

## External Director Roundtable Discussion



Toshihiro Kubo

Hidetaka Matsuzaka

Noriko Suzuki

Yayoi Ito

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

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

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

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

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



#### External Director Hidetaka Matsuzaka

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

#### External Director Noriko Suzuki

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

#### External Director Toshihiro Kubo

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

#### External Director Yayoi Ito

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

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

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

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

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

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

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

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



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



## External Director Roundtable Discussion

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



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

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

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

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

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

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

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

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

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

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

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

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

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



### Message from the Appointed External Director



External Director (Audit and Supervisory Committee Member)  
**Hajime Oshita**

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

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

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

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

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

# Corporate Governance

## Basic Philosophy

The basic policy of the Company is to improve its corporate governance and maintain good and stable relationships with its stakeholders over the long term, in order to achieve sustainable growth of the Company and increase its corporate

value over the medium to long term. Based on this policy, we will create structures that lead to the acceleration of decision-making and the strengthening of supervision by the Board of Directors and our business execution systems.

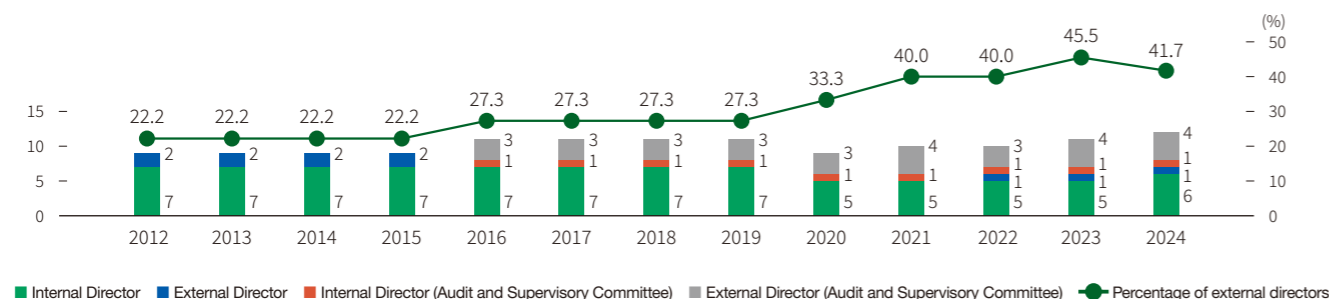
## Initiatives for Strengthening Corporate Governance

Strengthening the corporate governance system is one of the highest priority management issues that we are tackling at Nishimatsu Construction. In FY2016, we transitioned into a company with an Audit and Supervisory Committee and worked to ensure the efficacy of the oversight functions of the Board by bringing in Audit and Supervisory Committee members as part of the Board. In addition, from FY2022 to

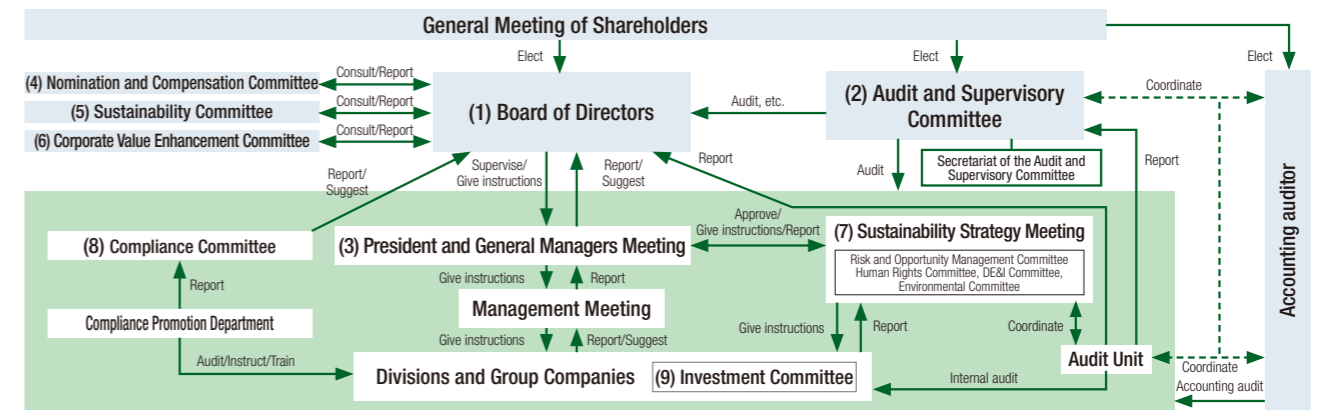
FY2024, we worked to revise the composition of the Board of Directors and ensure its diversity, and, to increase corporate value from a sustainability perspective, we established the Sustainability Committee and the Sustainability Strategy Meeting. We will continue to strive to further strengthen our corporate governance system.

2006-2014		2015-2020		2021-2024	
June 2006	Introduction of an executive officer system	November 2015	Formulated the initiative policy regarding the Corporate Governance Code	March 2021	Established the Corporate Value Enhancement Committee
August 2008	Established the Internal Control Committee	March 2016	Implemented an effectiveness evaluation of the Board of Directors	June 2021	Introduction of performance-linked compensation and stock compensation
March 2009	Established the Nishimatsu Hotline whistleblowing system	June 2016	Transitioned to a company with an Audit and Supervisory Committee	July 2021	Established the Investment Committee
June 2009	First appointment of two external directors	August 2018	Formulated cross-shareholdings reduction policy	September 2021	Began operation of the Company President Succession Plan
July 2009	Established the Nominating Committee and Compensation Committee Established the Compliance Committee	July 2019	Established the President and General Managers Meeting	April 2022	Transitioned to the Prime Market of the Tokyo Stock Exchange following its new market segment revisions
				April 2023	Established the Sustainability Committee
				March 2024	Established the Sustainability Strategy Meeting

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



## Corporate Governance System



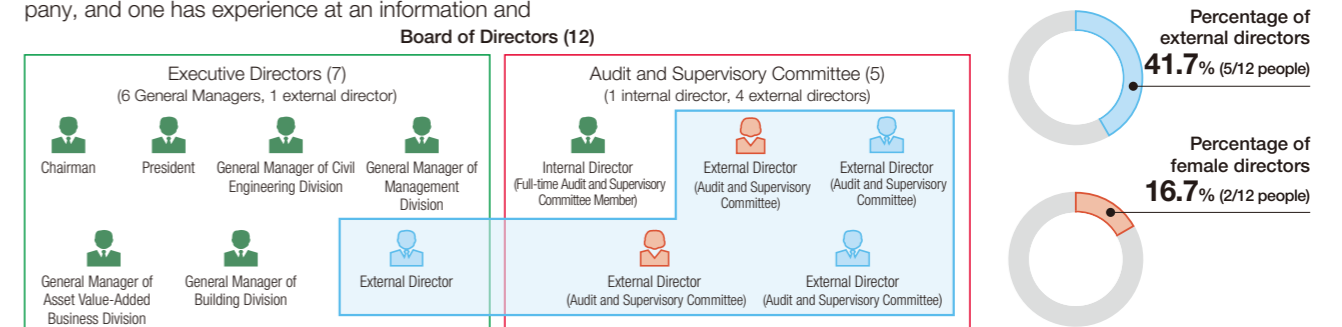
(1) Board of Directors	Makes decisions on basic management policies and other important management matters, and supervises the execution of duties by directors. In addition to matters stipulated by laws and regulations and the Articles of Incorporation, the Board of Directors deliberates and decides on matters stipulated in the rules of the Board of Directors.
(2) Audit and Supervisory Committee	Conducts audits of execution of duties by directors and other duties stipulated by laws and regulations.
(3) 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) Sustainability Strategy Meeting	Investigates and implements sustainability strategies intended to solve materiality and realize a sustainable society. Within the Sustainability Strategy Meeting, the Company has established committees for essential areas that also require urgent strengthening in regard to promoting sustainability (Risk and Opportunity Management Committee, Human Rights Committee, DE&I Committee, Environmental Committee).
(8) Compliance Committee	Responds to various issues regarding compliance.
(9) Investment Committee	Investigates the propriety of plans related to investment projects based on the Company's capital strategy, and reports the investigation results and points at issue to the Board of Directors and to the President and General Managers Meeting.

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

The Company's Board of Directors comprises seven executive directors and five directors who are Audit and Supervisory Committee members. Six 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 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 41.7% and the percentage of female directors is 16.7%. 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.





## 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 Director	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 Director (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. We have appointed her as an external director who is a member of the Audit and Supervisory Committee because we believe she is an appropriate person who can supervise our management from an objective point of view.
External Director (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.
External Director (Audit and Supervisory Committee members)	Toshihiro Kubo	Mr. Kubo possesses a wealth of experience during his tenure at Kubota Corporation, and 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 Director (Audit and Supervisory Committee members)	Hajime Oshita	Mr. Hajime Oshita has a wealth of experience from his time at JFE Engineering Corporation, and possesses broad knowledge cultivated in his role as representative director, president and CEO of JFE Engineering and director of JFE Holdings, Inc. Accordingly, we determined that he is an appropriate person who can audit and supervise the Company's general operations from an objective viewpoint, and have appointed him as an external director who is a member of the Audit and Supervisory Committee.

### Board of Directors' Skill Set

Position	Full name	Expertise and Experience Criteria for Directors									Committee		Internal Directors: Main roles External Directors: Career and qualifications	
		Corporate management	Construction technology & quality	Urban development & Real estate	Sustainability (Environment, Society)	Treasury, Accounting, Finance	Legal, Governance, Risk management, Compliance	Digital & IT	Global	Nomination and Compensation	Sustainability Committee			
Director and Chairman	Nobutoshi Takase	●	●		●									Executive Chairman
Representative Director and President	Masakazu Hosokawa	●	●		●							◆		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)	Hideyuki Kawano				●		●							
External director (Audit and Supervisory Committee member) (Independent)	Noriko Suzuki			●		●						◆		Certified Public Accountant, KPMG AZSA LLC Senior Manager
External director (Audit and Supervisory Committee member) (Independent)	Toshihiro Kubo	●			●		●					◆	◆	Representative Director, Kubota Corporation
External director (Audit and Supervisory Committee member) (Independent)	Yayoi Ito	●			●			●				◆	◆	Head of the Business Planning Promotion Office, NTT Data Corporation, Executive Officer, SG SYSTEMS CO., LTD.
External director (Audit and Supervisory Committee member) (Independent)	Hajime Oshita	●			●	●	●		●			◆		Representative Director, President and CEO, JFE Engineering Corporation Director, JFE Holdings, Inc.

\* 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.

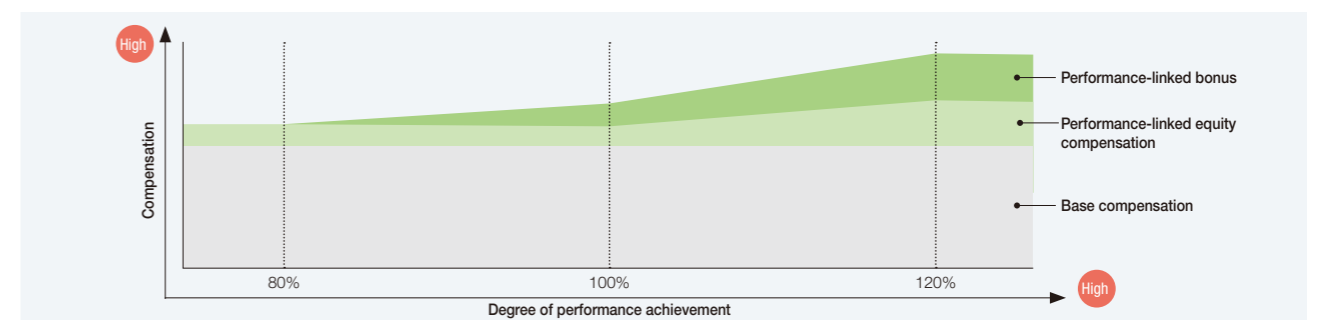
The ratios of base compensation and performance-linked compensation are appropriately determined taking into account Nishimatsu Construction's management strategies, business environment, and the level of difficulty of achieving job responsibilities and targets, while also referencing relevant changes 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 (FY2023)

Category	Paid personnel	Base compensation	Performance-linked compensation (cash-based compensation)	Performance-linked compensation (non-cash-based compensation)	Total amount of compensation, etc.
Directors (excluding Audit and Supervisory Committee members) (of which External Director)	6 (1)	¥165 million (¥10 million)	¥34 million (-)	¥25 million (-)	¥225 million (¥10 million)
Directors (Audit and Supervisory Committee Members) (of which External Directors)	5 (4)	¥56 million (¥38 million)	- (-)	- (-)	¥56 million (¥38 million)
Total (of which External Directors)	11 (5)	¥221 million (¥48 million)	¥34 million (-)	¥25 million (-)	¥282 million (¥48 million)

\* The total amount of performance-linked compensation (cash-based compensation) indicates the amount of provision for directors' bonuses in FY2023. In addition, the total amount of performance-linked compensation (non-cash-based compensation) indicates the amount of provision for directors' stock benefits in FY2023 based on the "Board Benefit Trust (BBT)," a performance-linked stock compensation plan that uses a trust.

## Analysis and Evaluation of the Effectiveness of the Board of Directors

The Company, to confirm whether the Board of Directors is appropriately carrying out its role in the Company's sustainable growth and the increase of its corporate value, has stipulated in the "Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd." that it shall make efforts toward enhancing the functions of and improving the Board of Directors by performing analysis and evaluation of the effectiveness of the Board of Directors once every year.

Based on the policies for initiatives, the Company conducted evaluations of the effectiveness of the Board of Directors over the period from January to March 2024 as described in (1) below. Based on the results of the evaluation shown in (3) below, the Board of Directors confirmed to continue its initiatives toward improving the effectiveness of the Board of Directors as described in (5) below in order to further advance corporate governance.

### 1. Evaluation Process

The Audit and Supervisory Committee led in creating a questionnaire given to all members of the Board of Directors. The counting process of the collected questionnaires was outsourced to a third-party institution to ensure anonymity in the survey. An analysis and evaluation were conducted based on the compiled questionnaire results and were then reported to and discussed by the Board of Directors.

Period covered by questionnaire : April 2023-March 2024  
 Consideration of questionnaire items : October-December 2023  
 Questionnaire response (anonymous) : January-February 2024  
 Questionnaire results compilation and analysis : March 2024  
 Report to and discussion by Board of Directors : March and May 2024

### 2. Questionnaire Evaluation Items

The questionnaire evaluated the following items: "Roles and functions of the Board of Directors," "Composition and size of the Board of Directors," "Operation of the Board of Directors," "Coordination with audit institutions," "Relationship with External Directors," and "Relationship with shareholders and investors." These items were determined after taking into account matters reported to the Board of Directors by the Audit and Supervisory Committee in the evaluations of the effectiveness of the Board of Directors conducted in the previous fiscal year.

### 3. Overview of Evaluation Results

The evaluation results confirm the effectiveness of the Company's Board of Directors is being maintained, with frank discussions taking place due to appropriate proceedings conducted by the Chair and active commenting by individual Directors.

In particular, the fact that opportunities are given to External Directors to provide appropriate advice and supervision as well as the fact that discussions about succession plans are held appropriately are confirmed as being the strengths of the Company's Board of Directors.

### 4. Response to Issues Identified in Previous Questionnaire

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

- 1) Discussion for instilling Corporate Philosophy and long-term vision: Mainly discussed by President and General Managers Meeting and issues remain with discussions by the Board of Directors.
- 2) Discussion, deliberation, and reporting at the Board of Directors: In addition to organizing matters to be discussed and reviewing matters to be resolved, matters to be reported were enhanced.
- 3) Operation for the Board of Directors: Worked to enhance prior explanation of proposals for External Directors.
- 4) Materials used at the Board of Directors: Worked to enhance materials.
- 5) Training for officers: Workshops held but issues remain with plans and content.

### 5. Future Initiatives Taking into Account Issues

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

- 1) Considerations as to the how the Board of Directors should be
  - 2) Training for officers
- The Board of Directors will continue discussions in the future.

## 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

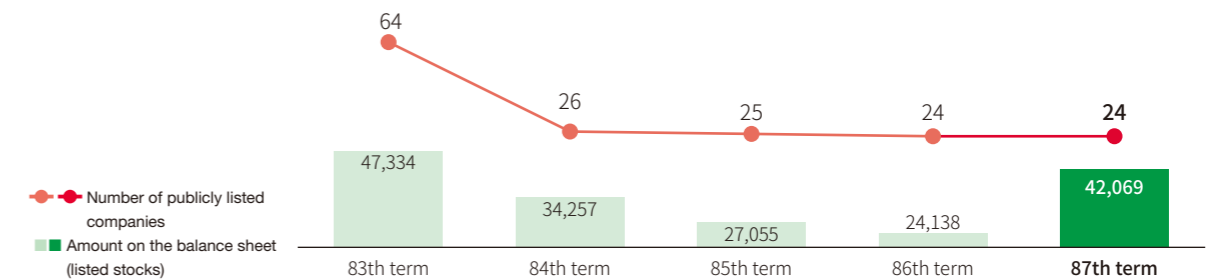
decisions on whether the holding is appropriate, then discloses the results of their decision.

### Status of reduced strategic shareholdings

Since formulating the reduction policy in FY2018, the Company has significantly scaled down cross-shareholdings. The upward trend in stock prices of held stocks in FY2023, however, led to an increase in the amount recorded on the balance sheet. The Company will therefore continue efforts to further reduce cross-shareholdings through ongoing dialogue with strategic shareholding companies.

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

Category	83rd term (FY2019)	84th term (FY2020)	85th term (FY2021)	86th term (FY2022)	87th term (FY2023)
Number of companies	141	103	102	103	102
Number that are publicly listed	64	26	25	24	24
Total amount on the balance sheet (million yen)	51,261	38,383	31,227	28,154	46,204
Total amount of publicly listed stocks (million yen)	47,334	34,257	27,055	24,138	42,069



### 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 and Corporate Governance Report, see the Company's website.

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

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

# Compliance

## Nishimatsu Construction's Approach

Our view of compliance is not limited to the observance of laws, rules, and various regulations, but also serves as the foundation (corporate culture and climate) that allows us to conduct sustainable business activities based on the trust and confidence of all stakeholders in accordance with our

Company Motto and Corporate Philosophy. Based on this concept, we are working to improve compliance awareness among every officer and employee through various measures that include in-house training.

## Compliance Promotion System

The Company established the Compliance Committee with the aim of providing support and guidance for ensuring that compliance is practiced by the Group, and appoints a person from outside the Company to chair the Committee.

The Compliance Committee meets once a month to address and discuss various compliance-related issues, and plans and conducts compliance training to maintain and improve the compliance system. In addition, the Compliance Committee chair also attends Board of Directors meetings to report on the details of responses to various issues and make

recommendations.

The Compliance Promotion Department takes the initiative in promoting compliance as the secretariat of the Compliance Committee, playing a role in educating officers and employees about the activities of the Committee.

As the persons in charge of compliance, the heads of each division at the Head Office, the general managers at each regional headquarters, and the presidents of affiliated companies inform and raise awareness among officers and employees in the organizations they run.

## Whistleblower System

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

Disclosures made to the Hotline are immediately reported to the General Manager of the Management Division and to the chairperson of the Compliance Committee, after which the Compliance Promotion Department confirms the related facts in cooperation with internal divisions in full consideration of the whistleblower's protection and the information's confidentiality. If the facts are verified as reported, the Company takes the required corrective actions, formulates a recurrence prevention plan, and implements disciplinary action against the employees involved in the misconduct. The results of these actions are then provided as feedback to the

whistleblower. Any incidents involving disciplinary action are reported to the Management Meeting.

### Number of reports

In FY2023, the Hotline received 38 reports. Of these, 23 incidents were confirmed to be factual, and the required actions were taken for each incident.

### Counseling service

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

### Number of calls to the Nishimatsu Hotline and Workplace Hotline

(Number of reports)

Category	FY2019	FY2020	FY2021	FY2022	FY2023
Nishimatsu Hotline	30	33	28	45	38
Nishimatsu Workplace Hotline	16	12	12	8	6

## Compliance Training

We carry out ongoing career-level-specific training and e-learning for all employees to improve compliance awareness, eliminate acts of corruption, misconduct, and harassment, and boost understanding and dissemination of the whistleblowing system. As is standard, we provided information in FY2023 regarding our compliance system and the most recent issues involving compliance, including corruption prevention.

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

# Risk and Opportunity Management

## Group-Wide Risk and Opportunity Management System and Activities

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

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

the President and General Managers Meeting. The Board of Directors then deliberates on reports made by the President and General Managers Meeting and gives final approval as a corporate decision.

### Risk Management System



## Risk and Opportunity Management Committee

The Risk and Opportunity Management Committee, which is purposed with ensuring adequate company-wide risk management related to risks and opportunities, implements

"management of risks and opportunities from a long-term perspective" and "management of risks and opportunities in business activities."

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

Management of risks in business activities	Opportunities in business activities and management of risks and opportunities from a long-term perspective
<ul style="list-style-type: none"> <li>From the perspective of efficacy toward establishing and implementing risk management practices, the Committee makes a judgement on the propriety of the risk assessment results provided by the responsible department and Audit Unit. As necessary, the Committee instructs the responsible department to revise the definition of risk levels and the validity of hypotheses.</li> <li>In regard to risks for which both the likelihood of occurrence and degree of impact are judged to be high, the Committee verifies the outcomes of the concrete countermeasures devised by the responsible department, and monitors the status of risk management on a quarterly basis.</li> </ul>	<p>Based on the Sustainability Slogan (Basic Policy) and materiality, etc., the Committee verifies the validity of hypotheses once per year. As necessary, it instructs the responsible department to make revisions, and considers and monitors specific actions to promote sustainability.</p>

## Information Security Risk Management

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

therefore be addressed across the entire supply chain. In FY2023, we held targeted e-mail drills and workshops on information security for our subcontractor's network, N-NET. The entire Group, including N-NET, will continue to improve information security.

### Prevention measures

#### (1) Technical measures

- Reinforcing measures against computer virus counter and unauthorized access
- Visualizing and controlling cloud service use

#### (2) Personnel measures

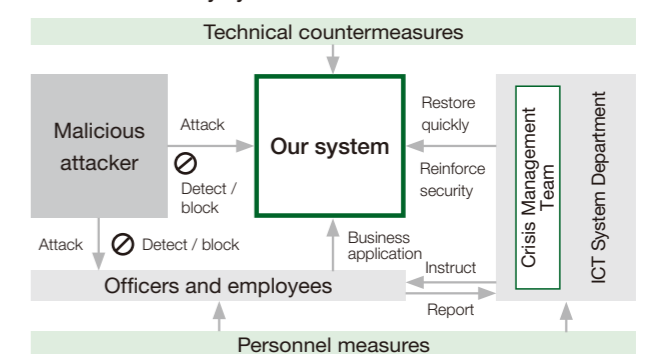
- Conducting security training and targeted e-mail drills
- Having outside experts assess security and investigate risk

### Countermeasures in the event of an incident

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

Ransomware, targeted e-mails, and other more recent forms of cyber attacks are not just a risk for our Company, and must

### Information Security System





# Board of Directors and Audit and Supervisory Committee (As of June 27, 2024)

## Directors



**Nobutoshi Takase**  
Chairman of the Board of Directors

Apr. 1980 Joined the Company  
Jun. 2011 Director, Managing Officer  
Apr. 2018 Representative Director and President; Chief Executive Officer and President  
Jun. 2024 Chairman of the Board of Directors; Executive Chairman (to present)

**Number of Company shares held** 13,919 shares  
**Attendance at Board Meetings** 15 out of 15 (100%)



**Masakazu Hosokawa**  
Representative Director and President

Apr. 1987 Joined the Company  
Apr. 2024 Executive Vice President  
Jun. 2024 Representative Director and President; Chief Executive Officer and President (to present)

**Number of Company shares held** 3,401 shares



**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** 11,817 shares  
**Attendance at Board Meetings** 14 out of 15 (93%)



**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** 28,397 shares  
**Attendance at Board Meetings** 15 out of 15 (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** 9,472 shares  
**Attendance at Board Meetings** 15 out of 15 (100%)



**Kazutoyo Hamada**  
Director  
General Manager of Building Division

Apr. 1987 Joined the Company  
Apr. 2024 Director, Senior Managing Officer (to present)

**Number of Company shares held** 6,811 shares  
**Attendance at Board Meetings** 15 out of 15 (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. (retired in Jun. 2024)  
Outside Director, Nanto Bank, Ltd. (retired in Jun. 2024)  
Jun. 2022 External Director of the Company (to present)

**Number of Company shares held** 0 shares  
**Attendance at Board Meetings** 15 out of 15 (100%)

## Audit and Supervisory Committee Members



**Hideyuki Kawano**  
Director  
(Audit and Supervisory Committee Member) (Full-Time)

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

**Number of Company shares held** 500 shares



**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** 15 out of 15 (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** 15 out of 15 (100%)  
**Attendance at Audit and Supervisory Committee Meetings** 15 out of 15 (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. (retired in Jun. 2024)  
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  
**Attendance at Board Meetings** 10 out of 10 (100%)  
**Attendance at Audit and Supervisory Committee Meetings** 9 out of 10 (90%)



**Hajime Oshita**  
External Director  
(Audit and Supervisory Committee Member)

Mar. 2017 Representative Director, President and CEO of JFE Engineering Corporation  
Jun. 2017 Director, JFE Holdings, Inc. (retired in Jun. 2024)  
Apr. 2024 Special Advisor of JFE Engineering Corporation (to present)  
Jun. 2024 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 FY2023.