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Corporate Governance

Last Update: December 1, 2021
Nishimatsu Construction Co., Ltd.
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Securities Code: 1820
<https://www.nishimatsu.co.jp/eng/>

The corporate governance of Nishimatsu Construction Co., Ltd. (the Company) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The basic policy of Nishimatsu Construction Co., Ltd. (the “Company”) is to improve its corporate governance and maintain good and stable relationships over the long term between the Company and its stakeholders, in order to strive for the Company’s sustainable growth and increase its corporate value over the mid- to long-term.

Based on this policy, the Company will create systems that will lead to the acceleration of decision-making by and strengthen supervision functions of the Board of Directors as well as its business execution systems. In addition, by establishing our “Corporate Motto,” “Corporate Philosophy,” and “Code of Conduct,” which are put into practice by its officers and employees, and engaging in our CSR Management based on “CSR Management Policy,” the Company will forge win-win relationships with all its stakeholders and contribute to society.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code] Updated

The Company has implemented each Principle of the Corporate Governance Code in its entirety following the revisions in June 2021.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

The Principles are described based on the Corporate Governance Code following the revisions in June 2021.

[Principle 1-4 Cross-shareholdings]

(1) Policies regarding the reduction of cross-shareholdings

The Company’s policy is to hold only those equities that are necessary in terms of business operations as cross-shareholdings, and to reduce any other equities except in special circumstances.

The Cross-Shareholdings Verification Committee, which comprises persons in charge of relevant departments, reports on the propriety of holding each individual cross-shareholding to the Board of Directors each fiscal year upon examining and verifying the existence of any transactions with an issuing company, the availability of works’ and other information, and the existence of any other special circumstances. After receiving the report from the Committee, the Board of Directors verifies and judges the propriety of the shareholding individually. The Company discloses in its securities reports matters including the purpose of holding of the equities that the Company has decided to continue holding after the verification.

(2) Policies regarding the execution of voting rights associated with cross-shareholdings

The standards for execution of voting rights regarding the Company’s cross-shareholdings are as follows.

a. In principle, voting rights shall be exercised on all proposals.

- b. We will determine approval or disapproval for each proposal from the perspective of increasing the mid- to long-term corporate value of the company of which we maintain cross-shareholding, also taking into consideration the business conditions of the company. In particular, we will exercise an even greater examination and make a more cautious judgement with regard to proposals relating to matters such as corporate restructuring including mergers, the presentation of retirement benefits to officers by companies with a sluggish business performance, capital increase by means of third-party allotment, and the introduction of anti-takeover measures.

[Principle 1-7 Related Party Transactions]

In the event that the Company engages in transactions with its officers or major shareholders, etc. (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the Company or the common interests of its shareholders, it has been specified in the Regulations of the Board of Directors that the approval of the Board of Directors is required, and in the Audit Criteria of the Audit and Supervisory Committee with respect to auditing and approval of conflict of interest transactions, etc. The Company's Board of Directors monitors such transactions in line with these procedures.

[Supplementary Principle 2-4 (1) Ensuring Diversity in the Promotion, etc. of Women, Foreign Nationals, and Midcareer Hires to Middle Managerial Positions]

(1) Policies for Ensuring Diversity, Human Resource Development and Internal Environment Development

The Company focuses on Urban Development and Real Estate Business, and Environment and Energy Business, in addition to the construction business, and aims to achieve further growth by organically linking these business fields. In order to respond to the ever-changing social environment and the diversifying needs of customers, we established Human Resources Strategy Office headed by the President. Under the uniform, company-wide strategies for human resources, the Company recruits, develops and allocates human resources who have a broad perspective, and works to create a workplace in which they can demonstrate their individual abilities to their full extent. We will also increase our competitiveness by improving employee engagement and providing "new value."

In terms of human resource development, we aim to foster human resources who are able to respond appropriately to changes in society with a broad perspective, in addition to possessing advanced technological skills. To this end, we proactively provide opportunities for employees to voluntarily learn to acquire social graces, professional expertise and foundational strength, mainly through Nishimatsu Employees' University that opened in FY2019.

In terms of internal environment development toward ensuring diversity, in order for us to provide "new value," we believe it is essential to create a workplace in which human resources who have different backgrounds come together, think about things from various perspectives and can demonstrate their individual abilities to their full extent. The Company introduced a flextime system and an annual paid leave in hourly unit, enhanced work-life balance support programs to help employees pursue their careers and child-rearing, and are working to reduce total work time. In this manner, while encouraging the use of these internal systems, we are striving to create a workplace where our people can choose flexible work styles.

(2) Voluntary and Measurable Goals for Ensuring Diversity (Status of females in middle managerial positions)

For many years, construction engineers, who account for a majority of the Company's employees in career track positions, have tended to be male, and the ratio of female construction engineers has remained low. Since around 2105, however, we have been working to increase the number of females in career track positions, including by increasing the number of female new graduates hired for career track positions and moving ahead with the promotion of females from general positions to career track positions. Currently, the Company employs 2,299 career track employees, of whom 145 are female, 37 of whom are active as employees with titles (including 3 in middle managerial positions). In addition, we have established a numerical target for the promotion of females to middle managerial positions as follows.

- Ratio of females in middle managerial positions to all middle managerial positions: Target of 2.0% or higher by FY2025 (currently 0.3%)

(Status of foreign nationals and mid-career hires)

We currently employ 137 mid-career hires, 31 of whom are active in middle managerial positions. Since FY2015, we have been employing approximately 2 foreign nationals each year, mainly new graduates, and currently 10 foreign nationals are engaged in our domestic business. In addition, 551 foreign nationals in all Group companies, including four affiliated companies, are employed in our overseas business, approximately 10% of whom are active in middle managerial positions.

Although the Company has not established numerical targets for the promotion of mid-career hires and foreign nationals to middle managerial positions at the present time, we would like to consider this on a case-by-case basis should the need arise as the result of our future business structure and other factors. The Company will continue to work on human resource development and on internal environment development so that diverse human resources can play an active role.

[Principle 2-6 Roles of a Corporate Pension Fund as an Asset Owner]

In order to demonstrate the roles expected as an asset owner of a corporate pension fund, the Company assigns employees with specialized knowledge and experience to the Personnel Department, which is the Secretariat for corporate pension fund management, and strives to improve those functions by having said employees attend various seminars held by financial institutions handling pension fund business and consulting companies. On the operational side, the Retirement Benefit System Steering Committee implements initiatives such as the regular monitoring of the status of operations.

The Company appropriately manages conflicts of interest that may arise between the beneficiaries of the corporate pension fund and the Company.

[Principle 3-1 Full Disclosure]

The Company carries out appropriate and timely information disclosure in accordance with laws and regulations and the rules of the Tokyo Stock Exchange. It also strives to actively provide information beyond that required by laws, etc. as set forth below.

(1) Management Principles, etc., Management Strategy, and Management Plan

The Company publishes its “Corporate Motto,” “Corporate Philosophy,” “Code of Conduct,” “CSR Management Policy,” “Nishimatsu-Vision 2027,” “Midterm Management Plan 2023,” and other information on its website.

The Company’s website (Japanese): <https://www.nishimatsu.co.jp/>

The Company’s website (English): <https://www.nishimatsu.co.jp/eng/>

(2) Basic Views and Policies on Corporate Governance

Basic views and policies on corporate governance are described in “I. 1. Basic Views” of this report. The Company also publishes the “Initiatives on Corporate Governance by Nishimatsu Construction Co., Ltd.” on its website.

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

(3) Policies and Procedures for Determining Compensation for the Management and Directors

a. Compensation for executive directors and Executive Officers

The compensation of executive directors and Executive Officers consists of basic compensation and performance-linked compensation.

Basic compensation is fixed compensation (monthly compensation) that is determined based on position, and the amount of employee salary and the industry average, etc. are taken into consideration when calculating the said compensation.

Performance-linked compensation is variable compensation that is determined in accordance with the degree of achievement of the performance targets. The performance-linked compensation that forms the base is established for each position and multiplied by the performance-linked coefficient to calculate the amount to be paid. To calculate the amount to be paid, evaluation indices that contribute to an increase in corporate value are set for each position and job title, and the degree of achievement of the targets set at the start of the fiscal year and the performance compared with the previous fiscal year are evaluated each fiscal year.

Performance-linked compensation is separated into monetary compensation paid as a short-term

incentive, and share-based compensation paid as a long-term incentive. Monetary compensation is paid in July each year as a bonus, and share-based compensation is granted in June each year in the form of conversion points through a stock benefit trust, and shares equivalent to the accumulated points are paid when an officer retires.

The ratios of basic compensation and performance-linked compensation are to be set appropriately, based on trends among other companies in the same industry and taking into account factors such as the Company's management strategy, the business environment, responsibilities, and the degree of difficulty in achieving the targets. In addition, the ratio of monetary compensation to share-based compensation in performance-linked compensation is 1:1. A minimum amount of compensation for share-based compensation is established, which is the same as the minimum amount of performance-linked compensation.

Based on the above policies, the President prepares the proposals, and the Company consults the Nominating and Compensation Committee, and after receiving the report from the Committee, the compensation is determined by the Board of Directors (basic compensation is determined in March each year and performance-linked compensation is determined in June each year).

- b. Compensation of Directors who are Members of the Audit and Supervisory Committee
Compensation of Directors who are Members of the Audit and Supervisory Committee consists solely of basic compensation, and is determined by consultation with all the Directors who are Members of the Audit and Supervisory Committee, taking into consideration the compensation of the executive directors and the industry average, etc.

(4) Policies and Procedures for Appointment or Dismissal of the Management and Nomination of Candidates for Director

Candidates for Director and Executive Officers are appointed from among persons who have extensive knowledge, experience and abilities, as well as outstanding character and high ethical standards.

Candidates for executive director are appointed from among persons who have extensive knowledge and experience in civil engineering business, building engineering business, international business, and development and real estate business, or who have superior knowledge of finance and accounting, etc.

Candidates for Director who are Members of the Audit and Supervisory Committee are appointed from among persons the Company determines to be able to audit and supervise appropriately, with emphasis on their expertise and career history.

Candidates for Outside Director are appointed with emphasis on their independence from the Company, and efforts are made to appoint persons with specialized knowledge and persons with experience in corporate management, etc. Also, diversity of the Board of Directors is taken into consideration.

A mandatory retirement system for executive directors and Executive Officers is established, and a maximum term of office is put in place for Directors who are Members of the Audit and Supervisory Committee, Outside Directors, and Executive Officers.

Based on these policies, the President prepares the proposals, and the Company consults the Nominating and Compensation Committee, and after receiving the report from the Committee, the appointments are determined by the Board of Directors.

The dismissal of Executive Officers, including the President, is determined by the Board of Directors upon deliberation by the Nominating and Compensation Committee, based on the dismissal criteria and procedures stipulated in the Regulations of the Executive Officers.

(5) Explanation of Appointment, Dismissal and Nomination of Candidates for Director

The reasons for the appointment and nomination of individual candidates for Director are stated in the notice of the general meeting of shareholders.

Notice of the general meeting of shareholders: <https://www.nishimatsu.co.jp/eng/ir/meeting/meeting.php>

[Supplementary Principle 3-1 (3) Initiatives on Sustainability]

In the "Midterm Management Plan 2023," which covers the period from FY2021 to FY2023, we will "establish a sustainable society and environment where people can live with peace of mind," which we stated in our Management Principles, and plan to provide value to society through the businesses to achieve a sustainable society, taking societal and environmental changes into consideration.

From April 2021, while narrowing new business domains to the "Environment and Energy Field," we will embark on full-scale efforts to achieve a decarbonized society, and focus on the renewable energy business and

the infrastructure-related service business in order to resolve environmental issues.

In addition, the amount of investment, details of investment, and priority measures with regard to investment in human capital (human resource development, system reforms, health management) and investment in intellectual property (growth investment related to the construction business) are also disclosed in the “Midterm Management Plan 2023,” while the progress of these activities is disclosed in the “Integrated Report 2021.”

Midterm Management Plan 2023: <https://www.nishimatsu.co.jp/eng/ir/library/plan.php>

Integrated Report 2021: <https://www.nishimatsu.co.jp/eng/csr/report/>

[Supplementary Principle 4-1 (1) Outline of Scope of the Matters Delegated to the Management]

The Board of Directors deliberates and determines matters specified in the Regulations of the Board of Directors, in addition to important management issues including the basic management policy as well as matters stipulated by laws and regulations and in the Articles of Incorporation. With regard to decision-making authority over matters other than those to be resolved by the Board of Directors, the Rules for the President and General Managers Meeting are established, among other rules, and the decision-making authority is delegated to executive directors and others at the President and General Managers Meeting.

[Principle 4-9 Criteria for Determining the Independence and Qualifications for Independent Outside Directors]

The Company, to ensure the independence of candidates for Outside Director, has formulated and disclosed the Criteria for Determining the Independence of Outside Directors. Furthermore, in addition to use of the Criteria for Determining the Independence of Outside Directors, the Company has made efforts to select persons who can be expected to contribute to frank, active and constructive discussions at meetings of the Board of Directors.

Criteria for Determining the Independence of Outside Directors: <https://www.nishimatsu.co.jp/eng/company/business.html>

[Supplementary Principle 4-11 (1) Composition of the Board of Directors and Policy and Procedures for Appointment of Directors]

The Company, by having a small number of Directors and introducing an executive officer system, has striven to accelerate decision-making in relation to management by the Board of Directors and strengthen its business execution system. Also, by increasing the proportion of Outside Directors on the Board of Directors, it has worked to improve supervision over the Board of Directors.

The Board of Directors is comprised of ten persons, five of whom are executive directors serving as the President, General Manager of Civil Engineering Division, General Manager of Building Division, General Manager of Urban Development & Real Estate Division and General Manager of Management Division. The remaining five are Directors who are Members of the Audit and Supervisory Committee and are non-executive directors.

Candidates for Director are appointed from among persons who have extensive knowledge, experience and capabilities, as well as outstanding character and high ethical standards.

Candidates for executive director are appointed from among persons who have extensive knowledge and experience in civil engineering business, building engineering business, international business, and development and real estate business, or who have superior knowledge of finance and accounting, etc.

Candidates for Director who are Members of the Audit and Supervisory Committee are appointed from among persons whom the Company deems capable of appropriate audits and supervision, with emphasis on their expertise and career history. In addition, the Company appoints four Outside Directors (including two female Directors), taking diversity of the Board of Directors into consideration.

The Company has established a mandatory retirement system for its Directors (excluding Directors who are Members of the Audit and Supervisory Committee and Outside Directors), in order to prevent a stiff hierarchy among the Board of Directors.

The Company consults the Nominating and Compensation Committee in relation to the nomination of candidates for Director and makes decisions in meetings of the Board of Directors after receiving the report from the Committee, in order to contribute to the establishment of an appropriate management system.

The Board of Directors’ skill set is disclosed in the “Integrated Report 2021.”

Integrated Report 2021: <https://www.nishimatsu.co.jp/eng/csr/report/>

[Supplementary Principle 4-11 (2) Directors’ Concurrent Positions]

In cases where a Director holds a concurrent position as an officer of another listed company, the Company does not set a limit on the number of concurrent positions held, because roles and responsibilities are different for the respective entities where he/she holds concurrent positions due to the scale of entities, etc. On the other hand, the Company selects candidates for Director after adequately investigating their concurrent positions and ensuring that the candidates are able to appropriately fulfill their roles and responsibilities as a Director of the Company.

The Company discloses the Directors' concurrent positions in its securities reports and business reports.

[Supplementary Principle 4-11 (3) Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole]

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 during the period from February to April 2021 as described in (1) below. Based on the results of the evaluation shown in (2) below, the Board of Directors confirmed to continue its initiatives toward improving the effectiveness of the Board of Directors as described in (3) below in order to further advance corporate governance.

(1) Evaluation Process

The Audit and Supervisory Committee led in creating a questionnaire regarding the following eight items: "Composition and operation of the Board of Directors," "Monitoring of business execution by Directors," "Compliance and internal control system," "Officer compensation system," "Midterm and Long-term Management Plan," "Nominating Committee and Compensation Committee," "Audit and Supervisory Committee," and "Others." The questionnaire was 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. The Audit and Supervisory Committee conducted analysis and evaluation based on the compiled questionnaire results and reported the results to the Board of Directors.

(2) Outline of Evaluation

The evaluation survey of the Board of Directors was entirely in a written response format, as was the case in 2020, with the aim of gathering the diverse opinions of each Director. As a result, we received more comments from each Director recognizing issues than the previous year. While the responses indicated that the Board of Directors is displaying broad direction in corporate strategy and is an important decision-making body in formulating and achieving a specific long-term vision and the midterm management plan, the results of this latest self-evaluation indicated that further reforms of the Board of Directors and an increase in the level of ability of each Director are necessary to increase its true effectiveness.

Based on these survey results, the Audit and Supervisory Committee reported to the Board of Directors that it is necessary to hold continuous discussions throughout the year in order to resolve the following five issues that have been recognized.

- 1) Composition and operation of the Board of Directors
- 2) Internal control system, risk management and compliance
- 3) Officer compensation system
- 4) Long-term vision
- 5) Nominating Committee, Compensation Committee

(3) Future Initiatives

Based on the suggestions and reports above, the General Manager of the Management Division and the Secretariat of the Board of Directors (General Affairs Department) will together formulate the annual schedule and the matters to be deliberated, which will be discussed continually at meetings of the Board of Directors.

[Supplementary Principle 4-14 (2) Training Policy for Directors]

The Company takes measures including holding group training by external instructors and e-Learning for all Directors, including new Directors, and providing information on external seminars, and thereby supports their learning of required knowledge.

Directors actively utilize these opportunities to deepen their understanding of their roles and responsibilities, and they make efforts to learn required knowledge and appropriately update their training, etc.

Executive directors are tasked with adequately explaining the Company's business, organization, and financial situation, etc. to newly appointed Outside Directors.

[Principle 5-1 Policy and System for Constructive Dialogue with Shareholders]

The Company strives for its sustainable growth and to increase its corporate value over the mid- to long-term through constructive dialogue with shareholders.

The Company nominates a Director in charge of Investor Relations to promote constructive dialogue with shareholders, and fosters mutual cooperation between the Corporate Planning, Administration, Accounting and other related departments, in which the Director in charge of Investor Relations plays a central role.

The General Affairs Department serves as the point of contact and responds to requests for meetings from institutional investors. If it is judged necessary, taking into consideration the purpose of the meeting, the importance of its content, the attributes of the person requesting the meeting, and other factors, the meeting is handled by the Director in charge of Investor Relations.

The Company holds financial briefings for institutional investors and analysts twice a year, in addition to holding explanatory meetings when it establishes its Midterm Management Plan and at other times as necessary. The President and the Director in charge of Investor Relations provide explanations at these briefings and meetings.

The Director in charge of Investor Relations reports accordingly to the Board of Directors the opinions obtained during the dialogue with shareholders. The Board of Directors then looks into these opinions, as necessary, and strives for the Company's sustainable growth and to increase its corporate value over the mid- to long-term.

The Insider Trading Management Rules are strictly applied with respect to insider information, and the Director in charge of Investor Relations makes efforts with the person responsible for Information Management to prevent the leakage of information.

The Company discloses information in a timely, appropriate and fair manner to all shareholders from the perspective of fair disclosure. In order to prevent unauthorized disclosure of the financial closing information and to ensure fairness of the disclosure of information, the Company observes a silent period. The silent period begins at the following day of each reporting period and ends at the publication of the quarterly financial report or financial report release. During the silent period, the Company will neither answer nor comment to enquiries about the Company's financial performance.

2. Capital Structure Updated

| | |
|------------------------------------|---------------------------|
| Percentage of Foreign Shareholders | From 10% to less than 20% |
|------------------------------------|---------------------------|

[Status of Major Shareholders] Updated

| Name / Company Name | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| The Master Trust Bank of Japan Ltd. (Trust account) | 5,681,700 | 10.39 |
| City Index Eleventh Co., Ltd. | 5,338,400 | 9.76 |
| S-GRANT.CO., LTD. | 5,279,100 | 9.65 |
| Custody Bank of Japan, Ltd. (Trust account) | 4,270,300 | 7.81 |
| Minami Aoyama Real Estate Co., Ltd. | 3,279,300 | 6.00 |
| Custody Bank of Japan, Ltd. (Trust account 4) | 2,109,600 | 3.86 |
| Meiji Yasuda Life Insurance Company | 915,407 | 1.67 |
| STATE STREET BANK AND TRUST COMPANY 505103 | 819,993 | 1.50 |
| Nishimatsu Construction Employee Stock Ownership Association | 816,926 | 1.49 |
| Morgan Stanley MUFG Securities Co., Ltd. | 664,464 | 1.21 |

| | |
|---|------|
| Controlling Shareholder (Except for Parent Company) | — |
| Parent Company | None |

Supplementary Explanation Updated

The list above shows the status of major shareholders as of September 30, 2021.

The Company's treasury stock of 891,708 shares is excluded from the Status of Major Shareholders above.

In the Report of Large Volume Holding (Change Report) made available for public inspection as of April 22, 2021, Mizuho Bank, Ltd. and two other joint holders were reported to own 3,420 thousand shares (ownership percentage: 6.15%) as of April 15, 2021. However, as the Company is unable to confirm the actual number of shares owned by these three companies as of September 30, 2021, these shareholdings are not included in the status of major shareholders above.

In the Report of Large Volume Holding (Change Report) made available for public inspection as of June 3, 2021, Nomura Securities Co., Ltd. and two other joint holders were reported to own 2,197 thousand shares (ownership percentage: 3.95%) as of May 31, 2021. However, as the Company is unable to confirm the actual number of shares owned by these three companies as of September 30, 2021, these shareholdings are not included in the status of major shareholders above.

In the Report of Large Volume Holding (Change Report) made available for public inspection as of October 6, 2021, Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other joint holder were reported to own 4,398 thousand shares (ownership percentage: 7.91%) as of September 30, 2021. However, as the Company is unable to confirm the actual number of shares owned by these two companies as of September 30, 2021, these shareholdings are not included in the status of major shareholders above.

At the meeting of the Board of Directors held on September 21, 2021, the Company resolved to conduct a tender offer of treasury stock (hereinafter, the "Tender Offer") as a means of acquiring treasury stock and its specific acquisition method, pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act. The Company started the Tender Offer on September 22, 2021, and the Tender Offer was terminated as of October 20, 2021. In addition, with the termination of the Tender Offer, the acquisition of treasury stock based

on the resolution of the meeting of the Board of Directors held on September 21, 2021 was completed. As a result of the Tender Offer, treasury stock held by the Company as of November 30, 2021 amounted to 15,891,945 shares.

3. Corporate Attributes

| | |
|---|--|
| Listed Stock Market and Market Section | Tokyo Stock Exchange, First Section |
| Fiscal Year-End | March |
| Type of Business | Construction |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year | 1,000 or more |
| Sales (consolidated) as of the End of the Previous Fiscal Year | From 100 billion yen to less than 1 trillion yen |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | From 10 to less than 50 |

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

—

5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

| | |
|-------------------|--|
| Organization Form | Company with the Audit and Supervisory Committee |
|-------------------|--|

[Directors]

| | |
|---|-----------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 14 |
| Term of Office Stipulated in Articles of Incorporation | 1 year |
| Chairperson of the Board | President |
| Number of Directors | 10 |
| Status of Appointment of Outside Directors | Appointed |
| Number of Outside Directors | 4 |
| Number of Outside Directors Designated as Independent Director | 4 |

Outside Directors' Relationship with the Company (1)

| Name | Attribute | Relationship with the Company (*) | | | | | | | | | | |
|----------------|-----------------------------|-----------------------------------|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Koji Mino | From another company | | | | | | | | | | | |
| Kiyomi Kikuchi | Attorney | | | | | | | | | | | |
| Jun Ikeda | From another company | | | | | | | | | | | |
| Noriko Suzuki | Certified public accountant | | | | | | | | | | | |

*** Categories for "Relationship with the Company"**

* "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category; "▲" when a close relative of the director fell under the category in the past

a Executive of the Company or its subsidiaries

b Non-executive director or executive of a parent company of the Company

c Executive of a fellow subsidiary company of the Company

d A party whose major transaction partner is the Company or an executive thereof

e Major transaction partner of the Company or an executive thereof

f Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director

g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h Executive of a transaction partner of the Company (which does not correspond to any of d, e, or f) (the executive himself/herself only)

i Executive of a company, between which the Company's outside directors are mutually appointed (the executive himself/herself only)

j Executive of a company or organization that receives a donation from the Company (the executive himself/herself only)

k Others

Outside Directors' Relationship with the Company (2)

| Name | Membership of Audit and Supervisory Committee | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment |
|----------------|---|-------------------------------------|---|---|
| Koji Mino | ○ | ○ | Not applicable. | <p>Mr. Koji Mino has a wealth of experience from his time at the Development Bank of Japan, and possesses broad knowledge cultivated in his roles at other companies as director and auditor. We therefore expect that he will make useful proposals from diverse perspectives based on his extensive experience with regard to the Company's business as well as management overall. And he has assumed the role of monitoring and supervising the Company's management from an independent position as a member of audit and supervisory committee since June 2016. The Company determined, based on these factors, that he is an appropriate person who can audit and supervise the Company's operations from an objective viewpoint, and has appointed him as an outside director who is a member of the Audit and Supervisory Committee.</p> <p>The attribute information related to Mr. Mino is given in the left column, and the Company determined that there is no risk of conflict of interest with the general shareholders and has registered him as an independent director.</p> |
| Kiyomi Kikuchi | ○ | ○ | Not applicable. | <p>Ms. Kiyomi Kikuchi possesses expertise as an attorney and a wealth of experience from working at financial institutions. We therefore expect that she will make useful proposals with regard to legal affairs and governance, etc. as well as management overall. And she has assumed the role of monitoring and supervising the Company's management from an independent position as a member of audit and supervisory committee since June 2016. The Company determined, based on these factors, that she is an appropriate person who can audit and supervise the Company's general operations from an objective viewpoint, and has appointed her as an outside director who is a member of the Audit and Supervisory Committee.</p> <p>The attribute information related to Ms. Kikuchi is given in the left column, and the Company determined that there is no risk of conflict of interest with the general shareholders and has registered her as an independent director.</p> |

| | | | | |
|---------------|---|---|-----------------|--|
| Jun Ikeda | ○ | ○ | Not applicable. | <p>Mr. Jun Ikeda has a wealth of experience from his time at Mitsubishi Corporation, and possesses broad knowledge cultivated in his role as managing director of one of its subsidiary companies. We therefore expect that he will make useful proposals from a global perspective with regard to the Company's business as well as management overall. And he has assumed the role of monitoring and supervising the Company's management from an independent position as a member of audit and supervisory committee since June 2016. The Company determined, based on these factors, that he is an appropriate person who can properly audit and supervise the Company's general operations from an objective viewpoint, and has appointed him as an outside director who is a member of the Audit and Supervisory Committee.</p> <p>The attribute information related to Mr. Ikeda is given in the left column, and the Company determined that there is no risk of conflict of interest with the general shareholders and has registered him as an independent director.</p> |
| Noriko Suzuki | ○ | ○ | Not applicable. | <p>Ms. Noriko Suzuki possesses expertise as a certified public accountant and a wealth of experience with regard to accounting in the real estate industry. We therefore expect that she will make useful proposals from a financial and accounting perspective with regard to the Company's development and real estate business. The Company determined, based on these factors, that she is an appropriate person who can audit and supervise the Company's general operations from an objective viewpoint, and has appointed her as an outside director who is a member of the Audit and Supervisory Committee.</p> <p>The attribute information related to Ms. Suzuki is given in the left column, and the Company determined that there is no risk of conflict of interest with the general shareholders and has registered her as an independent director.</p> |

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

| | Total No. of Committee Members | No. of Full-time Members | No. of Inside Directors | No. of Outside Directors | Committee Chair (Chairperson) |
|--|--------------------------------|--------------------------|-------------------------|--------------------------|-------------------------------|
| Audit and Supervisory Committee | 5 | 1 | 1 | 4 | Inside Director |
| Appointment of Directors and/or Employees to Support the Audit and Supervisory Committee | Appointed | | | | |

Matters Related to the Independence of Such Directors and/or Employees from Executive Directors

The Company has established the Secretariat of the Audit and Supervisory Committee to support the Audit and Supervisory Committee in its duties and placed dedicated staff members in the Secretariat who are not subject to the instructions and orders of Directors other than those who are Members of the Audit and Supervisory Committee.

Personnel transfers and assessment related to such staff are subject to approval of the Audit and Supervisory Committee.

Cooperation among Audit and Supervisory Committee, Accounting Auditor and Internal Audit Department

Directors who are Members of the Audit and Supervisory Committee participate in the discussions of corporate managers held by the External Accounting Auditor, and exchange opinions with regard to corporate risk, evaluation of internal control, and key audit items, etc.

The Audit and Supervisory Committee and the Audit Unit, which is an internal audit department, engage in mutual exchanges of opinions with the External Accounting Auditor on audit plans of the other party and regularly conduct audit reporting, in order to cooperate with the External Accounting Auditor.

[Optional Committees]

| | |
|---|-------------|
| Optional Committees such as Nominating Committee and Compensation Committee | Established |
|---|-------------|

Establishment and Composition of Optional Committees, and Attributes of Committee Chair (Chairperson)

| | Name | Total No. of Committee Members | No. of full-time Members | No. of Inside Directors | No. of Outside Directors | No. of External Experts | No. of Other Members | Committee Chair (Chairperson) |
|---|---------------------------------------|--------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|----------------------|-------------------------------|
| Optional Committee Equivalent to Nominating Committee | Nominating and Compensation Committee | 5 | 0 | 2 | 3 | 0 | 0 | Outside Director |
| Optional Committee Equivalent to Compensation Committee | Nominating and Compensation Committee | 5 | 0 | 2 | 3 | 0 | 0 | Outside Director |

Supplementary Explanation

(Nominating and Compensation Committee)

The Nominating and Compensation Committee (an optional advisory body to the Board of Directors), whose main members are Independent Outside Directors, has been established with the aim of building an appropriate management system and ensuring management transparency.

The Nominating and Compensation Committee, in response to requests of consultation from the Board of Directors, nominates candidates for Directors, appoints and dismisses Representative Directors, appoints and dismisses the President, appoints, dismisses, promotes and demotes Executive Officers, and reports on

individual compensation for Directors and Executive Officers.

The Nominating and Compensation Committee has a total of five members, three of whom are Outside Directors, one of whom is an executive director, and one of whom is a non-executive director. The Committee is chaired by an Outside Director.

[Independent Directors]

Number of Independent Directors

4

Matters relating to Independent Directors

The Company has designated outside directors who satisfy qualifications for independent director as Independent Director.

[Incentives]

Status of Implementation of Incentives Policy for Directors

Introduction of a performance-linked compensation plan

Supplementary Explanation

The Company has introduced a performance-linked compensation plan so that compensation for executive directors and Executive Officers functions as a sound incentive for sustainable growth. Performance-linked compensation is variable compensation that is determined in accordance with the degree of achievement of the performance targets. The performance-linked compensation that forms the base is established for each position and multiplied by the performance-linked coefficient to calculate the amount to be paid. To calculate the amount to be paid, evaluation indices that contribute to an increase in corporate value are set for each position and job title, and the degree of achievement of the targets set at the start of the fiscal year and the performance compared with the previous fiscal year are evaluated each fiscal year.

Performance-linked compensation is separated into monetary compensation paid as a short-term incentive, and share-based compensation paid as a long-term incentive. Monetary compensation is paid in July each year as a bonus, and share-based compensation is granted in June each year in the form of conversion points through a stock benefit trust, and shares equivalent to the accumulated points are paid when an officer retires.

Recipients of Stock Options

Supplementary Explanation

[Compensation for Directors]

Disclosure (individual directors' compensation)

No individual disclosure.

Supplementary Explanation

Compensation and other remuneration paid to Directors in FY2020 are as follows.

- Directors (excluding those who are Members of the Audit and Supervisory Committee): 8 Directors, 220 million yen (Outside Directors: –, – yen)
- Directors (those who are Members of the Audit and Supervisory Committee): 5 Directors, 41 million yen (Outside Directors: 3, 25 million yen)
- Of the compensation paid to Directors (excluding those who are Members of the Audit and Supervisory Committee), the total amount paid to the Officers' Shareholding Association was 17 million yen.

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

The compensation of Executive Directors and Executive Officers consists of basic compensation and performance-linked compensation.

Basic compensation is fixed compensation (monthly compensation) that is determined based on position, and the amount of employee salary and the industry average, etc. are taken into consideration when calculating the said compensation.

Performance-linked compensation is variable compensation that is determined in accordance with the degree of achievement of the performance targets. The performance-linked compensation that forms the base is established for each position and multiplied by the performance-linked coefficient to calculate the amount to be paid. To calculate the amount to be paid, evaluation indices that contribute to an increase in corporate value are set for each position and job title, and the degree of achievement of the targets set at the start of the fiscal year and the performance compared with the previous fiscal year are evaluated each fiscal year.

Performance-linked compensation is separated into monetary compensation paid as a short-term incentive, and share-based compensation paid as a long-term incentive. Monetary compensation is paid in July each year as a bonus, and share-based compensation is granted in June each year in the form of conversion points through a stock benefit trust, and shares equivalent to the accumulated points are paid when an officer retires.

The ratios of basic compensation and performance-linked compensation are to be set appropriately, based on trends among other companies in the same industry and taking into account factors such as the Company's management strategy, the business environment, responsibilities, and the degree of difficulty in achieving the targets. In addition, the ratio of monetary compensation to share-based compensation in performance-linked compensation is 1:1. A minimum amount of compensation for share-based compensation is established, which is the same as the minimum amount of performance-linked compensation.

Based on the above policies, Director and the President prepares the proposals, and the Company consults the Nominating and Compensation Committee, and after receiving the report from the Committee, the compensation is determined by the Board of Directors (basic compensation is determined in March each year and performance-linked compensation is determined in June each year).

The compensation of Directors who are Members of the Audit and Supervisory Committee consists solely of basic compensation, and is determined by consultation with all the Directors who are Members of the Audit and Supervisory Committee, taking into consideration the compensation of Directors other than those who are members of the Audit and Supervisory Committee and the industry average, etc.

(Maximum amount of officers' compensation)

The amount of compensation for Directors (excluding those who are Members of the Audit and Supervisory Committee) was approved by resolution at the 79th Annual General Meeting of Shareholders held on June 29, 2016 to be 360 million yen or less per year. The number of Directors (excluding those who are Members of the Audit and Supervisory Committee) at the time of the resolution by the abovementioned General Meeting of Shareholders was seven.

In addition, with regard to the performance-linked, share-based compensation plan "Board Benefit Trust (BBT)" for Directors (excluding those who are Members of the Audit and Supervisory Committee and other Directors who are Outside Directors), the 84th Annual General Meeting of Shareholders held on June 29, 2021 approved a resolution for the Company to make a monetary contribution to the Trust of a maximum of 763 million yen over three fiscal years (including the portion for Executive Officers) as funds for the acquisition of shares in the future, separately from the abovementioned amount of compensation. The number of Directors (excluding those who are Members of the Audit and Supervisory Committee) at the time of the resolution by the abovementioned General Meeting of Shareholders was five.

The amount of compensation for Directors who are Members of the Audit and Supervisory Committee was approved by resolution at the 79th Annual General Meeting of Shareholders held on June 29, 2016 to be 80 million yen or less per year. The number of Directors who are Members of the Audit and Supervisory Committee at the time of the resolution by the abovementioned General Meeting of Shareholders was four.

(Procedures for determining compensation)

The Board of Directors possesses the authority to determine the policy regarding decisions concerning the amount of compensation, etc. for officers of the Company and the calculation method thereof. In addition, the Nominating and Compensation Committee aims to build an appropriate management system and ensure management transparency, and nominates candidates for Directors, appoints and dismisses Representative Directors, appoints and dismisses the President, appoints, dismisses, promotes and demotes Executive Officers, and reports on individual compensation for Directors and Executive Officers. The activities of the Board of Directors and the Committee in the process for determining the amount of compensation, etc. for officers during the fiscal year under review are as follows.

- The amount of compensation, etc. for officers for the fiscal year ending March 31, 2022 was deliberated by

the Committee meeting held in March 2021 and determined by the Board of Directors in the same month after receiving the report from the Committee.

[Supporting System for Outside Directors]

Communication and coordination, etc. between Outside Directors and the management is handled by the General Affairs Department. Furthermore, to ensure that adequate information is provided to Outside Directors who are Members of the Audit and Supervisory Committee, the Company has established a system in which Directors who are Full-Time Members of the Audit and Supervisory Committee and dedicated staff of the Secretariat of the Audit and Supervisory Committee report and provide support to them as appropriate.

[Status of Retired Representative Director and President, etc.]

Names, etc. of Counselors and Advisers Who Formerly Served as Representative Director and President, etc.

| Name | Job Title / Position | Responsibilities | Employment Terms (Full/part time, with/without compensation, etc.) | Date of Retirement as President, etc. | Term |
|------|----------------------|------------------|--|---------------------------------------|------|
| - | - | - | - | - | - |

Number of Counselors and Advisers Who Formerly Served as Representative Director and President, etc.

0

Others

- The *Komon* (Adviser) system is operated strictly in accordance with the internal rules (Rules for Advisers). Currently, there are no persons subject to the system.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)

(Board of Directors)

The Board of Directors is comprised of ten persons, five of whom are executive directors serving as the President, General Manager of Civil Engineering Division, General Manager of Building Division, General Manager of Urban Development & Real Estate Division and General Manager of Management Division. The remaining five are Directors who are Members of the Audit and Supervisory Committee (including four Outside Directors) and are non-executive directors.

In order to repay the trust that shareholders have placed in the Company, with the aim of sustainable growth of the Company and improvements in the Company's medium- to long-term corporate value, the Board of Directors supervises the business execution by Directors, while making decisions on the basic management policy and on other important matters in management. Furthermore, besides matters stipulated by laws and regulations as well as in the Articles of Incorporation, matters stipulated by the Regulations of the Board of Directors are deliberated and determined.

In principle, meetings of the Board of Directors are held once every month and on the date of disclosure of full-year results, at the time of the decision to convene a general meeting of shareholders, and after a general meeting of shareholders. Also, by holding extraordinary meetings of the Board of Directors as necessary, etc., the required time for deliberation is ensured.

(Audit and Supervisory Committee)

The Audit and Supervisory Committee is comprised of five Directors who are Members of the Audit and Supervisory Committee (including four Outside Directors). In addition, in an effort to strengthen the audit system and information collection system, a person from within the Company serves as a Full-Time Member of the Audit and Supervisory Committee.

In order to repay the trust that shareholders have placed in the Company, with the aim of sustainable growth of the Company and improvements in the Company's medium- to long-term corporate value, the Audit and Supervisory Committee audits the business execution by Directors and conducts other duties stipulated by laws and regulations.

The Company has established a Secretariat of the Audit and Supervisory Committee and places dedicated staff members in the Secretariat who are not subject to the instructions and orders of Directors other than those who are Members of the Audit and Supervisory Committee. In addition, a system has been established for cooperation between the Secretariat of the Audit and Supervisory Committee and each department in conducting investigations and collecting information required for auditing, in order to ensure the effectiveness of the instructions by Audit and Supervisory Committee Members.

(President and General Managers Meeting)

The President and General Managers Meeting is comprised of seven persons: President, General Manager of Civil Engineering Division, General Manager of Building Division, General Manager of the International Division, General Manager of Urban Development & Real Estate Division, General Manager of Management Division and Chief of the President Office.

The President and General Managers Meeting deliberates in advance important matters mainly for sustainable growth, which are included in proposals to be submitted to the Board of Directors, as well as determines specific measures pertaining to execution of the said proposals after the said proposals are resolved at the Board of Directors. It also resolves or deliberates some individual matters concerning business execution.

(Nominating and Compensation Committee)

The Nominating and Compensation Committee (an optional advisory body to the Board of Directors), whose main members are Independent Outside Directors, has been established with the aim of building an appropriate management system and ensuring management transparency.

The Nominating and Compensation Committee, in response to requests of consultation from the Board of Directors, nominates candidates for Directors, appoints and dismisses Representative Directors, appoints and dismisses the President, appoints, dismisses, promotes and demotes Executive Officers, and reports on individual compensation for Directors and Executive Officers.

The Nominating and Compensation Committee has a total of five members, three of whom are Outside Directors, one of whom is an executive director, and one of whom is a non-executive director. The Committee is chaired by an Outside Director.

(Corporate Value Enhancement Committee)

In light of the recent situation when the strengthening of corporate governance and the importance of capital policies are being advocated more than ever before, the Company has deemed that there may be occasions when, with regard to corporate governance, capital policies, and other important matters pertaining to management, it would be appropriate to consult a special committee consisting solely of persons who are independent from the management team responsible for the business execution of the Company, and has therefore established a special committee (named the "Corporate Value Enhancement Committee") as an advisory body to the Board of Directors in order to increase corporate value.

The Corporate Value Enhancement Committee, in response to requests of consultation from the Board of Directors, provides recommendations on corporate governance, capital policies, and other important matters pertaining to management.

(Compliance System)

The Company has established the Compliance Committee chaired by an outside expert to deal with compliance issues. The Company has also established the Compliance Promotion Department to promote compliance with laws and regulations by all officers and employees of the Company.

As a whistleblower system for reports of behavior in violation of laws and regulations, the Company has established contact points both internally and externally for reporting, which may be available for officers and employees of the Nishimatsu Construction Group, as well as for their families, while also setting up the “Nishimatsu Hotline” on its website, which serves as a contact point for the Company’s partner companies. The Board of Directors has established rules that prevent persons who have made reports from being subjected to disadvantageous treatment, thereby ensuring the effectiveness of the whistleblower system.

(CSR Promotion System)

The Company aims to ensure that all members of the Company follow CSR practices and act with an awareness of all stakeholders in day-to-day operations. The Company will conduct its CSR management in accordance with the motto of “respecting all people,” in an effort to forge win-win relationships with stakeholders and create a situation in which the Company and its employees can build mutual trust in a free and broad-minded internal environment based on interactive communications. The Company has established the CSR Planning Section to promote CSR management at each of the Nishimatsu Construction Group companies.

(Accounting Auditor)

The Company appointed GYOSEI & CO. as its accounting auditor.

Two certified public accountants (CPAs) belonging to the accounting auditor, namely Mr. Takayuki Nakagawa and Mr. Toshiya Shinshima, conduct auditing of the Company with eight CPAs and twelve other persons assisting in their audit work.

3. Reasons for Adoption of Current Corporate Governance System

The Company has introduced a Company with an Audit and Supervisory Committee System with the aim of improving supervision over management by increasing the proportion of Outside Directors on the Board of Directors.

In addition, the Company has introduced the executive officer system to accelerate decision-making in relation to management by the Board of Directors and strengthen its business execution system.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

| | Supplementary Explanations |
|--|--|
| Early Notification of General Meeting of Shareholders | The notice of the general meeting of shareholders is sent approximately three weeks prior to the date of the meeting. |
| Electronic Exercise of Voting Rights | The electronic exercise of voting rights has been adopted since the 78th Annual General Meeting of Shareholders held in June 2015. |
| Participation in Electronic Voting System Platform and Other Measures to Facilitate the Exercise of Voting Rights by Institutional Investors | The electronic voting system platform for institutional investors operated by ICJ, Inc. has been adopted since the 78th Annual General Meeting of Shareholders held in June 2015. |
| Provision of Notice of General Meeting of Shareholders (excerpts) in English | The Company has created the English translated version of the notice of the general meeting of shareholders and its reference documents since the 79th Annual General Meeting of Shareholders held in June 2016. These documents are posted on the website of the Tokyo Stock Exchange, the electronic voting system platform, and the website of the Company. |
| Other | The Company posts the notice of the general meeting of shareholders on the website of the Tokyo Stock Exchange, the electronic voting system platform, and the website of the Company approximately four weeks prior to the date of the meeting. |

2. IR Activities

| | Supplementary Explanations | Explanation by Representative |
|--|---|-------------------------------|
| Preparation and Publication of Disclosure Policy | The Disclosure Policy, which outlines the Company's basic policy on information disclosure and internal systems, has been established by a resolution of the Board of Directors and posted on the website of the Company. | |
| Regular Investor Briefing for Analysts and Institutional Investors | The Company regularly holds financial briefings for sell-side analysts and institutional investors in May and November every year following the announcement of financial results. Briefings focus on business performance, financial position and management policies based on the financial results summary and financial results presentation materials. | Available |
| Posting of IR Materials on Website | Financial results summaries, securities reports, quarterly securities reports, annual reports and financial results presentation materials, etc., are posted on the Investor Relations (IR) information page of the Company's website. Timely disclosure materials are also posted on the website. | |

| | Supplementary Explanations | Explanation by Representative |
|---|--|-------------------------------|
| Establishment of Department / Manager in Charge of IR | Officer in charge of IR: Yuichi Kono, Representative Director, Executive Vice President, General Manager of Management Division Department in charge of IR: IR/SR Promotion Section, General Affairs Department | |
| Other | The Company briefs institutional investors on business conditions as necessary. | |

3. Measures to Ensure Due Respect for Stakeholders Updated

| | Supplementary Explanations |
|---|--|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | Establishment of the Nishimatsu Construction Code of Conduct |
| Implementation of Environmental Activities, CSR Activities, etc. | Specific actions are published in the Integrated Report of the Company. |
| Other | <ul style="list-style-type: none"> ▪ In order to comply with Supplementary Principle 3-1 (3) (including the code for the Prime Market) of the Corporate Governance Code following its revision in June 2021, the Company is currently considering measures for information disclosure based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD), and plans to disclose this information by June 2022. Matters on which a decision has been made at this time are posted on the Company's website. <p>Environmental Initiatives (Japanese): https://www.nishimatsu.co.jp/csr/environment/topics/detail.php?no=NjAw</p> <ul style="list-style-type: none"> ▪ The CSR Planning Section has been established in the President Office. |

IV. Matters Related to Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The following is the Basic Policy for the Establishment of the Internal Control System which was resolved at the meeting of the Board of Directors.

Basic Policy for the Establishment of the Internal Control System (Revised on December 1, 2019)

(1) Systems to Ensure that Directors and Employees Comply with Laws and Regulations and the Articles of Incorporation When Executing Their Duties

The Company shall establish the code of conduct to be followed in carrying out business activities, in order to fulfill social responsibilities as a company, and all officers and employees shall act upon this code of conduct.

The Company shall establish the Compliance Promotion Department in order to promote thorough compliance with laws and regulations and the Articles of Incorporation by all officers and employees. This Department, in accordance with the compliance rules, shall appoint a person in charge of compliance at all departments, including those at affiliated companies, to keep priority matters relating to compliance thoroughly informed within the organization, conduct compliance audits and strive to further promote awareness toward compliance through training for officers and employees.

As a whistleblower system to report behavior in violation of laws and regulations and the Articles of Incorporation, the Company shall establish contact points both internally and externally for reporting, which may be used by officers and employees of the Nishimatsu Construction Group, as well as by their families, while also setting up the “Nishimatsu Hotline” on its website, which serves as a contact point for the Company’s partner companies. The Board of Directors shall establish internal rules that prevent persons who have made reports from being subjected to disadvantageous treatment, thereby ensuring the effectiveness of the whistleblower system. If any compliance violation occurs, the Compliance Promotion Department shall report to the Director in charge about the necessity of investigation of the violation, formulation of corrective and preventive measures, and other matters. With regard to any behavior that could have a significant impact on management, the Company shall establish the “Crisis Management Headquarters,” with the President serving as a member, and shall respond to said behavior and take corrective measures upon receiving the report from the Committee.

In addition, the Company shall establish a Compliance Committee chaired by an outside expert that deals with compliance issues, in order to build a stronger internal control system.

With regard to anti-social forces, the code of conduct of severing any relationship with anti-social forces shall strictly be observed. The General Affairs Department, which is designated as the department to deal with anti-social forces, shall develop relevant manuals and take steps to make the Company’s policy thoroughly informed.

(2) Systems to Store and Manage Information Related to the Execution of Duties by Directors

The Company shall store and manage documents and other information in accordance with laws and regulations and internal rules.

Furthermore, the Company shall develop the basic policy and internal rules on protection of personal information and deal in accordance with these policy and rules.

(3) Rules and Other Systems Regarding Management of Risk of Loss

The Company, in order to adequately manage risks of the Nishimatsu Construction Group, shall establish the Risk & Crisis Management Rules, and work to minimize losses while striving to sustain growth.

The Internal Control Committee shall collect risk and other information, and monitor risks across the organization in order to comprehensively manage risks for the Group. The Committee shall designate a department responsible for the respective risks to build a preventive risk management system and a detective risk management system for each of the risks.

The Committee shall evaluate the effectiveness of developing and operating risk management, and if any issue is found, provide the responsible department with recommendations for improvement. The Committee shall

report to the Board of Directors on departments responsible for individual risks designated by the Committee and their preventive risk management system and detective risk management system.

The Board of Directors shall establish a system related to risks covering the departments responsible for risk management, the Internal Control Committee and the Board of Directors, and the Audit Unit shall monitor the operation status of the system.

(4) Systems to Ensure that the Directors Execute Their Duties Efficiently

The Company shall introduce an executive officer system, whereby separating the decision-making and monitoring by the Board of Directors and the execution of business, and building a structure of efficient execution of duties by the Board of Directors. The Company shall establish the President and General Managers Meeting which deliberates in advance important matters mainly for sustainable growth, in order to ensure the acceleration and appropriateness of managerial decisions by the Board of Directors.

Executive directors and Executive Officers shall develop strategies in accordance with the basic management policy, the midterm management plan and the annual plans determined by the Board of Directors, and execute business to achieve their targets. The Board of Directors and Management Meeting shall receive reports on whether or not their plan progresses as planned toward achieving the management targets, and the Board of Directors shall then require executive directors and Executive Officers to correct their plans if necessary and have them carry out the corrected plans.

With regard to the management of business execution, matters for discussion shall be specified in the Regulations of the Board of Directors and deliberated at the President and General Managers Meeting as necessary, thereby building a system for the Board of Directors to appropriately make decisions based on sufficient information.

(5) Systems to Ensure Appropriateness of Business Operations of the Nishimatsu Construction Group

The Company shall establish rules on management of affiliated companies to ensure the appropriateness of business operations of the Group, manage and provide guidance to them with the aim of expanding the business of the Group.

Divisions and the Corporate Planning Department of the Company shall be responsible for managing affiliated companies, whose Directors and employees determine matters to be reported to the Company. They shall regularly receive reports on management status from the affiliated companies, in order to manage and provide these companies with guidance so that they can efficiently achieve their management goals.

Furthermore, the matters reported by the affiliated companies shall be reported to the Board of Directors and the Management Meeting by executive directors and Executive Officers, or the divisions and the department responsible for managing affiliated companies, whereby adequately managing whether or not the affiliated companies appropriately conduct compliance-conscious business operations.

(6) Matters Related to Employees Assisting the Duties of the Audit and Supervisory Committee, their Independence from Directors (Excluding Those Who are Members of the Audit and Supervisory Committee), and Matters to Ensure the Effectiveness of Instructions Given by Members of the Audit and Supervisory Committee to Such Employees

The Company shall establish a Secretariat of the Audit and Supervisory Committee to support the Audit and Supervisory Committee in its duties and place dedicated staff members in the Secretariat who are not subject to the instructions and orders of Directors. The Company shall establish a system of cooperation with each department in conducting investigations and collecting information required for auditing, in order to ensure the effectiveness of the instructions by Audit and Supervisory Committee Members.

Personnel transfers and assessment related to such staff are subject to approval of the Audit and Supervisory Committee.

(7) Systems for Directors (Excluding Those Who are Members of the Audit and Supervisory Committee) and Employees, etc., to Report to the Audit and Supervisory Committee, Other Systems Related to Reporting to the Audit and Supervisory Committee, and Systems to Prevent a Person Who Has Reported to the Audit and Supervisory Committee from Being Subjected to Disadvantageous Treatment as a Result of Such Reporting

Directors, Executive Officers and employees shall report the following matters to the Audit and Supervisory

Committee without delay.

Reports from employees, etc., of subsidiaries shall be delivered either directly by the executive division of subsidiaries or indirectly by the department in charge of affiliated companies.

- Violation of laws and regulations and the Articles of Incorporation, and other matters that may cause significant damage to a company
- Important matters related to management and important matters related to financing and accounting
- Important matters related to compliance
- Other matters that the Audit and Supervisory Committee requires to report and matters that are deemed to be useful for auditing

Directors and the Board of Directors shall build and operate a system for each responsible division to appropriately report to the Audit and Supervisory Committee, and ensure the effectiveness of the system of reporting to the Audit and Supervisory Committee in a way that prevents a person who has reported the above matters from being subjected to disadvantageous treatment as a result of such reporting.

(8) Other Systems to Ensure that the Audit and Supervisory Committee Conducts Audits Effectively and Matters Concerning the Policy for Audit Expenses

Directors shall work to establish the following systems to ensure that the Audit and Supervisory Committee conducts audits effectively.

- Attendance at important meetings and regular meetings with Representative Directors and General Managers, etc., by Members of the Audit and Supervisory Committee, access to important documents such as major documents for requesting approval and those relating to business executions, and dealing with requests for explanation by executive directors and Executive Officers, etc.
- Cooperation among the Audit and Supervisory Committee, the Audit Unit responsible for operational audits and the Compliance Promotion Department responsible for compliance audits
- Reporting by the Accounting Auditor and reporting to the Audit and Supervisory Committee by the Audit Unit and the Finance & Accounting Department in order to ensure reliability of financial reporting

Directors and the Board of Directors shall allocate the budget for audit expenses to prevent disruptions to auditing, and bear expenses, such as compensation for attorneys, CPAs and other experts and investigation costs, which the Audit and Supervisory Committee deems necessary for executing its duties.

2. Basic Views on Eliminating Anti-Social Forces and Progress of System Development

(1) Basic Views

The Company takes a resolute attitude toward anti-social forces and allows no relationship with such forces.

(2) Status of Development

- The Company's Code of Conduct clearly stipulates about the basic policy of eliminating anti-social forces and has every employee well-informed with the policy.
- The Company has prepared a manual of dealing with anti-social forces and works to make the contents thoroughly informed among employees via the Company intranet.
- The General Affairs Department is the main division to deal with anti-social forces, with a manager assigned at each of the regional headquarters and branch offices to deal with undue claims.
- The Company has established a system for cooperation with the police, the National Center for Removal of Criminal Organizations, attorneys and other experts when dealing with anti-social forces, as necessary.
- The Company maintains close contact with the police and actively participates in seminars held by the police and other outside experts to collect relevant information.
- The Company holds compliance training sessions and annual training programs to educate the basic views towards anti-social forces and measures to deal with them.

V. Other

1. Adoption of Anti-Takeover Measures

| Adoption of Anti-Takeover Measures | Not Adopted |
|------------------------------------|-------------|
| Supplementary Explanation | |

2. Other Matters Concerning Corporate Governance System

(Outline of Corporate Governance System)

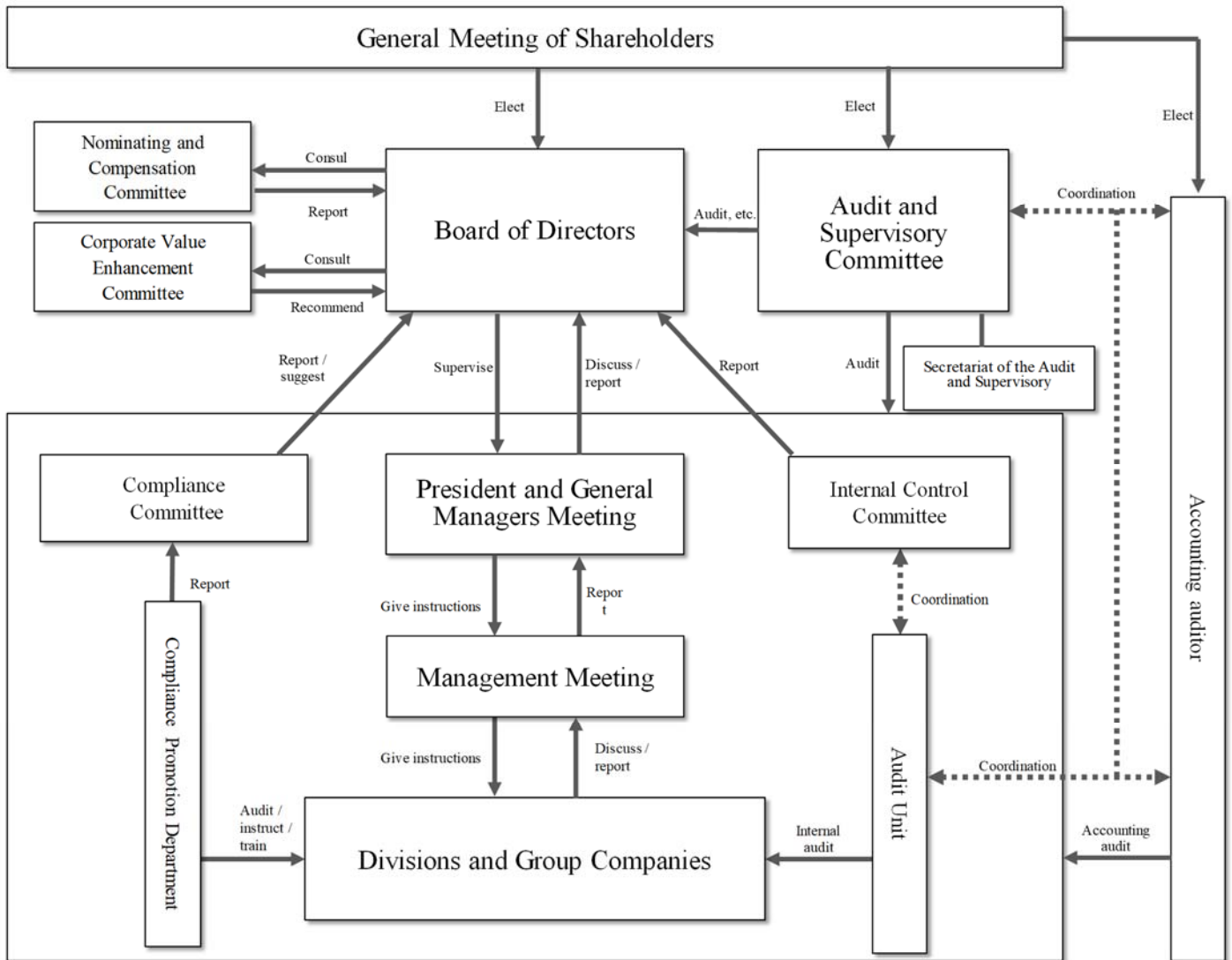
The Company's corporate governance system is detailed in the "Corporate Governance Framework" diagram below.

(Outline of Timely Disclosure System)

The Company has established the "Nishimatsu Construction Group Rules on Insider Trading Management," which stipulates the disclosure of its important matters and relevant important information, and placed the General Manager of the General Affairs Department as the person responsible for information management to centrally manage information gathered from each division.

In addition, the Company complies with the Financial Instruments and Exchange Act and other laws and regulations, and rules of stock exchanges, and conducts disclosure in a fair, timely and appropriate manner, while also working towards maintaining and improving the internal system for information disclosure.

The Company's internal system for timely disclosure of information is given in the attached "Timely Disclosure Framework."



(Timely Disclosure Framework)

