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Corporate Governance

Last Update: October 16, 2023
Nishimatsu Construction Co., Ltd.
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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]

The Company has implemented each Principle of the Corporate Governance Code in its entirety.

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

[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.

At the President and General Managers Meeting, the propriety of holding each individual cross-shareholding is reported to the Board of Directors each fiscal year upon examining and verifying the existence of any transactions with an issuing company, the availability of works’ and other information, and the existence of any other special circumstances. After receiving the report, 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 has positioned "diversity & inclusion" as one of the pillars of our human resources strategies, and actively recruited human resources with diverse values, knowledge, and experience and promoted them to leadership positions in order to achieve our Corporate Philosophy and Vision. At the same time, we have worked to create an environment in which they can demonstrate their abilities to the fullest.

Toward the achievement of the "Nishimatsu-Vision 2030" and "Midterm Management Plan 2025," the Company will continue to strive to recruit, develop, and promote diverse human resources, as well as work to implement measures to transform differences in values, abilities, and work styles of individual employees into strengths that contribute to an increase in corporate value, including creating a culture that encourages further use of systems that enable flexible work styles, to promote value creation activities.

(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 FY2015, 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. As of April 1, 2023, the Company employs 2,348 career track employees, of whom 168 are female, 50 of whom are active as employees with titles (including 4 in middle managerial positions). In addition, we have established a numerical target for the promotion of females to middle managerial positions, etc. as follows.

- Ratio of females hired for career track positions (annual): Target of 20% or higher each year (in FY2022 18.5%)
- Ratio of females in middle managerial positions to all middle managerial positions: Target of 2.0% or higher by FY2025 (currently 0.4%)

(Status of foreign nationals and mid-career hires)

Since FY2015, we have been employing approximately 2 foreign nationals each year, mainly new graduates, and as of April 1, 2023, 13 foreign nationals are engaged in our domestic business. In addition, 42 foreign nationals in all Group companies, including four affiliated companies, are employed in our overseas business. As of April 1, 2023, we employ 148 mid-career hires, 41 of whom are active in middle managerial positions. Although the Company has not established numerical targets for the promotion of foreign nationals and mid-career hires to middle managerial positions at the present time, we will consider hiring and promoting human resources who can achieve the strategies based on our future business strategies.

[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 2030,” “Midterm Management Plan 2025,” 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/governance.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. The compensation for Outside Directors (excluding those who are Members of the Audit and Supervisory Committee) consists solely of basic 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 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 the Company’s 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/>

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

In order to put into practice our Corporate Philosophy of “Establish a sustainable society for people to live with peace of mind, providing worthwhile structures and services,” we have formulated “Nishimatsu-Vision 2030: A company with overall capabilities that works together to make regions and communities that are naturally safe and vibrant.” We aim to provide society with safety, vibrancy and bonds between people by pivoting from construction project-focused “social infrastructure development” and expanding areas covered by the Group’s value creation activities to “rebuilding of social functions,” through growth of the Asset Value-Added Business and Regional Environment Solutions Business.

Furthermore, we have strengthened sustainability-related systems since FY2023. Specifically, we have established a Sustainability Committee to identify material issues by incorporating diverse values from inside and outside the Company, and to consider and formulate policies to respond to risks and opportunities linked to such material issues. At the same time, we have established a Risk and Opportunity Management Committee to conduct company-wide risk management including sustainability-related risks and opportunities.

In addition, the amount of investment, details of investment, and investment effect with regard to investment in human resources development, DX, and technological development, etc., are disclosed in the “Midterm Management Plan 2025,” while the progress of these activities is disclosed in the “Integrated Report.”

Midterm Management Plan 2025: <https://www.nishimatsu.co.jp/eng/ir/library/plan.html>

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

In addition, the Company carries out information disclosure based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD) at the Company’s website.

Environmental Initiatives: <https://www.nishimatsu.co.jp/eng/esg/environment/climate.html>

[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/governance.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 eleven 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 Asset Value-Added Business Division and General Manager of Management Division, as well as one Outside Director who is not a Member of the Audit and Supervisory Committee. The remaining five are Directors who are Members of the Audit and Supervisory Committee, including four Outside 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 the Company's 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.

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.

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 notice of the general meeting of shareholders.

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

[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 2023 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 six 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 Outside Directors," and "Relationship with shareholders and investors." The questionnaire was given to all members of the Board of Directors. The abovementioned six items included 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. 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

Based on the questionnaire results, the Audit and Supervisory Committee reported to the Board of Directors that it is necessary to take immediate and systematic measures to resolve the issues identified and points for improvement (main issues identified are listed below).

- 1) Discussion for instilling Corporate Philosophy and long-term vision
- 2) Discussion, deliberation, and reporting at the Board of Directors
- 3) Operation for the Board of Directors
- 4) Materials used at the Board of Directors
- 5) Training for officers

(3) Future Initiatives

Based on the reports above, the person responsible will formulate the annual schedule and the matters to be deliberated, which will be discussed actively 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.

[Measures for realizing the management focusing on capital costs and stock prices]

Measures for realizing the management focusing on capital costs and stock prices is disclosed in the "Midterm Management Plan 2025" and "Integrated Report."

Midterm Management Plan 2025: <https://www.nishimatsu.co.jp/eng/ir/library/plan.html>

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

[The status of dialogue with shareholders]

The status of dialogue with shareholders is disclosed in the “Integrated Report.”

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

2. Capital Structure

Percentage of Foreign Shareholders	Less than 10%
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[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	6,127,800	15.44
ITOCHU Corporation	4,722,300	11.90
Custody Bank of Japan, Ltd. (Trust account)	2,112,400	5.32
Meiji Yasuda Life Insurance Company	915,407	2.31
Nishimatsu Construction Employee Stock Ownership Association	878,626	2.21
Mizuho Bank, Ltd.	614,000	1.55
Sumitomo Realty & Development Co., Ltd.	612,600	1.54
Mizuho Trust & Banking Co., Ltd.	600,000	1.51
Custody Bank of Japan, Ltd. (Trust account 4)	572,900	1.44
STATE STREET BANK WEST CLIENT - TREATY 505234	473,900	1.19

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, 2023.

The Company’s treasury stock of 15,894,344 shares is excluded from the Status of Major Shareholders above.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
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

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

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
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[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	11
Status of Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Outside Directors Designated as Independent Director	5

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)											
		a	b	c	d	e	f	g	h	i	j	k	
Hidetaka Matsuzaka	From another company												
Jun Ikeda	From another company												
Noriko Suzuki	Certified public accountant												
Toshihiro Kubo	From another company												
Yayoi Ito	From another company												

* 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
Hidetaka Matsuzaka		○	Not applicable.	<p>Mr. Hidetaka Matsuzaka has a wealth of experience from his time at Osaka Gas Co., Ltd., and possesses broad knowledge cultivated in his role as representative director of Osaka Gas. Accordingly, the Company determined that he is an appropriate person who can supervise the Company's general operations from an objective viewpoint, and has appointed him as an outside director.</p> <p>The attribute information related to Mr. Matsuzaka 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>
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. 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 his experience and achievements, 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. And she has assumed the role of monitoring and supervising the Company's management from an independent position as a director who is a member of the Audit and Supervisory Committee since June 2021. The Company determined, based on her experience and achievements, 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>
Toshihiro Kubo	○	○	Not applicable.	<p>Mr. Toshihiro Kubo has a wealth of experience from his time at Kubota Corporation, and possesses broad knowledge cultivated in his role as representative director of Kubota. Accordingly, the Company determined that he is an appropriate person who can 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. Kubo 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>
Yayoi Ito	○	○	Not applicable.	<p>Ms. Yayoi Ito has a wealth of experience from her time at NTT DATA Corporation and other companies, and possesses broad knowledge of ICT. Accordingly, the Company determined 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. Ito 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
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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
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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	7	0	2	5	0	0	Outside Director
Optional Committee Equivalent to Compensation Committee	Nominating and Compensation Committee	7	0	2	5	0	0	Outside Director

Supplementary Explanation

(Nominating and Compensation Committee)

The Company establishes the Nominating and Compensation Committee, an independent, optional advisory body to the Board of Directors, whose main members are Independent Outside Directors, with the aim of building an appropriate management system and ensuring management transparency, and obtains the appropriate involvement and advice of the Committee.

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, promotes, demotes and dismisses Executive Officers, reports on individual compensation for Directors,

and reports on individual compensation, etc. for Executive Officers.

In order to ensure its independence, the Nominating and Compensation Committee has a total of seven members, five of whom are Outside Directors, and two of whom are executive directors. The Committee is chaired by an Outside Director.

[Independent Directors]

Number of Independent Directors	5
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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
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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 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	
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Supplementary Explanation

[Compensation for Directors]

Disclosure (individual directors' compensation)	No individual disclosure.
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Supplementary Explanation

Compensation and other remuneration paid to Directors in FY2022 are as follows.

- Directors (excluding those who are Members of the Audit and Supervisory Committee): 6 Directors
A total of 204 million yen, consisting of 170 million yen for basic compensation, 11 million yen for performance-linked compensation (monetary compensation), and 21 million yen for performance-linked compensation (non-monetary compensation)
(including one Outside Director, who received a total of 7 million yen, consisting of 7 million yen for basic compensation, – million yen for performance-linked compensation [monetary compensation], and – million yen for performance-linked compensation [non-monetary compensation])
- Directors (those who are Members of the Audit and Supervisory Committee): 6 Directors
A total of 48 million yen, consisting of 48 million yen for basic compensation, – million yen for performance-linked compensation (monetary compensation), and – million yen for performance-linked compensation (non-monetary compensation)
(including 5 Outside Directors, who received a total of 31 million yen, consisting of 31 million yen for basic

compensation, – million yen for performance-linked compensation [monetary compensation], and – million yen for performance-linked compensation [non-monetary compensation])

Policy on Determining Compensation Amounts and Calculation Methods

Established

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. The compensation of Outside Directors (excluding those who are Members of the Audit and Supervisory Committee) consists solely of basic 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 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 maximum amount of compensation for Directors (excluding those who are Members of the Audit and Supervisory Committee) was approved by resolution at the 85th Annual General Meeting of Shareholders held on June 29, 2022 to be 360 million yen or less (including 30 million yen or less for Outside Directors) per year. The number of Directors (excluding those who are Members of the Audit and Supervisory Committee) at the time of the conclusion of the said Annual General Meeting of Shareholders was six (including one Outside Director). In addition, separately from the abovementioned maximum amount of compensation, as a performance-linked, share-based compensation plan for Directors (excluding those who are Members of the Audit and Supervisory Committee and other Directors who are Outside Directors), the total maximum points to be granted to Directors per fiscal year were resolved to be 35,900 points (one point equals one share) at the 84th Annual General Meeting of Shareholders held on June 29, 2021. The number of Directors (excluding those who are Members of the Audit and Supervisory Committee) at the time of the conclusion of the said Annual General Meeting of Shareholders was five (none of whom were Outside Director).

The maximum 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 conclusion of the said Annual 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, promotes, demotes and dismisses Executive Officers, reports on individual compensation for Directors, and reports on individual compensation, etc. for Executive Officers.

The activities of the Board of Directors and the Nominating and Compensation Committee in the process for determining the amount of compensation, etc. for officers during the fiscal year under review are as follows.

- The final amount of performance-linked compensation for Directors (excluding those who are Members of the Audit and Supervisory Committee and other Directors who are Outside Directors) for the fiscal year ended March 31, 2022 was deliberated by the meeting of Nominating and Compensation Committee held in May 2022 and determined by the Board of Directors in the same month after receiving the report from the Committee.
- A future direction and issues of the Committee were deliberated by the meeting of Nominating and Compensation Committee held in October 2022.
- An estimated amount of performance-linked compensation for Directors (excluding those who are Members of the Audit and Supervisory Committee and other Directors who are Outside Directors) for the fiscal year ended March 31, 2023 was reported to the meetings of the Nominating and Compensation Committee and the Board of Directors held in March 2023.

[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 eleven 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 Asset Value-Added Business Division and General Manager of Management Division, as well as one Outside Director who is not a Member of the Audit and Supervisory Committee. The remaining five are Directors who are Members of the Audit and Supervisory Committee (including four Outside 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 eight persons: President, General Manager of Civil Engineering Division, General Manager of Building Division, General Manager of the International Division, General Manager of Asset Value-Added Business Division, General Manager of Regional Environment Solution Division, General Manager of Management Division and Chief of the Corporate Management Strategy Unit.

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 Company has established the Nominating and Compensation Committee, an independent, optional advisory body to the Board of Directors, whose main members are Independent Outside Directors, with the aim of building an appropriate management system and ensuring management transparency, and obtains the appropriate involvement and advice of the Committee.

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, promotes, demotes and dismisses Executive Officers, reports on individual compensation for Directors, and reports on individual compensation, etc. for Executive Officers.

In order to ensure its independence, the Nominating and Compensation Committee has a total of seven members, five of whom are Outside Directors, and two of whom are executive directors. The Committee is chaired by an Outside Director.

(Sustainability Committee)

The Company has established the Sustainability Committee (an advisory body to the Board of Directors) with the aim of considering and deliberating issues related to sustainability by incorporating long-term perspectives and diverse values from inside and outside committee members.

The Sustainability Committee, in response to requests of consultation from the Board of Directors, considers and deliberate on matters related to material issues from long-term and multi-stakeholder perspective and policies for responding to environmental changes (risks and opportunities) linked to the material issues, and reports to the Board of Directors.

(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, deliberates on corporate governance, capital policies, and other important matters pertaining to management.

(Risk and Opportunity Management Committee)

The Company has established the Risk and Opportunity Management Committee, with the aim of ensuring adequate company-wide risk management related to risks and opportunities of the Group.

The Risk and Opportunity Management Committee implements “management of risks and opportunities from a long-term perspective” and “management of risks and opportunities in current business activities.” The Committee collects risk and other information, and monitors risks across the organization in order to comprehensively manage risks for the Group. The Committee designates departments responsible for the respective risks to build a preventive risk management system and a detective risk management system for each of the risks.

(Investment Committee)

The Company has established the Investment Committee as a body to review and monitor business investments.

The Investment Committee reviews the appropriateness of plans for investment projects based on the Company’s capital strategy, and reports on the results and issues of the review to the Board of Directors and President and General Managers Meeting. In addition, the Committee manages and evaluates the budget and actual results of plans and request a review as necessary.

(Environment Committee)

The Company has established the Environment Committee, with the aim of promoting environmental management and instilling the Company-wide environmental activities.

In addition to formulating environmental policies and environmental goals, as well as concrete measures for decarbonization efforts, the Environment Committee narrows down, identifies and assesses climate change-related risks and opportunities, and reports to the Risk and Opportunity Management Committee.

(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.

(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. Tadashi Kanai, conduct auditing of the Company with eight CPAs and ten 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 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

	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	The Sustainability Promotion Section has been established in the Corporate Management Strategy Unit.

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 March 30, 2023)

(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 Risk and Opportunity Management 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 President and General Managers Meeting and 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, as well as the management status of these risks.

The President and General Managers Meeting shall deliberate and approve the report made by the Risk and

Opportunity Management Committee (significant risks, specific countermeasures and goals), and give instructions to the Committee when necessary. The President and General Managers Meeting shall report on the contents of approval to the Board of Directors.

The Board of Directors shall establish a reporting system and a supervision and instruction system related to risks, covering the departments responsible for risk management, the Risk and Opportunity Management Committee, the President and General Managers Meeting and the Board of Directors. The Audit Unit shall monitor the operation status of the systems. The Board of Directors shall deliberate on reports made by the President and General Managers Meeting and give final approval as a corporate decision. The Board of Directors shall also give instructions to and supervises the President and General Managers Meeting as necessary.

(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

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2. Other Matters Concerning Corporate Governance System

(Outline of Corporate Governance System)

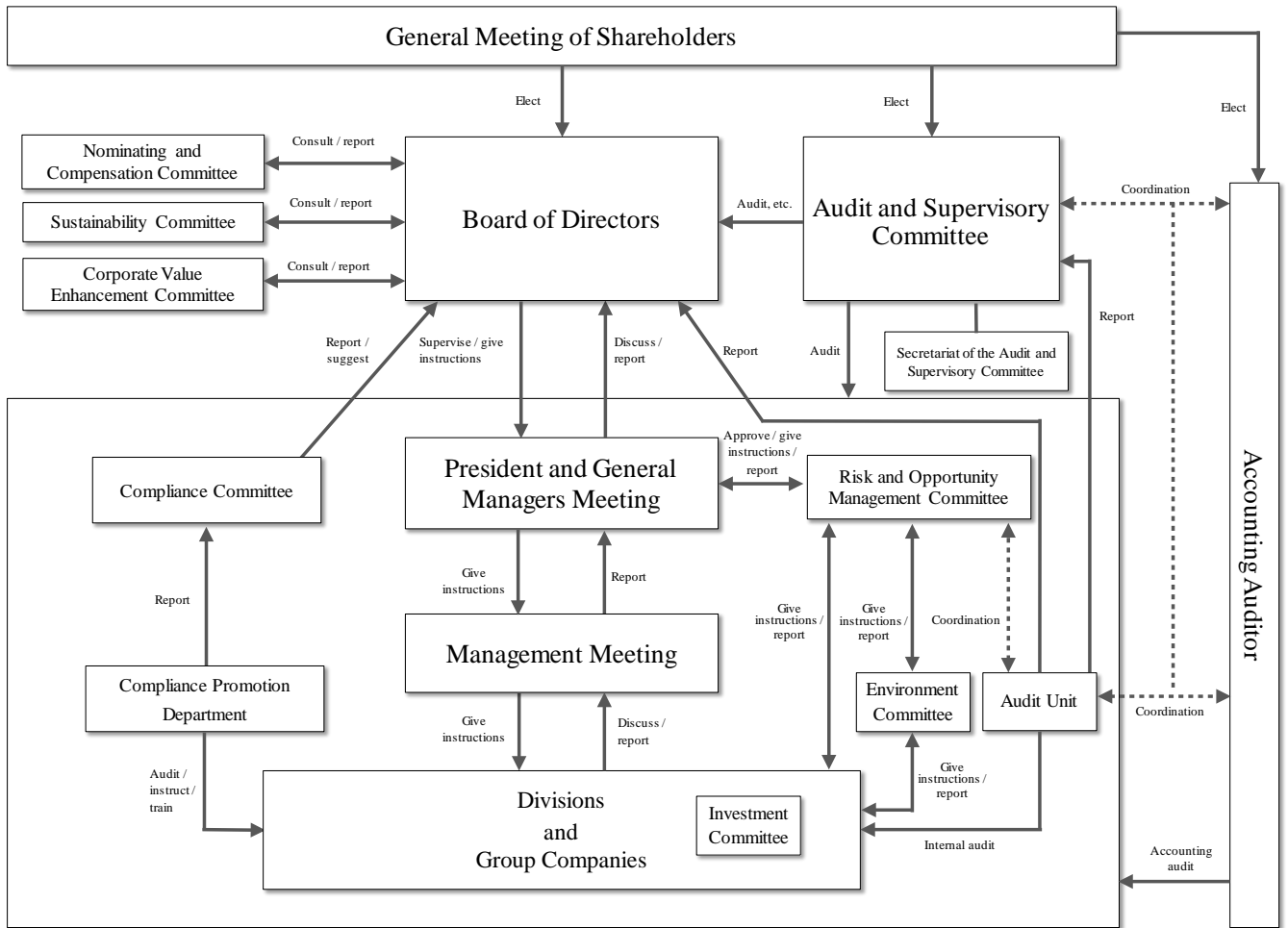
The Company's corporate governance system is detailed in the "Corporate Governance Framework" diagram below.

(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)

