positive approach, both of which are seen as essential elements for achieving carbon neutrality. Nishimatsu Construction has also raised initiatives for carbon neutrality as an important issue that it must undertake with priority in order to achieve sustainable growth. We have formulated Zero30 Road Map 2023 in June 2023 as our plan for reducing CO₂ emissions, we are also advancing activities that consider our relationship with resource circulation and biodiversity. Based on the implementation of environmental management systems that comply with ISO14001, we are committed to addressing other global standards, such as participating in the RE100, acquiring SBT certification, and disclosing information related to climate-related risks and opportunities in accordance with the TCFD. In this way, we will continue to meet the expectations of our stakeholders through various efforts intended to pass on a healthy, sustainable global environment to future generations.

Past and Future Environmental Management Efforts



Zero30 Road Map 2023 (Carbon Neutrality: Indicators and Targets)

Formulating Zero30 Road Map 2023

Under Zero30 Road Map 2021, we aimed to reduce Scope 1 and 2 emissions to which the Domestic Construction Business is subject. And since its formulation we have steadily reduced emissions, emitting 50,200 t-CO₂ in FY2021 against a target of at most 60,500 t-CO₂ and emitting 32,700 t-CO₂ in FY2022 against a target of at most 63,300 t-CO₂. More recently we formulated Zero30 Road Map 2023 as a new CO₂ reduction plan that covers the entire Group in line with the new Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025. The new Road Map also conforms to international standards by, for example, expanding the target from the Domestic Construction Business to all businesses, including the International Business.

Zero30 Road Map 2023 includes reduction targets regarding CO₂ emissions for all of the Group's business activities, as well as energy generation targets for the renewable energy business. The Road Map was also formulated with a target achievement year of

FY2030 in working towards achieving carbon neutrality in 2050. The first target aims to reduce the Group's Scope 1 and 2 emissions (CO₂ emissions from directly owned or controlled sources) by 54.8% compared with FY2020 [Target 1]. In order to achieve this target, we plan to fully engage in energy conservation activities, as well as introduce diesel fuel combustion improvers, N-TEMS, and a high standard of renewable energy power (77% by FY2030). The second target covers Scope 3 Category 11 emissions (CO₂ emissions coinciding with energy use during building operation after completion and delivery), and aims to reduce emissions by 27% compared with FY2020. Primarily, we plan to promote and expand Net Zero Energy Building (ZEB) standards for properties we design and construct [Target 2].

The third target covers renewable energy generation led by the Regional Environmental Solutions Business, and has been set to

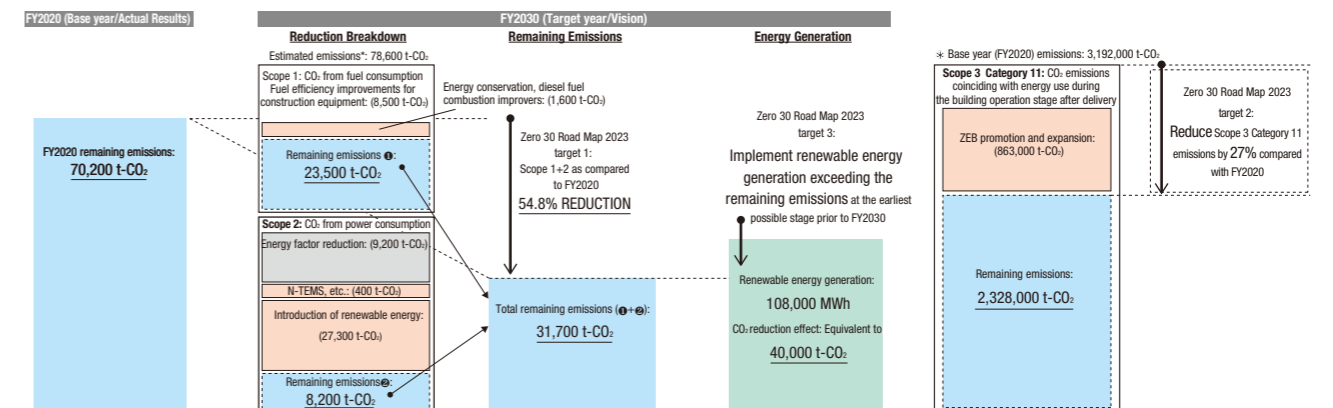


a level (40,000 t-CO₂) that exceeds the remaining emissions (31,700 t-CO₂) at the time target 1 is achieved. Here, we plan to deploy solar, biomass, small-scale hydroelectric, geothermal, and other forms of renewable energy generation throughout the

country in an effort to provide green energy to society. And we aim for the CO₂ reduction effects from renewable energy generation to equal the remaining Scope 1 and 2 emissions at the earliest possible stage prior to FY2030 [Target 3].

CO₂ Emissions and Energy Generation in FY2030

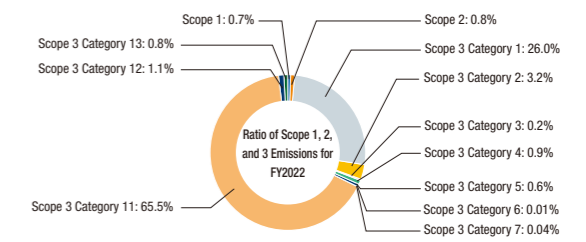
Vision for target 1 (Scope 1 and 2) and target 3 (energy generation)



*Estimated emissions: Estimated CO₂ emissions in the case where no action is taken through FY2030. The portion reduced under the direction of the Company is accounted for by energy conservation and diesel fuel combustion improvers, N-TEMS, etc., and the introduction of renewable energy (approximately -29,300 t-CO₂)

[Reference] About Scope 3 Category 11

Scope 3 refers to indirect CO₂ emissions that occur upstream and downstream from a business, as opposed to CO₂ directly emitted by the business activities (Scope 1 and 2) of the business operator. Scope 3 is classified into 15 categories. In regard to the emissions of the Group falling under Scope 1, 2, and 3, Scope 1 and 2 together account for less than 2% of the total, whereas Scope 3 Category 11 (CO₂ emissions coinciding with energy use during building operation after completion and delivery) accounts for the largest portion at 65.5%.



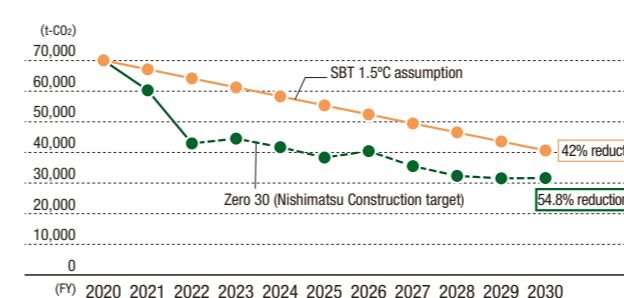
WEB See the Company's website for details related to Zero30 Road Map 2023. <https://www.nishimatsu.co.jp/eng/esg/environment/>

Comparison of the Reduction Levels in Zero30 Road Map 2023 Versus the SBT 1.5°C Certification Criteria

The CO₂ reduction levels in the Road Map were set with the intent of acquiring certification under the 1.5°C criteria defined by the SBT initiative, which can be considered the de facto international

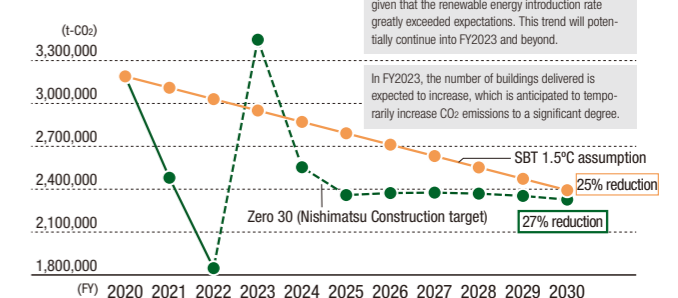
standard. In the case of a base year of FY2020 and a target year of FY2030, the SBT 1.5°C certification criteria require a reduction in Scope 1 and 2 emissions of at least 42%, and a reduction in Scope 3 emissions of at least 25%. The reduction levels set by the Group are ambitious in that they exceed both of these.

Target 1: Scope 1+2



* Zero30 Road Map 2021: Domestic Construction Business Zero30 Road Map 2023: All businesses

Target 2: Scope 3 Category 11



Environmental Initiatives

Carbon Neutrality Initiatives

Introducing New Diesel Alternative Fuels to Reduce Scope 1 Emissions

Nishimatsu Construction's Scope 1 CO₂ emissions are primarily due to the use of diesel fuel to operate construction equipment. In order to reduce these emissions, we have used biodiesel fuels and diesel fuel combustion improvers in the past, yet we have concerns, such as manufacturer assurances and quality consistency. For this reason, we have investigated the potential of new diesel alternative fuels.

In FY2022, we began introducing GTL (CO₂ emissions reduction of 8.5%) and RD/Renewable Diesel (zero CO₂ emissions) as new fuels on a trial basis. We will confirm the feasibility of introducing each, including their reliability as fuels, before rolling out their use Group-wide.



Comparative Investigation of GTL Versus Diesel in Terms of Fuel Efficiency when Used in Lighting Generators
(Chubu Branch, Kachigawa Yamada Worksite Office)



RD Use Impression and Fuel Efficiency Investigation in an Excavator
(Kanto Architectural Regional Headquarters, Keio Fujisawa Branch Office)

Shifting to Renewable Energy to Reduce Scope 2 Emissions

We are increasing the rate of renewable energy introduction by leveraging renewable energy options provided by power companies corresponding to RE100, as well as FIT non-fossil certificates.

To get a reduction of 27,300 t-CO₂ by FY2030, we plan to achieve a renewable energy introduction rate of 80% for the Domestic Building Business, 60% for the International Business, and 100% for activities conducted by the Asset Value-Added Business, Group company businesses, and offices. These efforts will realize an introduction rate of roughly 77% for the Group as a whole.

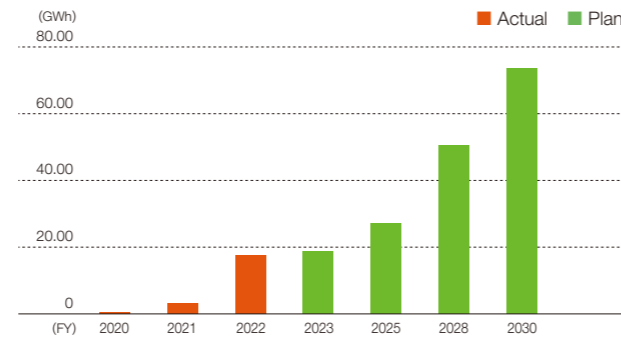


Tunnel construction site using renewable energy for 100% of construction power (Shikoku Branch, Fubahara Tunnel Branch Office)

Moreover, as we transition to renewable energy, we are also considering a scheme that uses some of the power from renewable energy generation undertaken by the Regional Environmental Solutions Business for use in business activities conducted by the Company (in-house renewable energy generation and consumption).

As it currently stands, the renewable energy introduction rate for FY2022 reached approximately 24% for the Group as a whole.

Nishimatsu Construction Renewable Energy Introduction Plan



Promoting ZEB Design to Reduce Scope 3 Emissions

To reduce Scope 3 Category 11 emissions (CO₂ emissions coinciding with energy use during building operation after completion and delivery), which account for the largest part of total Scope 1, 2, and 3 emissions, we are promoting ZEB design for properties that we design and construct. Likewise, we are working to perfect technologies to ensure design capabilities that reduce the primary energy consumption of buildings, excluding energy generation, by 75% (Nearly ZEB standard) for office building projects in FY2027. These design capabilities include construction planning that considers energy efficiency, improved insulation performance, the introduction of energy-saving facilities, and effective use of unharvested energy. Along with receiving our first ZEB certification for a design and construction project order, in FY2022, we also renovated our Technical Research Institute in a manner that demonstrates our ZEB design technology.



Landcube Ageo (warehouse, steel construction, four above ground stories, total floor area: 39,859m²)
* Received our first ZEB Certification for a design and construction project order. In addition, we have 10 successful ZEB Ready projects and five successful ZEH projects (including those scheduled to receive certification)

Circular Economy x Carbon Neutrality

Thorough Waste Sorting - Compliance with the Plastic Resource Circulation Act

To form a circular economy, we have put activities to ensure waste sorting and to avoid final disposal at the core of our activities regarding the handling of construction by-products generated at construction sites. Similarly, we have Nishimatsu Construction Waste Sorting Rules as a unique effort, have built sorting yards, and thoroughly manage construction by-product sorting together with partner companies in an effort to keep the final landfill disposal rate below 3%, which we have achieved each year.

Although various issues with plastics have grown increasingly severe in recent years, one particular problem is the high degree

of thermal recycling that continues to be used to recycle plastic waste. Following the enactment of the Plastic Resource Circulation Act in April 2022, we began conducting oral surveys of industrial waste disposal companies regarding the potential of shifting from existing thermal recycling methods to both material recycling and chemical recycling methods in working towards a circular economy and carbon neutrality.



Sorting Activity Based on the Nishimatsu Waste Sorting Rules

Nature Positive x Carbon Neutrality

Construction that Considers Ecosystem Conservation

Nishimatsu Construction recognizes that having consideration for plants and animals helps to conserve ecosystems and forests, and that this relationship ultimately contributes to achieving carbon neutrality through carbon fixation, for example. We therefore engage in biodiversity preservation activities from various approaches.

To minimize the impact of construction works on ecosystems, we conduct biodiversity preservation activities at all of our construction sites. At the Minami Koma Worksite Office of the Kanto Civil Engineering Regional Headquarters, for example, we are advancing construction in a way that considers plants and animals that live in the habitat around the worksite, namely by using earth-toned colors for temporary structures and by installing detours for small animals because the construction site is located in the mountains.



Temporary fencing using earth tones (Kanto Civil Engineering Regional Headquarters, Minami Koma Worksite Office)



Gutter staircase for small animals (Kanto Civil Engineering Regional Headquarters, Minami Koma Worksite Office)



Managed by Nishimatsu Construction, Keio University Hiyoshi International Dormitory was recertified by JHEP



The original ecosystem of the region is being preserved by selecting seedlings that grow naturally in the Kanto Region

TOPIC

Reduce, Reuse, and Recycle (3R) Promotion Merit Award

Nishimatsu Construction aims to eliminate all construction waste generated at every construction site in working towards a circular economy. As part of the Reduce, Reuse, and Recycle (3R) Promotion Merit Award, in FY2022 the Sapporo Branch Ishikari Shinko Nishi Branch Office (project name: Ishikari Shinko Nishi Project) received the Minister of Land, Infrastructure, Transport and Tourism Award and the West Japan Regional Headquarters Harima Architectural Branch Office received the Chairman's Award. We have received awards as part of this program a total of 21 times since FY2016. We will continue to promote efforts to eliminate all construction waste in an effort to create a circular economy.



Panorama of the Ishikari Shinko Nishi Construction Project. Award Theme: Proactive 3R activities for construction work in a large-scale industrial park subject to various restrictions

Environmental Initiatives

Nishimatsu Climate-related Information 2023 - Disclosures in Line with the TCFD

Recommendations -

The Group recognizes that addressing climate change is an important management issue for promoting our business activities, and therefore endorsed the TCFD recommendations in June 2021. Likewise, we have disclosed climate-related information since June 2022. More recently, as part of Nishimatsu

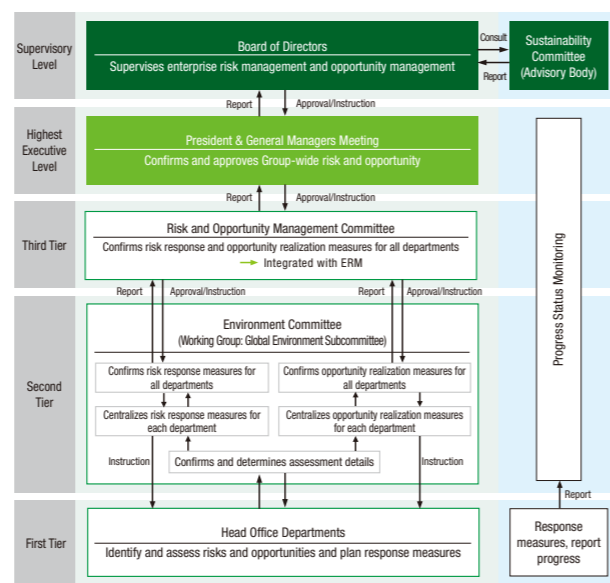
Climate-related Information 2023 (June 2023), we revised parts of our governance and risk management systems along with some of the assumptions for our scenario analyses. We also updated response measures to climate-related risks and opportunities, and reviewed our indicators and targets.

See the Company's website for details on Nishimatsu Climate-related Information 2023.
WEB <https://www.nishimatsu.co.jp/eng/esg/environment/climate.html>



Governance and Risk Management

Nishimatsu Construction has an Environment Committee (Second Tier) as a meeting body to discuss climate-change response (identify climate-related risks and opportunities, formulate specific responses, manage targets, etc.), and expanded the role of the previous meeting body above this committee in the hierarchy (the Internal Control Committee) by reorganizing it as the Risk and Opportunity Management Committee (Third Tier) in April 2023. With the Risk and Opportunity Management Committee, we have integrated our climate change response with Enterprise Risk Management (ERM), thereby forming a structure that reports to the President & General Managers Meeting (highest executive level). As in the past, the Board of Directors provides oversight after deliberations by the President & General Managers Meeting, and offers instructions as necessary. We engage in climate-related risk and opportunity management twice per year through the above process.



Strategy

Assumptions for scenario analysis

In anticipation of a highly uncertain future coinciding with the transition to a decarbonized society, as part of Nishimatsu Climate-related Information 2023 we conducted scenario analyses for a world in which temperatures rise 1.5°C and 4°C compared to pre-industrial temperatures covering every business activity conducted by the Group. We also revised the time frames, with short-term now covering up to FY2025 as the period addressed by the Medium-Term Management Plan, medium-term covering FY2026 to FY2030, and long-term covering FY2031 to FY2050.

Risk and opportunity extraction

The Head Office departments (First Tier) identified and extracted climate-related risks and opportunities, at which point the upper tiers (Tier 2 and above) assessed these using the three scales of Likelihood of Occurrence, Qualitative Impact if they become manifest, and Quantitative Impact, ultimately determining the important issues.

Climate-related Risks

Risk Category	Risk Details	Impact Period	Applicable Scenarios
Transition Risk	Legal and Regulatory: Introduction of Carbon Tax (cost increase)	Medium/Long	1.5°C
	Technical: Delayed technological response to wooden high-rise construction trends (sales decrease)	Medium/Long	1.5°C
	Technical: Decline in manpower caused by rising temperatures → Delayed response to the shift to pre-cast (sales decrease)	Medium/Long	1.5°C/4°C
Physical Risk	Chronic Risk: Decrease in labor productivity caused by rising temperatures → Loss of sales opportunities coinciding with longer construction times (sales decrease)	Medium/Long	1.5°C/4°C
	Chronic Risk: Decrease in labor productivity caused by rising temperatures → Higher construction costs (cost increase)	Medium/Long	4°C

Climate-related Opportunities

Opportunity Category	Opportunity Details	Impact Period	Applicable Scenarios
Resource Efficiency	Response to demand for decarbonization in real estate properties (energy-savings, ZEB-compliance, renewable energy use) (sales increase)	Short/Medium/Long	1.5°C
	Increasing demand for building ZEB-compliance (sales increase)	Medium/Long	1.5°C/4°C
Products and Services	Expansion of projects related to renewable energy (sales increase)	Medium/Long	1.5°C
	Greater demand for energy generation-related projects (solar power, small-scale hydroelectric, woody biomass, geothermal, biogas) (sales increase)	Short/Medium/Long	1.5°C
	Greater demand for decarbonization related urban development projects (smart grid, electricity storage related technologies) (sales increase)	Medium/Long	1.5°C
Resilience	Rapid recovery response to increasingly severe natural disasters (sales increase)	Short/Medium/Long	1.5°C/4°C
	Increase in disaster prevention and mitigation related projects (sales increase)	Medium/Long	1.5°C/4°C

Analysis time frame (FY): Short-term: 2020 - 2025 Medium-term: 2026 - 2030 Long-term: 2031 - 2050

Financial Impact Analysis (overview)

In regard to the risks and opportunities that we ultimately determined to be important issues, we verified the financial impacts for FY2030 and FY2050 (for both 1.5°C and 4°C scenarios) using FY2021 operating income as the basis for impact assessment. As a result, when including recovery through responses to risks and opportunities, the negative impact of climate-related factors on our financial standing (operating income) was found to be limited to 5%. Nishimatsu Climate-related Information 2023 more specifically illustrates the variation in impact value using waterfall charts.

Business Impact Responses and Their Relationship with Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

Nishimatsu Construction has incorporated forward-looking responses regarding climate-related risks and opportunities into our management strategy, and is working to strengthen our response to internal and external challenges related to climate change through ongoing investigations.

Business Impact Responses and Their Relationship with Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

Impact on Business	Response	Financial Impact		Relationship with Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025
		1.5°C	4°C	
Construction Business	Loss of sales opportunities due to a delayed technological response to wooden high-rise construction	▼▼▼	▼▼▼	Acquire pioneering construction technologies: Wood construction technologies
	Loss of sales opportunities coinciding with lower labor productivity caused by rising temperatures	-	▼▼▼	• Increase Construction Business productivity: Automated tunnel construction, construction RX (robotic transformation)
	Rising construction costs coinciding with lower labor productivity caused by rising temperatures	▼▼	-	• Promote smart construction sites utilizing DX
	Loss of sales opportunities due to a delayed response to the shift to precast in preparation for less manpower caused by rising temperatures	▼▼▼	▼▼▼	Promote the development of technologies for road slab replacement
	Higher sales due to the increasing need for building ZEB-compliance	▲▲▲	▲	Develop high added-value buildings: ZEB/ZEH
	Higher sales from renewable energy-related projects	▲▲▲	-	Take part in offshore wind power generation projects
Asset Value-Added Business	Higher sales from rapid recovery response to increasingly severe natural disasters	▲	▲▲	-
	Higher sales from disaster prevention and mitigation related projects	▲	▲▲▲	-
	Higher sales from responding to decarbonization demand for real estate properties (energy-savings, ZEB-compliance, renewable energy use)	▲	-	• Existing properties: Promote energy savings (equipment upgrades), promote the shift to renewable energy • New properties: Promote specifications that meet ZEB Ready standards
Regional Environmental Solutions Business	Higher sales from energy generation related business	▲▲▲	-	PPA business, power generation business (small-scale hydroelectric, geothermal, woody biomass, etc.)
Group-wide	Higher sales from decarbonization related urban development projects (smart grid, electricity storage related technologies)	▲▲	-	Deploy comprehensive partnership agreement projects with multiple local governments
Group-wide	Higher business costs due to the introduction of carbon taxes.	▼▼▼	-	Zero30 Road Map

Risks: ▼(small)/▼▼(medium)/▼▼▼(large) Opportunities: ▲(small)/▲▲(medium)/▲▲▲(large)

We will contribute to solutions for social issues by appropriately advancing efforts to realize climate-related opportunities through the reduction, transfer, and avoidance of climate-related risks in

an ongoing manner. At the same time, we will ensure resilience as a company as a means of connecting to sustainable growth.

Indicators and Targets

The Group has defined greenhouse gas emissions (Scope 1, 2, and 3) as an indicator used to manage climate-related risks and opportunities, and formulated Zero30 Road Map 2023 regarding

the related targets. For details, see P. 38 Zero30 Road Map 2023 (Carbon Neutrality: Indicators and Targets).

Human Resource Strategy



Basic Approach to Human Resources

To put our corporate philosophy into practice and realize our vision, we share the following basic values: an enterprising spirit, a feeling of gratitude, and an ethical attitude. We have always been grateful to our stakeholders and committed to high ethical standards.

This stance will not change in the future, but in order to provide a higher level of diverse value to our stakeholders amid the increasing speed of social and environmental change, we must

view each of our employees as capital and take measures to continuously increase the value of our human capital. Based on the concept that the Company and the employees are partners who enhance each other, we will gather employees with diverse values, knowledge, and experience, and foster higher expertise and management skills. We also provide a work environment in which each individual can maximize their talents in a manner not bound by conventional norms.

Human Resource Strategy

To expand our value creation activities from social infrastructure development to the rebuilding of social functions as a part of efforts to generate new business opportunities, we will set the direction of our human resource strategy and pursue specific initiatives based on the three frameworks of reforming our mindsets and actions, strengthening our organizational abilities, and creating growth resources, which comprise the Reform Program outlined under Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025.

To create an environment in which all of our employees can maximize their potential, we will also continuously work to maintain and promote employee health, reduce long working hours, and prevent employee turnover, as well as promote the use of flexible work systems, such as flextime systems.

The Reform Program based on our human resource strategy

	Reforming our mindsets and actions	Strengthening our organizational abilities	Creating growth resources
Development of Nishimatsu Employees' University	○	○	
Promoting dialogue between officers and employees	○		
Promoting diversity		○	
Commencing operation of the Talent Management System		○	○
Revitalizing workplace communication		○	○
Creating an environment in which diverse human resources can maximize their abilities	○	○	○

Initiatives based on the Human Resource Strategy

Development of Nishimatsu Employees' University

In addition to cultivating advanced technical skills, the Company launched the Nishimatsu Employees' University in 2019 in order to foster employees able to accurately respond to changes in society with a broad perspective. The university defines the abilities that Nishimatsu employees should possess as resourcefulness, basic knowledge, and expertise. The university has offered a series of courses to provide systematic learning opportunities in each of these areas. By FY2022, we developed a training system centered on a standard course for young employees to develop their professional skills. Going forward, we will provide a higher level of education and create a mechanism for employees to learn independently. In addition, we will provide training programs to cultivate a spirit of taking on challenges and growth in new fields.

Developing an expert course

In Medium-Term Management Plan 2025, we will establish an expert course for mid-career and higher employees in an effort to continuously improve the system to enhance employee abilities and pass on skills.

Developing DX Human Resources

To develop DX human resources, we provided basic education on DX until FY2022. In FY2023, we will open a new DX Faculty to provide more advanced education with the aim of fostering digital talent who can provide new value to companies by utilizing cutting-edge digital technology.

Systems for employees to learn independently

We introduced a credit system in some faculties and courses from FY2022 that shows the accumulation of competencies acquired by the employees themselves as a mechanism to ensure that employees steadily develop their skills. In the current fiscal year, we will continue to introduce this credit system and develop a mechanism that allows employees with high motivation for growth to learn independently, including a flexible curriculum selection system.

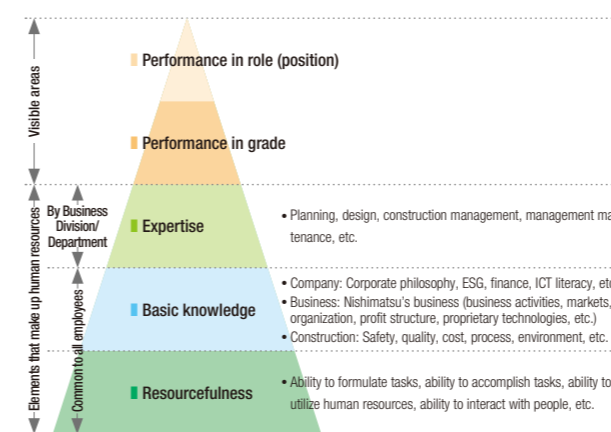
Developing candidates for management-level positions

To contribute to our sustainable growth and medium- to long-term corporate value enhancement, we have been implementing the Next Generation Management Development Plan since FY2021. Looking ahead, we will develop a system for the continuous training of young management personnel who will become candidates for management-level positions.

Nishimatsu Employees' University System

Grade	Resourcefulness	Basic knowledge	Expertise				Reskilling	Management (Succession plan)
	Education Faculty Business skill (Ability to formulate tasks, ability to accomplish tasks)	General Education Faculty Corporate philosophy, business, medium-term plan, etc.	Civil Engineering Faculty CIM, professional engineer preparation, research, etc.	Building Faculty BIM, architectural preparation and research, etc.	International Faculty Overseas civil engineering, building, research, etc.	Five other faculties	Matters related to issues in response to social change	Literacy, leadership, and education necessary for future management
Officers			Deepening research and exploring new areas in each field to further enhance corporate value				SDGs Compliance ICT literacy and related training	Plan for the development of the next generation of management
Grades 1-4	Training for those promoted to 4th grade	Training for mid-career hires	Expertise training for mid-career and higher employees (expert course)					
5th grade	Training for those promoted to 5th grade		Expertise training for young employees (standard course)					
6th grade	Training for those promoted to 6th grade		Overseas on-site workshops					
7th grade	Training for those promoted to 7th grade							
8th grade	Training for those promoted to 8th grade							
9th grade	New employee follow-up training							
10th grade	New employee training							

Nishimatsu employee skills



Promoting dialogue between officers and employees

Starting in FY2023, officers led by the President began visiting business sites nationwide to engage in dialogue with employees. Exchanging opinions about the corporate philosophy and the direction of the Company has enabled us to share a common direction while developing personnel who can take on challenges with an open mind.

Promoting Diversity

We are actively recruiting women for career-track positions and as mid-career hires to create a more dynamic organization where people with diverse abilities, skills, and values can come together and mutually enhance each other. From FY2020, we have set a target of increasing the percentage of females hired for career-track positions to 20% of all career-track recruitments. Since then, the number of women we have hired has been close to our target. As a result, the number of female career-track positions has increased to 6.5% of all career-track positions. Although the number of female managers is still low at 0.4% of all management-level positions, the number of female managers is increasing year by year, and we are steadily pursuing initiatives for diversity.

Commencing operation of the talent management system

We took steps to introduce a talent management system in FY2021 to maximize the abilities of our diverse array of personnel. We finished building this system in FY2022. Going forward, the system will incorporate data on the requirements for each position as well as the abilities, skills, and experience of employees, using this data for optimal placements and effective human resource development.

Initiatives for revitalizing workplace communication

Maximizing the talents of all employees requires the creation of a workplace culture with a high degree of psychological safety and where diverse opinions and ideas are freely and openly exchanged.

To this end, from FY2023 we will provide educational opportunities for employees to improve their communication skills and have introduced one-on-one meetings in workplaces.

Creating a workplace where a diverse array of employees can maximize their talents

To enable our diverse human resources to maximize their abilities, we have been promoting initiatives to create an environment that allows flexible work styles, as well as to manage and promote the health of our employees, such as the introduction of a flextime system, expansion of support systems for balancing work and childcare, and reduction of total work hours. Particularly in terms of measures to support a better balance between work and childcare, in October 2022 we established the Post-birth Papa Leave System (paid) in accordance with revisions to the applicable laws to develop an environment that facilitates the participation of male employees. This childcare leave system allows male employees to take up to 20 days in addition to annual paid leave, as a way to create an environment where men can easily participate in childcare. As a result, the percentage of male employees taking childcare leave reached 55.6%, significantly higher than the 17.6% in FY2021.

Looking ahead, we will continue to promote the use of various systems and implement measures to enable employees to maximize their abilities.

Health and Productivity Management



Employee happiness is the source of corporate vitality, and the foundation of happiness is health

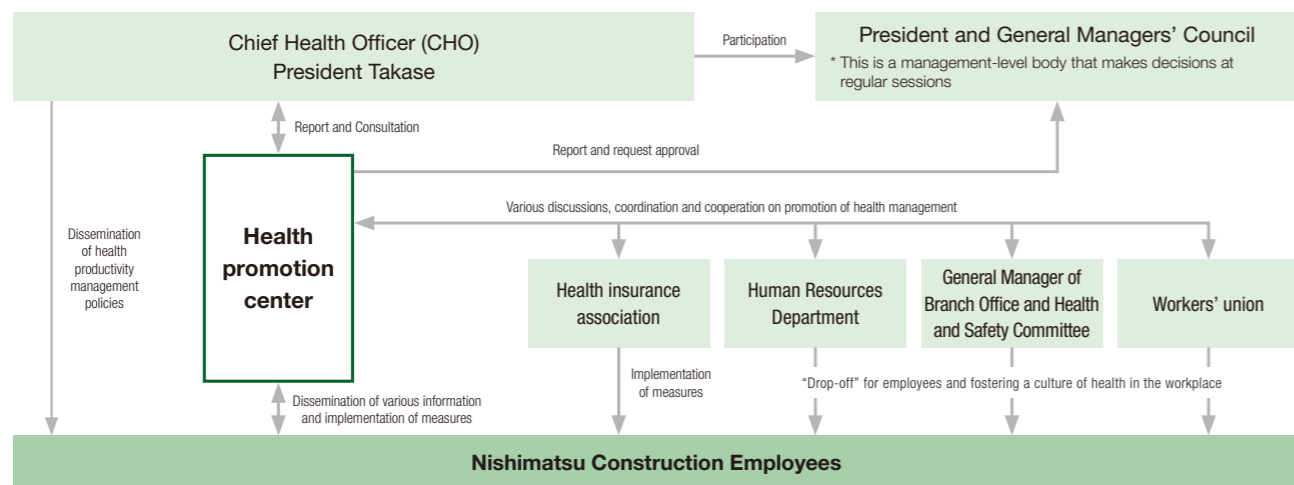
We believe that the happiness of employees is the source of energy for sustainable corporate growth, and that good health is the source of this happiness. To achieve this, we recognize that the loss of work opportunities due to illness is a management issue, and aim to improve productivity by preventing it. Therefore, we are promoting health and productivity management[®] by combining measures aimed at improving employee health awareness from the four perspectives of physical health, mental health, health literacy, and long working hours, with measures in which medical professionals are directly involved with employees.

We are implementing a host of specific measures. This includes establishing subsidies for medical checkups (including optional examinations) (similar subsidies are available for dependent spouses), putting forward recommendations for complete medical examinations after regular health checkups, providing

subsidies for women's cancer screening, providing physical and mental consultations by medical staff, free smoking cessation programs, and introducing a system to visualize working hours, etc. We were evaluated and certified as among the "White 500" Certified Health & Productivity Management Outstanding Organizations (large enterprise category) promoted by the Nippon Kenko Kaigi and Japan's Ministry of Economy, Trade and Industry in recognition of our efforts to continuously improve these and other measures. This was the fifth consecutive time we received this designation since FY2018.

Based on the idea that the Company is responsible for supporting the health of employees, we will continue to promote health and productivity management by strengthening our occupational health system and taking measures to encourage employee awareness of health maintenance.

Promotion system chart



* Health and productivity management[®] is a registered trademark of Non-Profit Organization Kenkokeiei

Topic

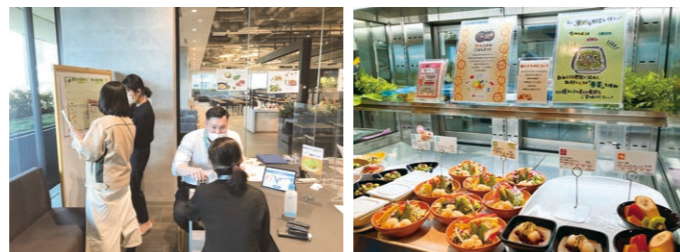
Veggie Score™* measurement sessions are held at the employee cafeteria at our Head Office

In cooperation with the health insurance association of which we are a member, we held a Veggie Score™ measurement session in the employee cafeteria at our Head Office (Toranomon Hills Business Tower). The employee cafeteria provides a well-balanced menu on a daily basis, and the results show that many employees meet the standard for vegetable intake compared to the average Japanese person.

This event provided an opportunity for employees to reevaluate their thinking about the content of their meals.

We will continue to hold various events related to employee health to raise health awareness among all employees.

* Veggie Score™: Numerical score of vegetable intake using the Veggie Meter®, a device that measures the amount of skin carotenoids.



Quality Management



For 150 years, the Company has been engaged in the business of building social infrastructure and structures that form the foundation of people's lives. For us, quality is the foundation of our business, so we will continue to place the highest priority on quality and work to improve quality to meet the expectations of our customers and society.

Policy on Quality

Based on its corporate philosophy, Nishimatsu Construction will deliver valuable buildings and services through an ongoing commitment to earn the trust of customers and other stakeholders.

(1) Providing Trusted Buildings and Services

Each employee will hone their skills with pride in being a specialist, undertake the work before them with rigorous care that remains faithful to the basics, and deliver buildings and services that are worthy of society's trust and expectations.

(2) Improving Customer Satisfaction

We will accurately identify the increasingly diverse needs of customers, thoroughly pursue manufacturing excellence that surpasses the expectations of customers and the world, and aim to elevate customer satisfaction as a reliable entity.

(3) Continual system improvement

We will continually improve our quality management system to achieve quality targets.

Quality Management System

In the civil engineering and building divisions, we have established a Building Quality management system based on ISO 9001, and are working to ensure quality and continuously improve the

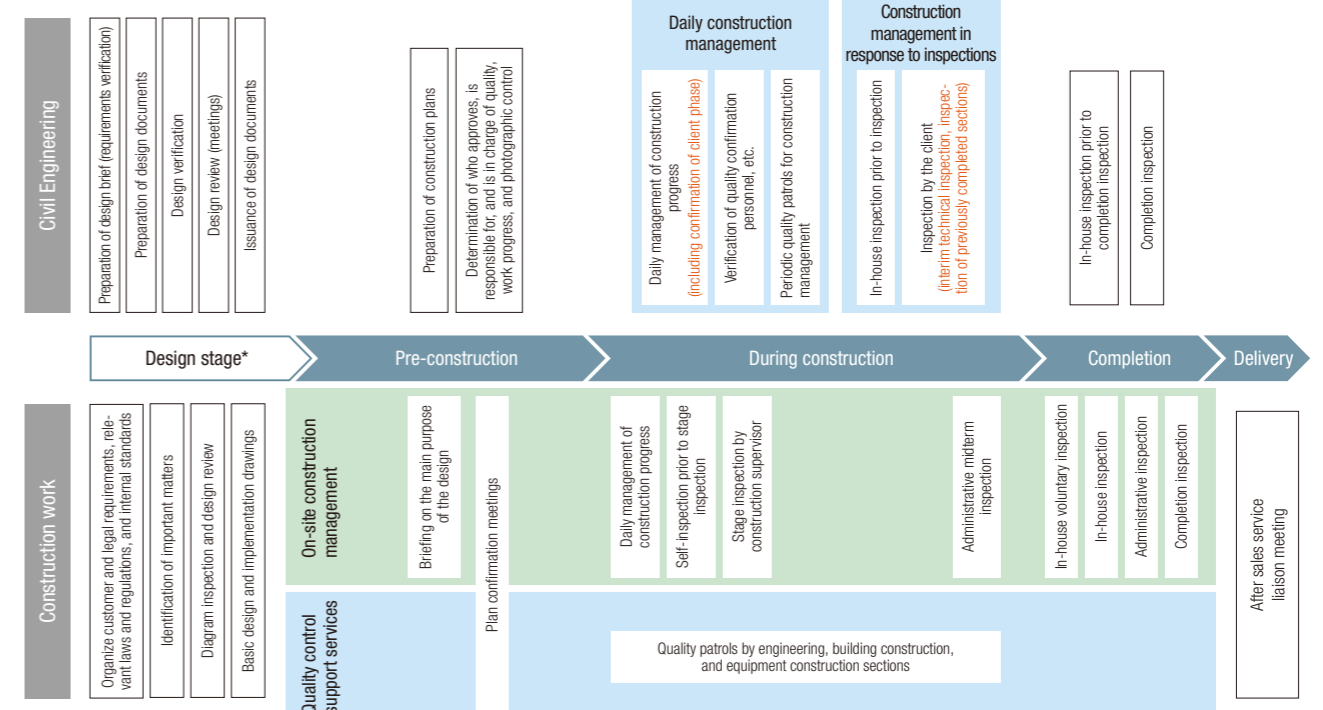
system at each stage of sales, design, construction, and after-sales service to achieve our quality policy of Providing Trusted Buildings and Services and Improving Customer Satisfaction.

Quality control systems in construction projects

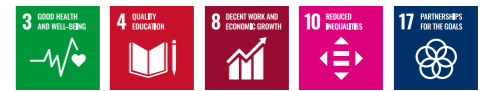
To prevent issues from recurring based on lessons learned from past construction defect cases, we assure quality

through a consistent work flow from design to construction and after-sales service following delivery.

Quality control flow



*In the case of design and construction by Nishimatsu



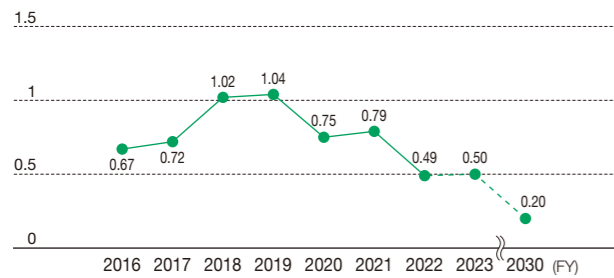
Safety, Human Rights, Supply Chain

Building safe construction sites

“Compassion and consideration throughout the workplace” is our safety slogan. Based on this slogan, we focus on risk management at the planning and implementation stages along with the training of supervisors who are key personnel for safety management at our worksites in order to ensure that all people working there can do so safely and with peace of mind.

Although there was one fatal accident in FY2022, the frequency rate of injuries was 0.49. With this, we achieved our target for FY2023 of less than 0.5 a year early.

Frequency rate and future targets



No. of attendees in supervisor ability improvement training (FY2022)

	North Japan	Kanto Civil Engineering	Kanto Architectural	West Japan	Kyushu	Total
Supervisor ability improvement training	162	82	182	267	108	801

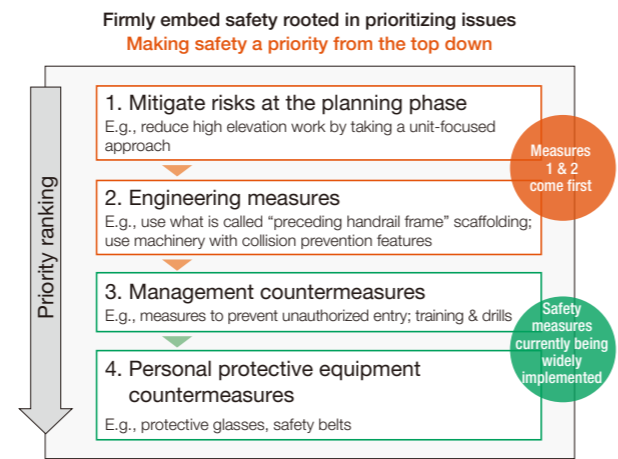
Ideals outlined in Nishimatsu-Vision 2030

Establishing Nishimatsu as a brand of safety
Target: Frequency rate of injuries requiring four or more days of absence from work: 0.2 or below

To achieve our ideal, we will implement the following initiatives:

- Firmly embed safety management rooted in prioritizing issues
- Establish a legal compliance framework through repeated education
- Ensure health by creating a safe and comfortable workplace environment
- Boost the skills of safety leaders and establish a system for fostering skill leaders of the next generation

Safety management based on the priorities of risk assessment



Addressing Human Rights Issues

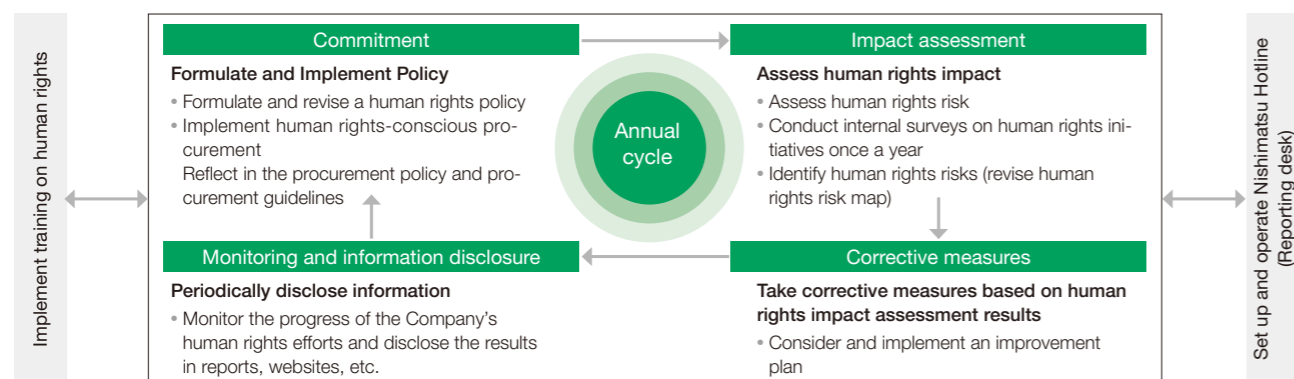
The Nishimatsu Group believes that the fundamental human rights of all people involved in its business should be respected. Based on the United Nations’ Guiding Principles on Business and Human Rights, the Group formulated the Nishimatsu Group Human Rights Policy in March 2023 and is promoting initiatives for respecting human rights.

Through dialogue with stakeholders and consultations with external experts, we identified the following items as the main

priorities to address.

- Adequate management of working conditions and provision of a comfortable working environment
 - Prohibition of harassment and discrimination
 - Human rights of foreign workers in domestic operations
- In addition, we have established a human rights due diligence process and are continually working to improve it.

Human rights due diligence process



Co-creation with the supply chain

Training and support of skilled construction workers

- Promote digital education (Buildee usage method and the Japan Construction Retirement Allowance System electronic usage)
- Utilize digital communication (dedicated website and direct bulletin board function)

The prime contractor and specialty contractors cooperate mutually to perform construction work. Specialty contractors consist of individual skilled construction workers and their supervisors. We believe that training and support are important, and are working to improve digital skills as one of these measures.

Promote the use of the Construction Career Up System (CCUS)

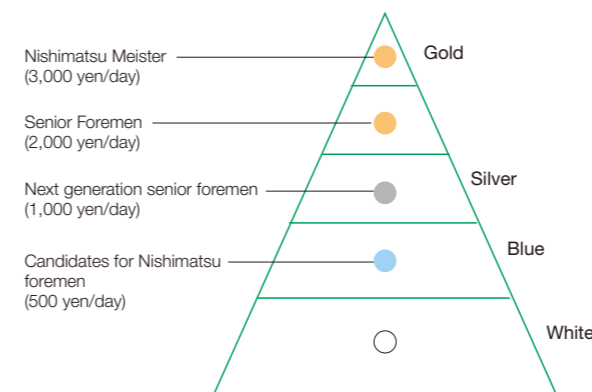
- Expand and enhance programs for high-caliber technicians (awards and certification programs)

Due to a declining and aging workforce and harsh working conditions, it is becoming increasingly difficult to secure workers in the construction industry. Until now, the amount of income generated by what qualifications and how much experience one had, had been unclear in the industry. Against this backdrop, we are working to alleviate the shortage of skilled workers by developing our own high-caliber technician system that is linked to the CCUS and competency evaluation systems promoted by Japan’s Ministry of Land, Infrastructure, Transport and Tourism.

Undertake various activities with Nishimatsu Subcontractor’s Network (N-NET), a central organization among affiliates that collaborate with us in construction activities

- Hold N-NET Growth Strategy Meetings (examples of initiatives listed below)
 - Subsidy for the purchase of air-conditioned clothing to work safely and comfortably
 - Introduction of business chat “direct” to stimulate communication
 - Introduction of Koteizu to centrally manage process information
 - Improve brochure production and website to support recruitment activities
- Joint participation in various CSR activities (activities in FY2022 below)
 - Hirose River 10,000 People Project (Tohoku branch)
 - Clean Beach Ishikari Beach Cleanup Activities (Sapporo branch)
 - Nishimatsu Forest woodland preservation activities (Kanto Civil Engineering Division)
 - Clean Ota River Activities (Chugoku branch)
 - Aso Mizukake terraced paddy revitalization activities (Kyushu Division)
 - Kuma River Cleanup Activities (Kyushu Division)
- Held various study sessions and seminars
 - Labor hour seminars by the labor & human resources office (total of 7)
 - Invoice seminars by tax accountant firms (total of 4)
 - Information security briefings by our instructors (total of 10)
 - Invitations to civil engineering symposia and technical institute presentations sponsored by the Company (since FY2015)

High-caliber technician system and CCUS relationship



We believe that further cooperation will be necessary to introduce the latest construction methods and digital technology.

Through various measures, we will build a strong relationship of trust that goes one step beyond mere construction cooperation.

Corporate Governance

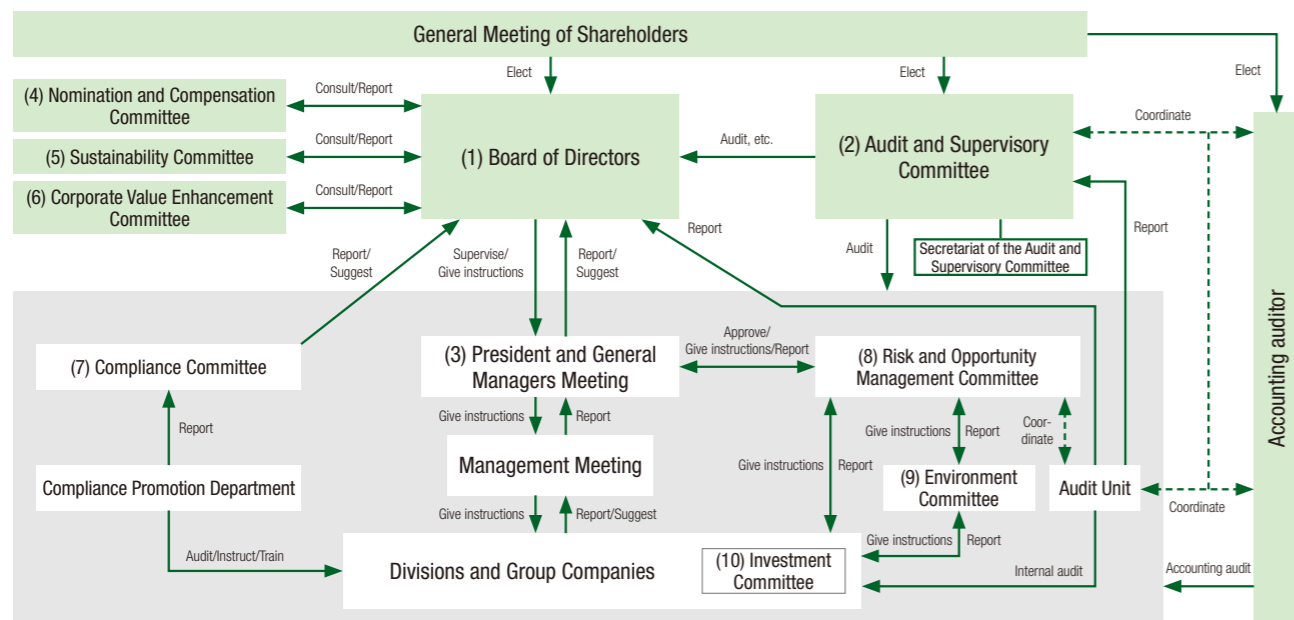
Strengthening corporate governance is one of the highest priority management issues that we are tackling at Nishimatsu Construction. In FY2016, we transitioned into a company with an Audit and Supervisory Committee and worked to ensure the efficacy of the oversight functions of the Board by bringing in Audit and Supervisory Committee members as part of the Board. In addition, from FY2022 to FY2023, we worked to revise the composition of the Board of Directors and ensure its diversity, and, to increase corporate value from a sustainability perspective, we established a Sustainability Committee and a Risk and Opportunity Management Committee. We will continue to strive to further strengthen our corporate governance system.

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.

Corporate Governance System



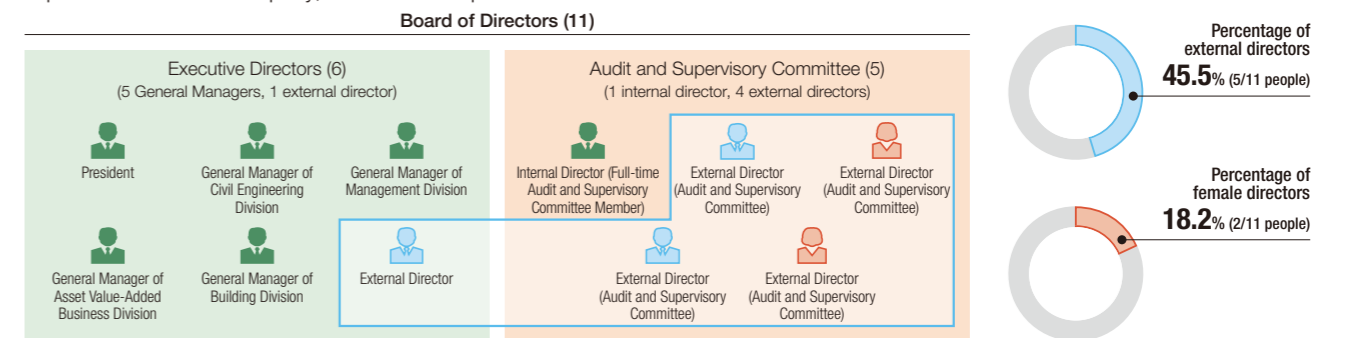
(1) Board of Directors	Makes decisions on basic management policies and other important management matters, and supervises the execution of duties by directors. In addition to matters stipulated by laws and regulations and the Articles of Incorporation, the Board of Directors deliberates and decides 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) President and General Managers Meeting	Among the proposals to be submitted to the Board of Directors, it conducts preliminary deliberations mainly on important matters for sustainable growth, decides on specific measures related to the execution of such proposals after they are resolved by the Board of Directors. It also decides or deliberates on some individual matters related to business execution.
(4) Nomination 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) Compliance Committee	Responds to various issues regarding compliance.
(8) Risk and Opportunity Management Committee	Appropriately manages risks and opportunities from a long-term perspective, as well as risks and opportunities involved in current business activities.
(9) Environment Committee	Extracts, identifies, and assess climate-related risks and opportunities, and reports to the Risk and Opportunity Management Committee.
(10) 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 & General Managers Meeting.

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

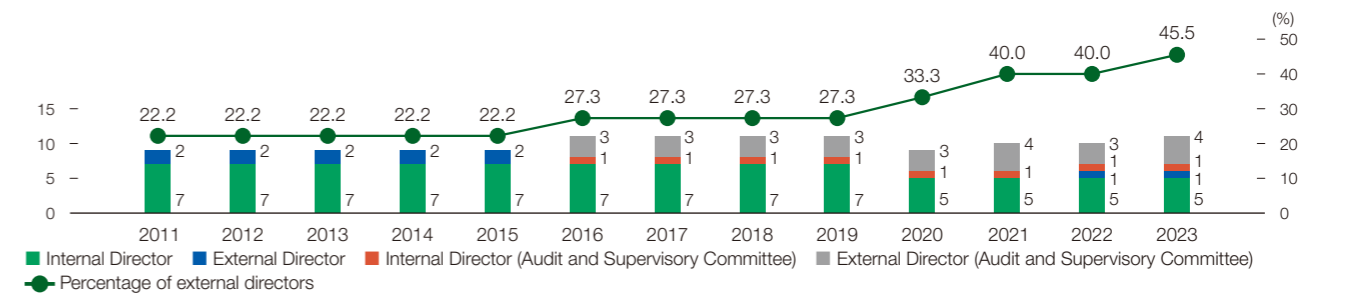
The Company's Board of Directors comprises six executive directors and five directors who are Audit and Supervisory Committee members. Five of the executive directors are general managers and one is an external director (who has management experience at a listed company). The Audit and Supervisory Committee comprises one full-time internal director and four external directors (one has experience at a general trading company, one is a certified public accountant, one has management experience at a listed company, and one has experience at an

information and communications company). As such, all of these external directors possess specialized knowledge in fields considered to be important for business management.

Currently, the percentage of external directors on the Board of Directors is 45.5% and the percentage of female directors is 18.2%. Going forward, we will continue verifying the skill sets of those on the Board of Directors and will work to improve the efficacy of the Board.



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



Changes to Corporate Governance

	Through to FY2019	Through to FY2022	FY2023 and beyond
Organization design	June 2009 Established the Nominating Committee and Compensation Committee as voluntary advisory bodies	June 2016 Transitioned to a company with an Audit and Supervisory Committee	March 2021 Established the Corporate Value Enhancement Committee
Composition of the Board of Directors	June 2009 External directors: 2 (22.2%)	June 2016 External directors: 3 (27.3%)	June 2020 External directors: 3 (33.3%) June 2021 External directors: 4 (40.0%)
Strengthen business execution system		July 2019 Established President and General Managers Meeting	July 2021 Established the Investment Committee
Officer compensation system			FY2021 Began operation of performance-linked compensation and stock compensation
Company President Succession Plan, etc.			FY2021 Began operation of the Company President Succession Plan, etc.
Compliance Internal control Risk management	FY2008-FY2009 Established the Internal Control Committee Established the Nishimatsu Hotline whistleblowing system Established the Compliance Committee	FY2015 Established the Workplace Hotline outside counseling service FY2019 Registration of WCMS certification for the whistleblowing system	April 2023 Established the Risk and Opportunity Management Committee
Cross-shareholdings	FY2015 Formulated policy on retention and review of cross-shareholdings	FY2018 Formulated cross-shareholdings reduction policy	FY2020 onward Reduced cross-shareholdings (ongoing)

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 external 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.

Reasons for Appointing External directors

Position	Full Name	Reason for appointment
External Directors	Hidetaka Matsuzaka	Mr. Matsuzaka possess a wealth of experience during his tenure at Osaka Gas Co., Ltd., and has a broad insight cultivated as Representative Director of the company. We have appointed him as an external director because we believe he is an appropriate person who can supervise our management from an objective point of view.
External Directors (Audit and Supervisory Committee members)	Jun Ikeda	Mr. Ikeda possesses a wealth of experience from his work at Mitsubishi Corporation and also has wide ranging knowledge from serving as Representative Director and President of a subsidiary of the company. Since June 2016, he has fulfilled the role of Director and Audit and Supervisory Committee member, monitoring and supervising Nishimatsu Construction's management from an independent stand point. For these reasons, we deem him to be the appropriate talent for auditing and supervising Nishimatsu Construction's management from an objective point of view and appointed him an external director and an Audit and Supervisory Committee member.
External Directors (Audit and Supervisory Committee members)	Noriko Suzuki	Ms. Suzuki possesses specialized knowledge as a certified public accountant and has a wealth of experience related to accounting in the real estate industry. Since June 2021, she has fulfilled the role of director and Audit and Supervisory Committee member, monitoring and supervising Nishimatsu Construction's management from an independent stand point. For these reasons, we deem her to be the appropriate talent for auditing and supervising Nishimatsu Construction's management from an objective point of view and appointed her an external director and an Audit and Supervisory Committee member.
External Directors (Audit and Supervisory Committee members)	Toshihiro Kubo	Mr. Kubo possesses a wealth of experience during his tenure at Kubota Corporation, he also possesses a wide range of knowledge cultivated as Representative Director of Kubota Corporation. We have appointed him as an external director who is a member of the Audit and Supervisory Committee because we believe he is an appropriate person who can supervise our management from an objective point of view.
External Directors (Audit and Supervisory Committee members)	Yayoi Ito	In addition to her wealth of experience gained during her tenure at NTT Data Corporation and other companies, Ms. Ito possesses extensive knowledge of ICT. For these reasons, we deem her to be the appropriate talent for auditing and supervising Nishimatsu Construction's management from an objective point of view and appointed her an external director and an Audit and Supervisory Committee member.

Board of Directors' skill set

Position	Full name	Expertise and Experience Criteria for Directors									Nomination and Compensation	Committee Internal Directors: Main roles External Directors: Career and qualifications
		Corporate management	Construction technology & quality	Urban development & Real estate	Environment	Treasury, Accounting, Finance	Legal, Governance, Risk management, Compliance	Digital & IT	Global			
Representative Director and President	Nobutoshi Takase	●	●	●								Chief Executive Officer and President
Representative Director	Makoto Isshiki	●	●	●								Executive Vice President, General Manager of Civil Engineering Division and Safety & Environment Division
Representative Director	Yuichi Kono	●				●	●					Executive Vice President, General Manager of Management Division and General Manager of Human Resource Strategy Office, in charge of Regional Environmental Solutions Business Division and in charge of Investor Relations
Director	Yoshiyuki Sawai	●	●	●		●						Senior Managing Officer and General Manager of Asset Value-Added Business Division
Director	Kazutoyo Hamada		●	●								Managing Officer, General Manager of Building Division
External director (Independent)	Hidetaka Matsuzaka	●				●	●		●	●		Representative Director, Osaka Gas Co., Ltd.
Director (Full-time Audit and Supervisory Committee member)	Hiroshi Yaguchi					●	●	●				
External directors (Audit and Supervisory Committee members) (Independent)	Jun Ikeda	●				●				●	●	Executive Officer, Mitsubishi Corporation, Representative Director, Mitsubishi Shoji Foodtech Co., Ltd.
External directors (Audit and Supervisory Committee members) (Independent)	Noriko Suzuki		●			●					●	Certified Public Accountant, KPMG AZSA LLC Senior Manager
External directors (Audit and Supervisory Committee members) (Independent)	Toshihiro Kubo	●		●		●					●	Representative Director, Kubota Corporation
External directors (Audit and Supervisory Committee members) (Independent)	Yayoi Ito	●						●			●	Head of the Business Planning Promotion Office, NTT Data Corporation, Executive Officer, SG SYSTEMS CO., LTD.

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

Director Compensation

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

Compensation for directors (excluding Audit and Supervisory Committee members and other directors who are external directors) comprises base compensation and performance-linked compensation. Compensation for external directors (excluding those who are Audit and Supervisory Committee members) 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, as well as year-on-year performance are evaluated 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.

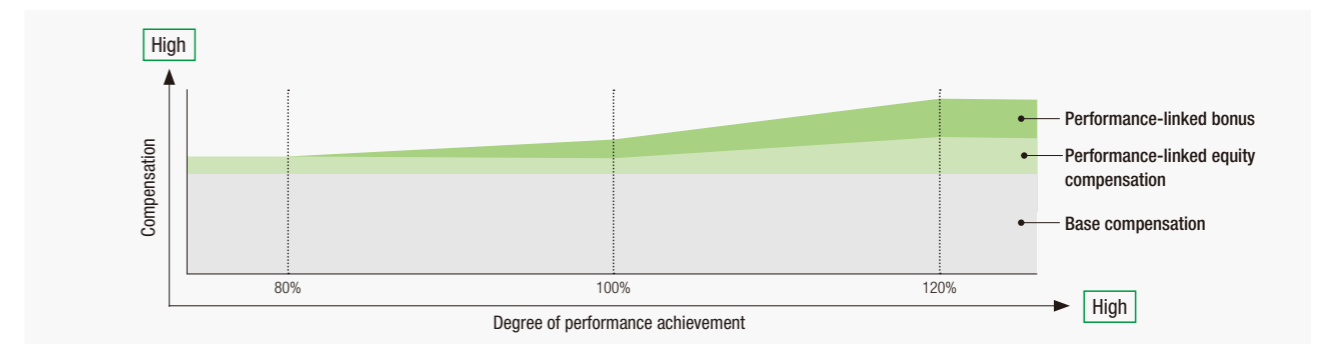
The ratios of base compensation and performance-linked compensation are appropriately determined taking into account Nishimatsu Construction's management strategies, business environment, and the level of difficulty of achieving job responsibilities and targets, while also referencing relevant changes at other companies in our industry. Within performance-linked compensation, there is generally a one-to-one ratio of cash-based compensation to stock-based compensation. Furthermore, for stock-based compensation, a minimum level is set that is the same as the minimum level for performance-linked compensation.

Based on these policies, the President drafts a preliminary proposal, then consults with the Nomination 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 (Medium-Term Management Plan 1st and 2nd years) ●Group-wide performance (net sales, operating income, profit attributable to owners of parent) ●Business division performance (orders, profits, safety performance, quality performance, etc.)	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) (Medium-Term Management Plan final year) ●Medium-Term Management Plan published values (net sales, gross profit, operating income, ROE, capital to assets ratio, dividend payout ratio) ●Business division performance (orders, profits, safety performance, quality performance, etc.)	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

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.

Corporate Governance

Directors' compensation (FY2022)

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)	6	¥170 million	¥11 million	¥21 million	¥204 million
External Director	1	¥7 million	-	-	¥7 million
Directors (Audit and Supervisory Committee Members)	6	¥48 million	-	-	¥48 million
External Directors	5	¥31 million	-	-	¥31 million
Total	12	¥219 million	¥11 million	¥21 million	¥252 million
External Directors	6	¥39 million	-	-	¥39 million

*1 The total amount of performance-linked compensation (cash-based compensation) indicates the amount of provision for directors' bonuses in FY2022. In addition, the total amount of performance-linked compensation (non-cash-based compensation) indicates the amount of provision for directors' stock benefits in FY2022 based on the "Board Benefit Trust (BBT)", a performance-linked stock compensation plan that uses a trust.

*2 The above includes two directors (Audit and Supervisory Committee) who retired at the conclusion of the 85th Annual General Meeting of Shareholders on June 29, 2022.

Analysis and evaluation of the effectiveness of the Board of Directors

To confirm whether the Board of Directors is appropriately fulfilling its duties of promoting sustainable corporate growth and increasing medium- to long-term corporate value, we analyze and evaluate the Board's effectiveness once a year and strive to strengthen and improve its functions.

Nishimatsu Construction conducted an evaluation of the effectiveness of the FY2022 Board of Directors from February to April 2023. An overview of the evaluation process, evaluation results, and initiatives going forward is given below.

1 Evaluation process

Led by the Audit and Supervisory Committee, all directors were given a survey that consisted of six subjects, namely the roles and functions of the Board of Directors, the composition and size of the Board of Directors, the operation of the Board of Directors, collaboration with audit organizations, relationship with the external directors, and relationship with shareholders and investors. The six subjects listed above also include items reported to the Board of Directors by the Audit and Supervisory Committee regarding the effectiveness evaluation of the Board of Directors from the previous year.

To ensure anonymity, statistical compilation for the survey was entrusted to a third-party organization, then the Audit and Supervisory Committee analyzed and reviewed the data before making a report to the Board of Directors.

2 Overview of evaluation results

Based on the survey results, the Audit and Supervisory Committee reported to the Board of Directors to the effect that it must immediately advance systematic initiatives towards solving the issues to be considered and improvement points that were discovered during the survey (the major issues to be considered are listed below).

- (1) Discussions on instilling the Corporate Philosophy and long-term vision
- (2) Discussions and deliberations by, and reports to the Board of Directors
- (3) Operations regarding the Board of Directors
- (4) Materials used by the Board of Directors
- (5) Training for executives

3 Initiatives going forward

In light of the above reports, the responsible director will formulate matters to be deliberated and their schedule for the year, which will be actively discussed by the Board of Directors.

Strategic shareholdings

Policy regarding reducing strategic shareholdings

We have made it our policy to hold shares of companies deemed necessary for our business operations and, unless there are other extenuating circumstances, to reduce our holdings of companies that do not meet this criterion.

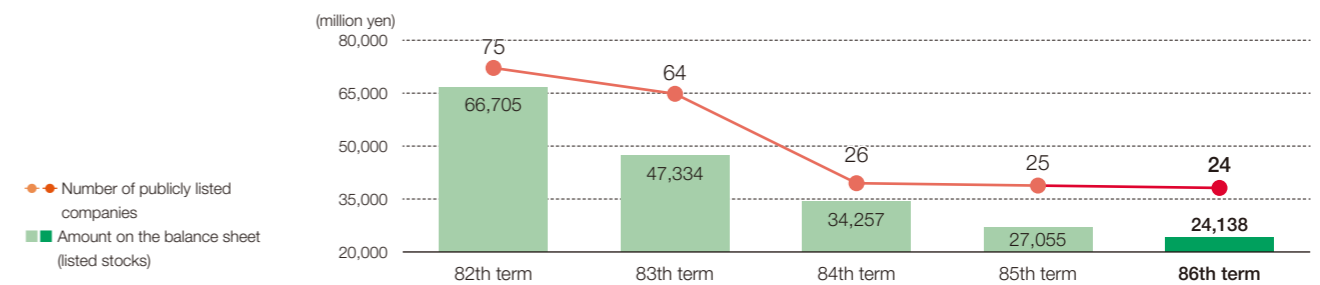
With regard to determining whether to hold specific strategic shareholdings, the President and General Managers Meeting carefully surveys and reviews each fiscal year whether we

have transactions with the issuing company, what the status is of obtaining construction and other information, and whether there are other special circumstances, then makes a report to the Board of Directors. The Board of Directors receives and reviews these reports and makes final decisions on whether the holding is appropriate, then discloses the results of their decision.

Status of reduced strategic shareholdings

Number of companies whose shares are held and their total amounts on the balance sheet

Category	82nd term (FY2018)	83rd term (FY2019)	84th term (FY2020)	85th term (FY2021)	86th term (FY2022)
Number of companies	152	141	103	102	103
Number that are publicly listed	75	64	26	25	24
Total amount on the balance sheet (million yen)	70,632	51,261	38,383	31,227	28,154
Total amount of publicly listed stocks (million yen)	66,705	47,334	34,257	27,055	24,138



Policy regarding the exercise of voting rights for strategic shareholdings

Nishimatsu Construction's criteria for the exercise of voting rights for strategic shareholdings is as follows:

- (1) In principle, we will exercise voting rights on all proposals.
- (2) From the perspective of increasing the medium- to long-term corporate value of the company whose shares are held as strategic shareholdings, we will make decisions for

or against proposals while also taking into consideration the operating circumstances of that company. We will exercise particularly careful discretion and judgment in the case of proposals for corporate restructuring (such as mergers), presenting retirement bonuses to officer(s) at a company with poor operating results, a capital increase through third-party allocations, adopting takeover defense measures, and the like.

Compliance with the Corporate Governance Code

Nishimatsu Construction implements each and every principle of the Corporate Governance Code. For details on the

initiative policy regarding each principle of the Corporate Governance Code, see the Company's website.

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

[WEB https://www.nishimatsu.co.jp/eng/company/governance.html](https://www.nishimatsu.co.jp/eng/company/governance.html)

External Director Roundtable Discussion



Toshihiro Kubo Jun Ikeda Noriko Suzuki Hidetaka Matsuzaka

“I think that my role is to make waves.”

As Nishimatsu Construction works toward achieving sustainable growth, four external directors speak about their current analysis and specific issues.

External directors Matsuzaka and Kubo, a year has passed since your appointments. What are your thoughts on the operation of Nishimatsu Construction’s Board of Directors’ meetings? Also, external directors Ikeda and Suzuki, how do you see Nishimatsu Construction’s changes and challenges thus far?

External Director Hidetaka Matsuzaka: Upon assuming my position, I stated that I would like to confirm four points to



improve Nishimatsu Construction’s fundamental competencies, which form the foundation for creating flexibility in ideas and actions. Those four points were: (1) Are employees thinking in terms of overall optimization rather than individual optimization, and are they able to put their ideas across in an easy-to-understand manner?; (2) Is there a culture in which corporate information is shared within the Company and questions are freely discussed?; (3) Is work simplified? Are employees taking on new challenges and showing growth?; and (4) Are there shared goals, and are the business portfolio, the impacts of risks, and measures for said risks clearly understood? I think there is a need for the Company to continue to strengthen its efforts in these areas.

External Director Toshihiro Kubo: In a rapidly changing business environment, what is required is a system in which management can quickly ascertain the situation on the ground and make the necessary decisions, but I think there are still some shortcomings in terms of that kind of system. Currently, efforts are being made to improve the ascertaining of business progress and the speeding up of responses, and I

- External Director Jun Ikeda**
Mr. Ikeda has extensive experience in business management at Mitsubishi Corporation, both domestically and internationally, and in corporate management at companies like Mitsubishi Shoji Foodtech Co., Ltd. He was appointed as an external director of the Company in June 2016. He mainly provides advice related to overall management and new businesses.
- External Director Noriko Suzuki**
In addition to her expertise as a certified public accountant, Ms. Suzuki has extensive experience in accounting in the real estate industry. She was appointed as an external director of the Company in June 2021. She mainly provides advice in finance, accounting, and real estate matters.
- External Director Toshihiro Kubo**
Mr. Kubo has experience in environment-related businesses and corporate divisions at Kubota Corporation. He has extensive experience in corporate management as Representative Director of Kubota Corporation. He was appointed as an external director of the Company in June 2022.
- External Director Hidetaka Matsuzaka**
Mr. Matsuzaka has extensive experience in business management at Osaka Gas Co., Ltd, both within and outside Japan, and in corporate management as the Representative Director of Osaka Gas Co., Ltd. He was appointed as an external director of the Company in June 2022.

am watching closely to see how the Company can accomplish change over the year ahead. I also believe that discussions on management issues from a variety of perspectives should be made more active.

External Director Jun Ikeda: With the addition of Messrs. Matsuzaka and Kubo, two people with management experience, I feel that the direction and atmosphere of discussions at Board of Directors’ meetings has changed significantly. A strong herd instinct exists in the construction industry, and there is a tendency to avoid making major changes ahead of other companies. At the Company’s Board of Directors’ meetings, however, the external directors have a particularly strong sense of crisis in this area and are emphasizing the need for rapid change and its implementation.

External Director Noriko Suzuki: At Board of Directors’ meetings, Messrs. Matsuzaka and Kubo often make



statements based on their experience from having been deeply involved in corporate management, and I think they are also a source of stimulating inspiration for the internal directors. Because Nishimatsu Construction is a company that takes itself very seriously, the Company takes its time to carefully implement and make improvements to address pressing issues from the outset. At recent Board of Directors’ meetings, I have gained a strong sense that there has been a positive shift in mindset with regard to how to reflect and implement candid recommendations.

What points do you keep in mind to improve effectiveness when speaking at Board of Directors’ meetings? Please also discuss the role you think that external directors should play.

Suzuki: I believe that one of the important roles of an external director, and something that I am persistently conveying, is to understand that what might appear to be common sense for a company is not necessarily the same as common sense for society as a whole, and there may be cases in which what a company is doing may differ from society’s rules. I believe that bearing this in mind will help create an environment that guards against cases of fraud, prevents scandals from arising, and will also lead to stronger governance.

Ikeda: The most important role of an external director is to be able to convey information, even if that information makes for harsh listening. A company will never be able to change if only pleasant things are said. Because the construction industry is closed, it is increasingly useful for external directors to relate their experiences from other industries to Nishimatsu Construction. I always speak out at the Company’s Board of Directors’ meetings because I do not want people to repeat the same mistakes that I experienced.

Kubo: Although external directors cannot make comments relating to business operations as such, their advantage is that they can see things without any preconceptions. For example, if there are any inefficiencies in the management decision-making process of which people inside a company are not aware, I point them out every time.

Matsuzaka: I think that my role is to make waves. Up until the time a company reaches a final decision, you need to keep bringing to light conceivable situations at that point in time. The role of a board of directors is to make decisions after having considered all the options, and thus I also speak from opposing viewpoints to confirm that this has been done.

External Director Roundtable Discussion

Ikeda: In making a final decision, it is very important that the process leading up to decision-making is clarified. I request that the materials used at Board of Directors' meetings also include detailed explanations of the process, not just the conclusions.



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Under the new Medium-Term Management Plan, an emphasis has been placed on sustainability, including mention of “revising the structure of the Board of Directors and ensuring diversity based on skillsets mindful of sustainability management” as part of the Company’s governance initiatives. Please tell us your thoughts on the ESG initiatives.

Ikeda: I think that the E and S in ESG represent the construction industry itself. A construction company’s business is to build social infrastructure, and thus the industry cannot survive without awareness of S. Inevitably, construction is also accompanied by environmental destruction, and Nishimatsu Construction has been responding to E and S aspects through its business for 150 years. The Company’s ESG initiatives will be more persuasive if this is considered as a starting point. Contrastingly, with regard to G, since construction is an industry that comprises construction sites, I believe that Nishimatsu Construction will need to earnestly begin building and improving its governance from now on.

Kubo: The Company is currently promoting reviews of sustainability issues, but I think the important thing is for all employees to identify issues that will have a significant bearing over the medium to long term and to organize them from the perspective of the SDGs. This is because I believe that, first and foremost, the perspectives of employees who are involved in business operations on the front lines on a day-to-day basis should be utilized. In order for Nishimatsu Construction to continue to grow in line with changes in the external environment and internal conditions, I hope that all employees will be satisfied with this approach.

Matsuzaka: It is being said that there will be a further decline in Japan’s population over the years to come, and that cities in the regions will themselves decline. In such places, I think it is important to think about what kinds of mechanisms and systems will be necessary to bring about business continuation over the long term concerning investments in geothermal power generation and wood biomass power generation projects. The securing of profits is important as long as the Company works as a business, and sustainability issues must be considered with this view in mind.

Suzuki: Sustainability management does not produce immediate results and thus evaluating initiatives in relation to business profits is also beset with difficulties. While repeatedly facing challenges and admitting to failures, I believe it is necessary for the Company to make steady efforts from a medium- to long-term perspective, isn’t it?

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What are your thoughts on the expertise and skills that directors should possess and on the introduction of ESG-linked, performance-based compensation? Also, please provide us with your thoughts on human resource development at Nishimatsu Construction, including of the next generation of management personnel.

Suzuki: Although Nishimatsu Construction possesses strengths such as integrity and high technical capabilities, there are quite a few things that are lacking and parts that need to be changed, and the Company must respond to the changing times while maintaining a balance between the two. In the years to come, it will be desirable for directors to have the skills to integrate these aspects, but I think there is a need to discuss how best to reflect this in the compensation system.

Ikeda: The Company introduced performance-linked compensation in 2021 and starting in the current fiscal year will incorporate non-financial indicators such as safety and quality into the compensation calculation criteria for its directors (P.53). We will continue to work on linking executive compensation to ESG indicators. Personnel are one of the most important management resources, and it is my belief that systems need to be designed with ESG considerations in mind, not just for executive compensation.

Kubo: Internal directors in particular require knowledge of management. In contrast, from the perspective of increasing the diversity of a board of directors, it is desirable for people

with diverse expertise to be appointed as external directors. The newly appointed external director also possesses expertise in ICT, so I think the Company’s Board of Directors will be more balanced. The content of the performance-based compensation has already been elaborated. However, as it has only been a short time since its introduction, we are currently at the stage of reviewing and making adjustments, and I think incorporating ESG indicators will form the next step.



Matsuzaka: With regard to the development of management personnel, we have been implementing a program called the Next Generation Management Development Plan since 2021. There is a need to utilize this program to raise the level of the candidate pool that will shoulder the responsibility as the next generation of management. In addition, having taken steps, such as transferring young employees to positions outside the Company and bringing in external human resources as executive officers and directors, I recommend creating a system that forms a well-balanced and deeper pool of management personnel.

Ikeda: In the sense that their customer bases are derived from all industries, general contractors themselves represent a very wide-ranging industry. Were a company to take advantage of this, it would be able to build a wide range of connections. To develop human resources who can shoulder responsibility and be involved in management in the years to come, I would like to see the Company actively sending young employees to work outside the Company and build a system in which they can gain management experience.

Message from the Appointed External Director



External Director
Yayoi Ito

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

Utilizing IT-related insight and diverse work experience for management and DX promotion

My name is Yayoi Ito and I have been appointed as an external director. I am extremely humbled to be taking on such a heavy responsibility. After having graduated from the department of mathematics, I have been involved in IT-related fields for many years. Having had long-term experience as a system integrator in particular, in addition to SE and consulting, I possess experience in a wide range of tasks, including sales management, marketing, project management, new business creation and commercialization, alliances and collaborations with overseas companies, business planning, human resources and training, and organizational management. The projects I have handled range from small to large scale, and I have experience in a variety of industries, including the public sector, utilities, and logistics.

Utilizing my past experience in a variety of aspects, I hope to be particularly useful for management and Nishimatsu Construction’s DX promotion. Going forward, I am determined to actively absorb industry knowledge and do my best.

I gratefully look forward to your continued support as I work toward the further development of Nishimatsu Construction.

Compliance



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.

Basic compliance policy

Compliance is a priority for corporate development

Compliance is the philosophy and mission to observe laws and ethics.

- ▶ **Have the courage to take action.** If you do not change things now, they won't ever change.
- ▶ **Be courteous in behavior.** What you find offensive is what others find even more offensive.
- ▶ **Act with a sense of justice.** If you lose your composure for even a moment, the Company will cease to exist in an instant.

* The Company's compliance policy covers all Group employees and partner companies.

Compliance Promotion System

Group-wide promotion system

In 2009, we established the Compliance Committee with the aim of providing support and guidance, and ensuring that compliance is practiced by Group officers and employees. To provide a third-party perspective, we appoint a person from outside the Company to chair the Committee. The Compliance Committee meets once a month to discuss various compliance-related issues 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.

The heads of each division at the Head Office, the general managers at each regional headquarters, and the presidents of affiliated companies have been appointed as the people in charge of compliance. They raise awareness about and publicize compliance, as well as conduct training for officers and employees in the organizations they run.

Whistleblower system "Nishimatsu Hotline"

We have set up the Nishimatsu Hotline as an internal whistleblower system to improve our corporate culture and deter and promptly address wrong doing. A reporting desk has also been set up for our partner companies, and the system allows anonymous reporting and provision of information.

We distribute compliance cards to all Group officers and employees to ensure that they are well informed about the Nishimatsu Hotline.

Counseling service "Workplace Hotline"

We have 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

Category	(Number of reports)				
	FY2018	FY2019	FY2020	FY2021	FY2022
Nishimatsu Hotline	20	30	33	28	45
Nishimatsu Workplace Hotline	21	16	12	12	8

companies throughout Japan to assess the status of responses to risks that have occurred or are expected to occur in each department, as well as the details of initiatives and activities aimed at raising compliance awareness.

Officer, employee compliance awareness survey

We conduct Compliance Awareness Surveys of all officers and employees (including temporary workers) every two years. We are improving our training and educational activities by understanding the current situation from the results of the survey and changes over time and by analyzing issues and problems.

Initiatives to Promote Compliance

Compliance training

We carry out ongoing career-level-specific training and e-learning to improve compliance awareness, eliminate harassment, and boost understanding and dissemination of the whistleblowing system. Especially since FY2021, we have been conducting stratified online training covering all levels from managers to younger employees. In FY2022, we conducted training for assistant managers based on events that have occurred internally in recent years as the subject matter.

Compliance audit

Every year, we conduct Compliance Audits of all regional headquarters, each division at the Head Office, and Group

Risk and Opportunity Management



The Group recognizes that risk and opportunity management is an important issue for fulfilling its social responsibility, realizing Nishimatsu-Vision 2030 and achieving its Medium-Term Management Plan. To ensure proper Group-wide risk management, we reviewed our existing management system and revamped it into a risk management system that includes a long-term perspective.

Group-Wide Risk and Opportunity Management System and Activities

The Risk and Opportunity Management Committee manages risks and opportunities from a long-term perspective and for each business activity in accordance with the Committee's rules, etc.

To comprehensively manage Group risks and opportunities, we have designated specific departments to be responsible for the management of individual risks and opportunities aggregated by the Committee. The Committee monitors and assesses the effectiveness of preventive and detective risk and opportunity management, and also makes recommendations for corrective action to each department responsible for risk and opportunity management if problems are found.

The Committee reports to the President and General Managers Meeting and the Board of Directors regarding the departments responsible for management of risks and opportunities, the management system, and the status of management.

Risk Management System



Risk and Opportunities from a Long-Term Perspective	Risks and opportunities in business activities
(1) Identification of risks and opportunities at the Group-wide management level based on materiality and reflecting them in business strategies (2) Examine and promote specific actions for sustainability (establish priorities, promotion structures, roadmaps) (3) Monitor specific actions for sustainability	(1) Develop processes for risk and opportunity management (identify and review risks and opportunities, verify and review of hypotheses) (2) Monitor risk and opportunity management systems

* Please see our securities reports regarding business and other risks.

Information security risk management

The Group is in possession of important business information as well as personal information and confidential information related to our business partners. Various measures are being implemented to prevent loss of social credibility due to information leaks and economic losses.

Prevention measures

- (1) **Technical measures**
 - Reinforcing measures against computer virus counter and unauthorized access
 - Visualizing and controlling cloud service use
- (2) **Personnel measures**
 - Conducting security training and targeted e-mail drills
 - Having outside experts assess security and investigate risk

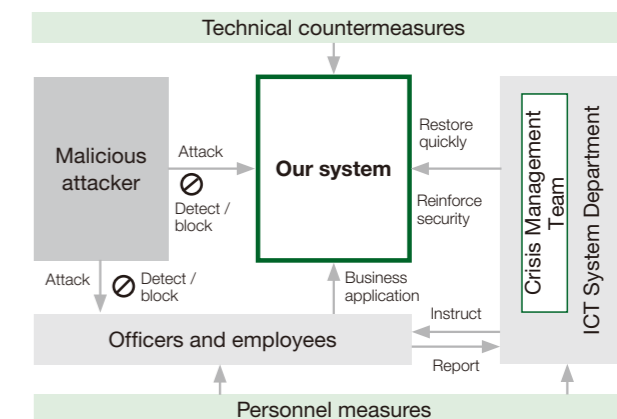
Countermeasures in the event of an incident

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

Cyber attacks are not just a risk for our Company, and ransomware and other attacks must be addressed across the entire supply chain. In FY2022, we held a workshop on

information security for our subcontractor's network, N-NET. Going forward, the entire Group, including N-NET, will continue to improve information security mainly by conducting targeted e-mail training and security education.

Information security system



Board of Directors and Audit and Supervisory Committee (As of June 29, 2023)

Directors



Nobutoshi Takase
Representative Director and President

Apr. 1980 Joined the Company
Jun. 2011 Director, Managing Officer
Apr. 2018 Representative Director and President;
Chief Executive Officer and President
(to present)

Number of Company shares held
11,500 shares
Attendance at Board Meetings
16 out of 16 (100%)



Makoto Isshiki
Representative Director
General Manager of Civil Engineering Division
General Manager of Safety & Environment Division

Apr. 1984 Joined the Company
Jun. 2016 Director, Senior Managing Officer
Apr. 2018 Representative Director and Executive Vice
President (to present)

Number of Company shares held
9,540 shares
Attendance at Board Meetings
15 out of 16 (94%)



Yuichi Kono
Representative Director
General Manager of Management Division
General Manager of Human Resource Strategy Office
In charge of Regional Environmental Solutions Business
In charge of Investor Relations

Apr. 1980 Joined the Company
Jun. 2015 Director, Managing Officer
Apr. 2021 Representative Director and Executive Vice
President (to present)

Number of Company shares held
26,120 shares
Attendance at Board Meetings
16 out of 16 (100%)



Yoshiyuki Sawai
Director
General Manager of Asset Value-Added Business
Division

Mar. 2006 Executive Officer of Mizuho Bank, Ltd.
Jun. 2010 Director of the Company
Apr. 2019 Director, Senior Managing Officer
(to present)

Number of Company shares held
7,720 shares
Attendance at Board Meetings
16 out of 16 (100%)



Kazutoyo Hamada
Director
General Manager of Building Division

Apr. 1987 Joined the Company
Jun. 2020 Director, Managing Officer (to present)

Number of Company shares held
5,360 shares
Attendance at Board Meetings
16 out of 16 (100%)



Hidetaka Matsuzaka
External Director

Apr. 2015 Representative Director; Executive Vice
President, Osaka Gas Co., Ltd.
Apr. 2019 Director and Chairman, OG Capital Co.,
Ltd. (to present)
Jun. 2019 Advisor, Osaka Gas Co., Ltd. (to present)
Jun. 2020 Outside Director, HIROSHIMA GAS CO.,
LTD. (to present)
Outside Director, Nanto Bank, Ltd.
(to present)
Jun. 2022 External Director of the Company
(to present)

Number of Company shares held 0 shares
Attendance at Board Meetings
10 out of 11 (91%)

Audit and Supervisory Committee Members



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

Apr. 1979 Joined the Company
Jun. 2020 Director (Full-time Audit and Supervisory
Committee Member) (to present)

Number of Company shares held
3,700 shares
Attendance at Board Meetings
16 out of 16 (100%)
**Attendance at Audit and Supervisory
Committee Meetings** 15 out of 15 (100%)



Jun Ikeda
External Director
(Audit and Supervisory Committee Member)

Apr. 2006 Executive Officer, Mitsubishi Corporation
Jun. 2009 President and Representative Director,
Mitsubishi Shoji Foodtech Co., Ltd.
Nov. 2012 President and CEO, Mitsubishi Corporation
Life Sciences Limited, President and CEO,
KOHJIN Life Sciences Co., Ltd.
Jun. 2016 External Director (Audit and Supervisory
Committee Member) of the Company
(to present)
Outside Director, SODA NIKKA CO., LTD.
(to present)

Number of Company shares held 0 shares
Attendance at Board Meetings
16 out of 16 (100%)
**Attendance at Audit and Supervisory
Committee Meetings** 15 out of 15 (100%)



Noriko Suzuki
External Director
(Audit and Supervisory Committee Member)

Oct. 2008 Senior Manager, KPMG AZSA LLC
Oct. 2015 Part-time audit staff, KPMG AZSA LLC
Apr. 2020 Supervisory Director, Frontier Real Estate
Investment Corporation (to present)
Jun. 2021 External Director (Audit and Supervisory
Committee Member) of the Company
(to present)

Number of Company shares held 0 shares
Attendance at Board Meetings
16 out of 16 (100%)
**Attendance at Audit and Supervisory
Committee Meetings** 15 out of 15 (100%)



Toshihiro Kubo
External 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 External Director (Audit and Supervisory
Committee Member) of the Company
(to present)

Number of Company shares held 0 shares
Attendance at Board Meetings
11 out of 11 (100%)
**Attendance at Audit and Supervisory
Committee Meetings** 10 out of 10 (100%)



Yayoi Ito
External Director
(Audit and Supervisory Committee Member)

Apr. 2008 Head, Business Planning and Promotion
Office, Public Administration Systems
Section, NTT DATA Group Corporation
Jun. 2021 Outside Director, KANADEN
CORPORATION (to present)
Jun. 2021 Outside Director, SUMIKEN MITSUI ROAD
CO., LTD. (to present)
Jun. 2023 Outside Director, JAPAN POST HOLDINGS
Co., Ltd. (to present)
External Director (Audit and Supervisory
Committee Member) of the Company
(to present)

Number of Company shares held 0 shares

* The number of shares of the Company held includes the number of shares to be delivered under the stock compensation plan.
* The attendance at the Board Meetings and the Audit and Supervisory Committee Meetings indicates the attendance for FY2022.