

Sustainability Management

Approach to ID&E Group Sustainability

The sustainability of our Group comes from solving environmental and social issues by developing business strategies that address environmental and social issues as growth opportunities and promoting business activities based on the Management Philosophy.

Under the “ID&E Group Code of Conduct,” and “Sustainability Basic Policy,” each and every one of our members is working with a high level of awareness to address environmental and social issues toward the development of a sustainable society, aiming to contribute on a global scale by leveraging our business domain.

Currently, in order to promote effective sustainability management, we are formulating the ID&E Group Sustainability Management Framework. This framework expresses our vision for the level of sustainability management that the ID&E Group should aim for. The ID&E Group Sustainability Management Framework is divided into three areas: Environment (E), Social (S), and Governance (G), and presents the Company’s policies and action guidelines for each of these issues, serving as a compass for the Group’s sustainability management. Based on this framework, we plan to monitor the implementation status and results of our initiatives. We will disclose information on our established policies, action guidelines, and sustainability initiatives to ensure that our stakeholders understand the Group’s sustainability management policies.

Sustainability Management Activity History

1993	Established Nippon Koei Basic Policy for the Global Environment
1996	Established Nippon Koei Action Plan for the Global Environment
1998	Ten Environmental Principles were established by the Consulting Unit (former name)
2015	A new version of the Ten Environmental Principles established based on the Nippon Koei Basic Policy for the Global Environment and the Nippon Koei Action Plan for the Global Environment as well as the Ten Environmental Principles of the Consulting Unit.
2021	Established Sustainability Promotion Committee
2022	Established Sustainability Basic Policy
2022	Established Sustainability Design Office
2023	Established ID&E Sustainability Promotion Council Established a Sustainability Promotion Committee at each main group company
2023	Established Sustainability Promotion Office
2023	Endorsed TCFD (Task Force on Climate-related Financial Disclosures) Recommendations and made first related information disclosure
2023	Started conducting due diligence

Sustainability Basic Policy

Contribute to society through business activities		We will proactively promote commercialization of efforts to solve social issues and contribute to the development of a sustainable society through business activities to support optimal infrastructure development according to the needs of the times.
Environment	Environmental consideration	We will strive to create a richer social environment that harmonizes the natural environment and the living environment by emphasizing climate change response, transition to a resource-recycling society and the need for biodiversity.
	Respect for human rights	Through the supply chain, we recognize diversity, respond to human rights risks related to race, nationality, gender, ideology, beliefs and social status, etc., and strive not to assist human rights violations.
Social	Human resource development	We will develop human resources who have expertise to meet customer needs and can globally play an active role, and will maintain fair and impartial employment relationships so that employees can play an active role.
	Improvement of working environment	We will support not only the safety of employees but also proactive health promotion, and will strive to develop an environment that is worth working in where they can actually feel comfort and richness.
Governance	Strengthening governance	We will comply with the policies for corporate governance and ensure transparency of management through complete communication with stakeholders to increase the degree of reliability.
	Sincere business execution	We will comply with corporate ethics including laws and ordinances and social norms and carry out fair transactions with all the business partners by respecting mutual positions.

Sustainability Basic Policy

The ID&E Group establishes trust with stakeholders and promotes sustainability management in order to contribute to the development of a sustainable society, based on fair and transparent corporate management that is guided by values shared within the Group.

We promote the following activities from the perspective of contributing to the creation of social value through our business activities, in addition to the perspective of responding to the impact of our business activities on society and to social needs from a wide range of perspectives.

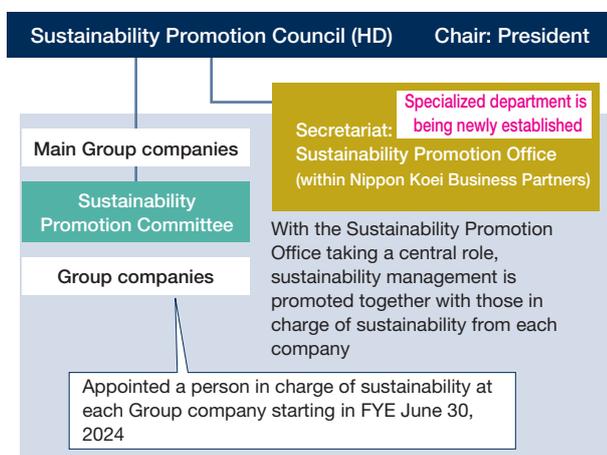
Sustainability Promotion System

The ID&E Group has established the Sustainability Promotion Council, chaired by the President, and the Sustainability Promotion Office, which serves as its secretariat and coordinates the promotion of sustainability management across the Group with the aim of further strengthening efforts to promote sustainability activities not only in business activities but also in corporate management and to realize a sustainable society.

The Sustainability Promotion Council, which is based on the Sustainability Promotion Committee established at Nippon Koei in September 2021, will be responsible for considering important sustainability issues and targets across the Group and clarifying the necessary implementation strategies, etc. The Council is chaired by the President, with outside directors as advisors, and with those who are responsible for each business company as Council members. Depending on the topic to be discussed, other parties concerned will attend the Committee, and outside experts will be invited.

The Council is responsible for approving and deciding on activities, and formulating business and management policies related to Group-wide sustainability risks and opportunities. The Council's activities are supervised by the Board of Directors and matters discussed by the Council are regularly submitted and reported to the Board of Executive Officers and the Board of Directors.

Sustainability Promotion System



Composition of the ID&E Sustainability Promotion Council

Chair	Hiroaki Shinya Director and Representative Executive President
Advisor	Yoko Ishida Outside Director
Number of Members	President at each business company and Director Generals and Acting Director Generals at ID&E (11 persons in total)
Secretariat	Sustainability Promotion Office

Main Discussions of the Sustainability Promotion Council and Future Responses

Main Discussions During FYE June 2023	<ul style="list-style-type: none"> ● Establishment of a Sustainability Promotion Council and placement of full-time officers ● Consideration and establishment of the Basic Sustainability Policy ● Consideration of roadmap for promoting sustainability management and order of priority for sustainability activities ● Support for domestic and overseas initiatives, establishment of order of priority for information disclosure and related support ● Analysis of current sustainability management conditions at the Company ● Held study sessions to understand social trends and to improve the quality of information disclosure through mutual recognition of issues ● Review and enhancement of Sustainability Promotion System ● Commencement of sustainability management framework study
Future Responses	<ul style="list-style-type: none"> ● Development of sustainability management framework and disclosure (including consideration of sustainability goals, targets, and commitments) ● Expansion of number of business companies that become UNGC signatories ● Respond to TCFD and obtain Science Based Targets (SBT) certification ● Response to TNFD ● Response to human rights issues

Signatory of the UN Global Compact

In June 2019, Nippon Koei expressed its support for the United Nations Global Compact (UNGC) proposed by the United Nations. We are also a member of the Global Compact Network Japan, which is comprised of Japanese companies that have signed the UNGC. ID&E Holdings will carry on this UNGC signature and promote support for the UNGC throughout the Group.

Many of the projects in which we are involved in, such as infrastructure construction, energy development, and environmental conservation in developing countries, will greatly contribute to the realization of the Ten Principles of the UNGC. We will promote management in accordance with these principles and contribute to the creation of a sustainable society through our business.



Environment

Summary

FYE June 2023 Initiatives and Results

- Started response to climate change issues (commencement of TCFD information disclosure study)
- Started a trial project called “NKRE100,” which aims to achieve 100% renewable energy usage at three of our locations in Japan

Plan for the Next Fiscal Year

- Appropriately disclose information related to TCFD, TNFD, etc.
- Formulate Group policies in the environmental field and action guidelines for each environmental issue

Basic Approach

Basic Approach to the Environment

Nippon Koei established the Ten Environmental Principles to encourage individual staff to think and act on their own while striving to reduce the environmental load and effectively utilize resources through business.

In our operations, we will utilize our Quality and Environmental Management System and contribute to environmental considerations in accordance with the SDGs, the Sustainable Development Goals, through our knowledge and technical capabilities related to environmental considerations.

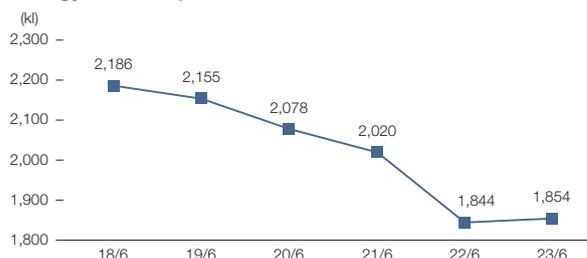
Ten Environmental Principles

- 1 Gain basic understanding.
- 2 Comply with environmental laws and regulations.
- 3 Give consideration to the actual status of the natural and social environments of the region.
- 4 Proactively engage in environmental impact assessment.
- 5 Pay attention to the diversity of environmental fields.
- 6 Enhance technological capabilities with environmental considerations as a value added.
- 7 Consider cost effectiveness in relation to environmental considerations.
- 8 Propose measures and processes enabling environmental considerations.
- 9 Accumulate, share and communicate knowledge and information relating to environmental considerations.
- 10 Incorporate environmental considerations into quality management system.

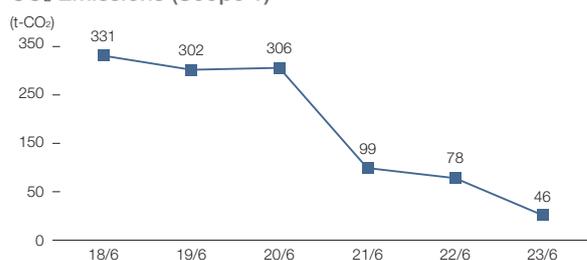
“reducing the environmental impact of our own operations” during the equipment manufacturing process and the construction of substations and power plants, and “reducing the environmental impact of our customers’ use of our Group products,” promoting initiatives on both sides.

In September 2023, ID&E Holdings declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and made its first disclosure in alignment with the TCFD. We will continue to promote the further disclosure of climate change-related information, strengthen governance and business strategies related to climate change, build further relationships of trust with stakeholders, and aim to sustainably increase corporate value.

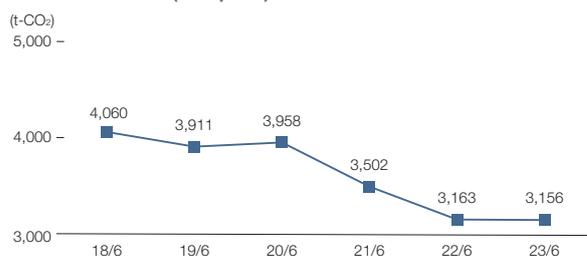
Energy Consumption



CO₂ Emissions (Scope 1)



CO₂ Emissions (Scope 2)



Responding to Climate Change

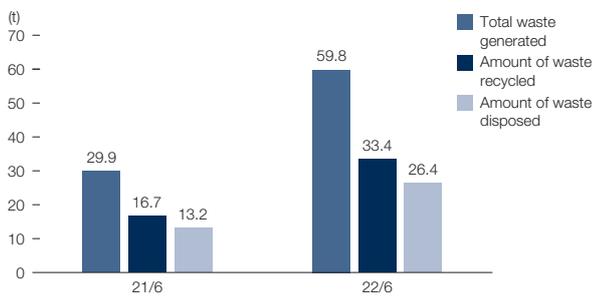
ID&E Group provides consulting services for greenhouse gas reduction in various business fields, whether it be promoting the modal shift from automobiles to railroads and ships, supporting conversion to renewable energy, supporting the efficient use of energy, reducing greenhouse gas emissions by improving waste treatment technology, or supporting the Ministry of the Environment’s Joint Crediting Mechanism (JCM).

In the Energy Business, we recognize the importance of both

In-house Initiatives for Reducing Environmental Impact

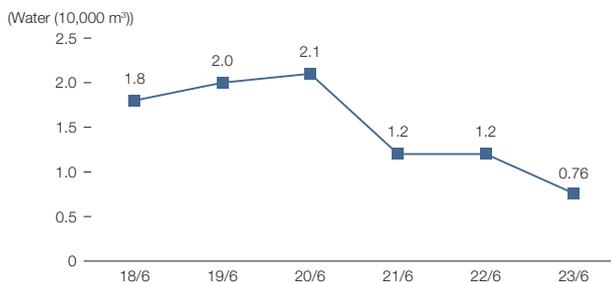
At our head office building located in Chiyoda-ku, Tokyo, we have incorporated an energy management system developed in-house and an energy-saving system that uses geothermal heat, based on the knowledge gained from our core businesses. Fukushima Works, which has a manufacturing department and is located in Sukagawa City, Fukushima, is working on reusing packaging materials, recycling waste plastic and waste wood, and reducing power consumption by installing solar power generation facilities and introducing storage batteries.

Amount of Waste Generated and Amount Recycled



* All Nippon Koei offices in Japan (Period: From April to March of the following year)

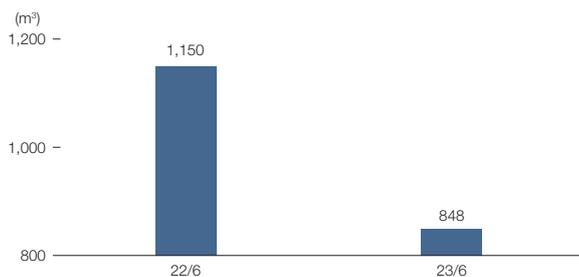
Water Use



* All Nippon Koei offices in Japan (Period: From April to March of the following year)

ID&E Group has installed facilities to utilize rainwater for the purpose of making effective use of water resources and contributing to curbing the intensive outflow of rainwater into sewerage systems and rivers.

Rainwater Use



* The Nippon Koei building. The period of June 2023 was calculated as eight months.

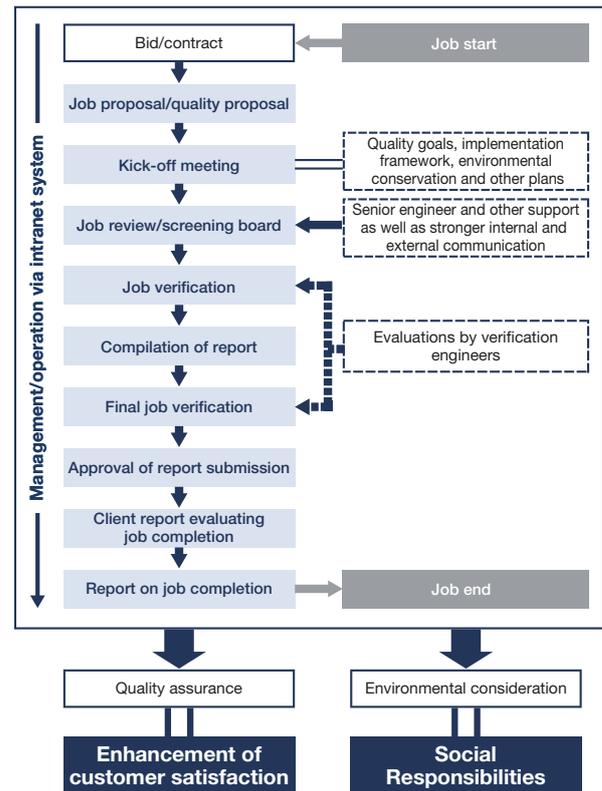
Launch of NKRE100

In July 2023, we launched the trial project called NKRE100, which aims to achieve 100% renewable energy usage at three locations in Japan, including our headquarters by supplying electricity from hydroelectric power plants operated by ourselves.

Quality and Environmental Management System

The Company has built and operates a quality and environmental management system in compliance with ISO 9001 and ISO 14001 standards in an active effort to ensure quality and protect the environment at its primary business companies.

This quality and environmental management system standardizes business processes and fosters ongoing improvements by setting and pursuing quality and environmental objectives as well as assessing the effectiveness of the system. By operating this system and responding to quality and environmental risks and opportunities that affect our business activities, we are working to improve quality and customer satisfaction and fulfill our social responsibilities through environmental considerations.



TCFD Disclosure

In September 2023, the Group declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and made its first disclosure in alignment with the TCFD.

Viewing climate change as an important management issue, ID&E Group has set “Challenge to decarbonization” as a materiality. We will contribute to solving social issues related to climate change and natural capital/biodiversity conservation through human resource development and technological development.

In the future, the Company plans to disclose information in stages. Specifically, we have revised our corporate governance organizational chart, analyzed risks and opportunities in detail, and calculated GHG emissions to cover ID&E and the following five major consolidated Group companies. The sales of the following five companies accounted for approximately 70% of ID&E’s sales in FYE June 30, 2023.

- Nippon Koei Co., Ltd.
- Nippon Koei Urban Space Co., Ltd.
- BDP Holdings Limited
- Nippon Koei Business Partners Co., Ltd.
- Nippon Koei Business Partners Co., Ltd.

Governance

The Sustainability Promotion Council, chaired by the president of the holding company, is composed of (1) the presidents of main group companies (Nippon Koei, Nippon Koei Urban Space, BDP, Nippon Koei Energy Solutions, and Nippon Koei Business Partners) and (2) the Director General of Nippon Koei Business Partners, which is responsible for providing common group services, and deliberates on/monitors policies and measures for sustainability promotion and their implementation. Important policies are discussed and decided upon by the Board of Executive Officers and the Board of Directors.

In principle, a Sustainability Promotion Committee is established at each main group company chaired by each president. In collaboration with the Sustainability Promotion Council of ID&E Holdings, each Committee will promote sustainability in Group business segments.

Strategy

We selected the base scenarios “SSP1-1.9 (below 1.5°C scenario)” and “SSP5-8.5 (4°C scenario)” for scenario analysis from the UN Intergovernmental Panel on Climate Change (IPCC).

Below 1.5°C Scenario (SSP1-1.9)

A scenario in which decarbonization is promoted to the maximum extent under sustainable development, with environmental policies and regulations being strengthened to achieve carbon neutrality by 2050, the introduction of a carbon tax, and the advancement of renewable energy as a mainstream power source

4°C Scenario (SSP5-8.5)

A scenario in which the scale and frequency of natural disasters increase significantly compared to the “Below 1.5°C Scenario”

Based on these scenarios, the Group analyzes medium- to long-term risks and opportunities regarding climate change factors that affect its business, and discloses risks and opportunities that are high priorities for the Group. Moving forward, we will continue to examine the impact of climate change risks and opportunities on our finances and the concrete implementation of countermeasures, and work to further expand information disclosure. Details about the risks and opportunities recognized by the Group are shown in “List of Risks and Opportunities” on the following page.

Risk Management

As the Group considers climate change-related risks (including opportunities) to be an important management issue, the Sustainability Promotion Council plays a central role in collecting and analyzing information on issues related to climate change, natural capital, and biodiversity, as well as financial risks, to formulate the Group’s action policy and action plan.

Additionally, in accordance with the Crisis Management Regulations, the Group systematically implements risk management by identifying risks that have a negative impact on business activities at each Group company (the possibility of losses due to events that hinder the achievement of the Group’s business objectives), considering management measures, and formulating/promoting a risk management plan based on consideration of management measures.

The risk management of the Group is carried out by the Risk Operations Council (members include all executive officers). A Risk Management Committee has been established at each main group company, which are all under the supervision of the Risk Operations Council. The Sustainability Promotion Council and the Risk Operations Council work together to manage climate change risks.

List of Risks and Opportunities

Type of risk/opportunity	Details of risk/opportunity	Business and financial impact		Measures	
		1.5°C	4°C		
Risks					
Transition risk	Introduction of carbon tax	● Increased energy procurement costs, such as utility and fuel costs	Small	-	● Offset of CO ₂ emissions from our own offices through renewable energy production
Physical risks	Frequent, more severe weather disasters	● Interruption of business continuity due to heavier damage and increased recovery costs	Big	Big	● Development of disaster countermeasures-related systems (already in place) through cooperation among Group companies, and enhancement of systems for updating and optimizing disaster-prevention infrastructure
Opportunities					
Opportunities associated with the transition	Introduction of carbon tax	● Increased demand for consultancy related to carbon trading	Big	-	● Sale of renewable energy certificates as a result of renewable energy production ● Strengthening of carbon credit-related businesses and new business creation
	Transition to renewable energy and low-carbon energy source use	● Expansion of investment in projects related to the spread of renewable energy	Big	-	● Development of businesses related to the spread of renewable energy using aggregation technologies and other technologies ● Proactive development of consulting related to energy conservation and renewable energy
Opportunities associated with physical risks	Frequent, more severe weather disasters	● Increased demand for disaster prevention and mitigation consulting services and disaster response services	Medium	Medium	● Development of technologies utilizing AI and remote sensing technology using satellites

* In regard to transition risks and opportunities, we examined items that could affect the Company due to government policies and market changes in order to limit temperature increase to less than 1.5°C. (Transition risks/opportunities for the 4°C scenario are not assumed.)

* As for physical risks and opportunities, we examined items that could affect the Company through temperature increases (for the physical risks and opportunities in the 1.5°C and 4°C scenarios, impact on business is assessed for the year 2050, and we assume that a temperature difference and difference in business impact will be seen in 2100).

Indicators and Targets

In order to monitor greenhouse gas emissions from the Group's corporate activities and assess climate-related risks and opportunities, the Group first calculated Scope 1 and Scope 2 CO₂ emissions at ID&E's main sites in Japan.

In the future, we will calculate Scope 3 emissions and gradually expand the scope of calculation of greenhouse gas emissions to reduce those emissions.

Category		FY2023 Emissions (t-CO ₂)
Scope 1		46 t-CO ₂
Scope 2	Market criteria	3,156 t-CO ₂
	Location criteria	3,024 t-CO ₂
Scope 1 and Scope 2 total	Market criteria	3,202 t-CO ₂
	Location criteria	3,070 t-CO ₂

Scope: ID&E (non-consolidated)
(major domestic bases of Nippon Koei non-consolidated in FYE June 30, 2023)

Society

Summary

FYE June 2023 Initiatives and Results

- Started to consider the formulation of a human rights basic policy and to conduct human rights due diligence
- Preparation for the establishment of the ID&E Global Academy (P.23)
- Recognition as an Outstanding Health and Productivity Management Organization (White 500) for five consecutive years

Plan for the Next Fiscal Year

- Establishment of the ID&E Global Academy
- Initiatives aimed at successive recognition as an Outstanding Health and Productivity Management Organization

Human Resource Development

Human Resource Policies and Basic Approach to Human Resources

ID&E Group considers its human resources as its greatest management asset and the source of value creation. The Group provides a full range of training and seminar programs designed so each staff is fully aware of their role as a professional, feels their own growth, freely demonstrates their abilities, and feels a sense of purpose in their work. In addition, the personnel structure and training systems are formulated to support continuing skill development.

Various Systems

Job Rotation System

ID&E Group has established the Multi Seed Program (MSP), a human resource exchange program for young engineers to gain experience in different technologies, businesses, and occupations, thereby developing engineers who can accept and utilize diversity in technology, knowledge, working environment, values, etc. The aim of this program is to develop engineers who are not biased toward a single specialization and are capable of responding to future changes in the business environment, and to expand our human network.

In regard to administrative staff, we regularly conduct job rotations, especially for younger staff, because they are required to demonstrate a high level of expertise in accounting, finance, legal affairs, human resources, sales, and other areas to support business operations in an appropriate, accurate, and efficient manner, and to carry out business management from a management perspective.

Career Development Support System

We have established multiple programs to help staff who are enhancing their own professional development. The purpose of the “Financial incentives for certification attainment” program and “Educational support system for self-improvement” is to encourage

staff to acquire official qualifications necessary for business strategy as well as to promote their self-improvement.

In addition, we encourage staff to submit papers and give lectures at academic conferences, and provide the “Financial incentives for paper submissions and lecture attendance” program for the purpose of developing skills and forming external networks.

Support System for Obtaining Professional Engineer Certification

Certified Professional Engineer is the highest national qualification for engineers in Japan and it is essential for our business strategy that our engineers have this qualification. We support staff seeking to become certified professional engineers by offering annual preparation seminars for the certification examinations. We have programs that allow staff to take on the challenge of taking examinations with confidence by providing guidance through qualified staff, holding workshops and study sessions, and preparing programs such as mock interviews. The Company also offers financial incentives and a support system for the cost of examinations to reward staff that earn certification.

Measures to Improve Staff Engagement

We believe that it is important for all staff to share the vision and mission of ID&E Group and operate its business with a sense of unity and regularly publish message from the president as well as internal newsletter and other means to share values and raise awareness.

It is important to properly evaluate abilities and achievements in order to improve staff motivation. Therefore, we conduct personnel evaluations once a year linked to the target management system. In order to ensure the proper operation of this personnel evaluation, we conduct evaluator training for newly appointed managers, and in order to ensure the fairness of evaluation results, we hold an evaluation committee in which multiple members are appointed and established by director generals of different headquarters to verify the evaluation from an objective perspective.

In addition to these measures prepared by the Company, we conduct a career questionnaire once a year for all staff of certain ranks (excluding part-time and contract staff) as an opportunity for staff to present us with their own career aspirations and requests. The results are used for job rotation purposes and to improve the work environment.

Direct Dialogue with Management

We aim to improve staff engagement through direct dialogue between management and staff. Management and staff exchange opinions on issues related to career development, business management policies, and personnel/labor management measures.

Key Human Resource Data

	FYE June 20	FYE June 21	FYE June 22	FYE June 23
Number of Certified Professional Engineers (Group total, number of persons)	1,656	1,727	1,743	1,764
Number of Certified Professional Engineers (Nippon Koei, number of persons)	1,362	1,420	1,466	1,466
Number of New Staff (Domestic Group total, number of persons)	187	206	205	185
Ratio of Female Staff Among New Staff (Domestic Group total, in percent)	22.5	29.1	37.1	33.0
Average Number of Years of Employment (Nippon Koei, number of years)	13.9	13.6	13.4	14.2
Staff Turnover Rate (Nippon Koei, %)	2.1	1.8	2.4	3.6

Turnover Rate of New Graduate Hires Within 3 Years (Nippon Koei)

	April 2016	April 2017	April 2018	April 2019	April 2020
Turnover Rate Within 3 Years	10.3%	7.0%	7.9%	7.6%	9.7%

Diversity

ID&E Group has established a working environment in which diverse human resources with different values and perspectives, regardless of nationality, gender, age, or employment status, can demonstrate their individuality and abilities and play an active role in the Group. We believe that this is indispensable for the growth of the Group. In our Long-term Management Strategy, we have also included in our human resource strategy the development of a highly productive work environment that makes maximum use of innovative technologies such as AI and ICT in line with the progress of digitalization, and the pursuit of diverse work styles and diversity management regardless of the form, place, or time of employment.

In 2021, to further promote the active participation of diverse human resources, we set three diversity targets (numerical targets) of ratio of female managers, ratio of foreign managers, and ratio of mid-career recruit managers, which are all to be achieved by 2030. We will review and announce these figures each fiscal year, and will work steadily to achieve these targets.

In addition, as a basis for the success of these diverse human resources and the expansion of diverse work styles, we will continue to promote the building of various foundations, such as reducing overtime work, improving the annual paid leave utilization rate, developing and operating a childcare leave system that is easy for both men and women to take, creating a gynecological leave system to support further success for women, and establishing an English-speaking consultation service for non-Japanese.

Diversity Goals for 2030 (Nippon Koei)

	April 2021 Results	April 2022 Results	April 2023 Results	2030 Target
Ratio of female managers	4.5%	5.4%	4.9%	15% or more
Ratio of foreign managers	0.4%	0.5%	0.8%	1% or more
Ratio of mid-career recruit managers	30.1%	31.3%	30.8%	30% (retained)

Women's Participation and Advancement in the Workplace

In regard to the policy on women's advancement, we have set quantitative targets in the "Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace" and are continuing our efforts. In addition, we will implement new priority measures at the new graduate recruitment stage to increase the ratio of female staff.

Promoting the Active Participation of Foreign Staff

ID&E Group recruits new and mid-career human resources regardless of nationality to accelerate its global business expansions. In addition to further advancing our response to globalization in Japan, we are also promoting the development of global human resources for new graduates in career-track positions as well as the creation of autonomous career plans.

Ratio of Foreign Staff (Nippon Koei)

FYE June 19	FYE June 20	FYE June 21	FYE June 22	FYE June 23
1.7%	1.9%	2.2%	3.0%	2.5%

Promoting the Active Participation of People with Disabilities

We are working to create a comfortable working environment for people with disabilities and to develop their work duties, such as working together as a team for a single task. In 2023, Aichi Tamano Information System Co., Ltd., which was established in 1987 for the purpose of promoting the employment of people with severe disabilities (certified as a special Group company in 1989), became a Group company of the ID&E Group, transforming from its old form as a Group company of Tamano Consultants. The employment rate in recent years has been 2.71% (including the special subsidiary), exceeding the statutory employment rate of 2.3%.

Ratio of Staff Who are Disabled (Nippon Koei)

FYE June 19	FYE June 20	FYE June 21	FYE June 22	FYE June 23
2.02%	2.17%	2.09%	2.69%	2.71%

Work Style Reform

The Group has established a Work-Life Balance Promoting Committee to pursue a balanced work style that emphasizes the quality of labor so that individual staff can work with a sense of satisfaction and fulfillment and fulfill their work responsibilities. Based on the existing themes of “work style reform” and “productivity improvement,” ID&E Group is working faster than other companies in the industry on work style reform with a focus on establishing systems and environments that make optional and diverse work styles possible which place emphasis on work quality. Since March 2020, we have continued to work in a way that combines telework and telecommuting systems. In the Tokyo metropolitan area, we have expanded the options for remote work by successively opening satellite offices in consideration of staff who have difficulty working from home due to their home environment and other factors.

At the Head Office, we have introduced a free address system, and installed online meeting booths and spaces for conducting extensive work to establish a work environment that encourages collaboration and improved productivity through flexible selection and utilization of locations suited for given work content. In addition, in order to accelerate in-house DX, the DX Transformation Department is working to improve operational efficiency through the use of AI and RPA, and many good examples of how DX has helped have already emerged. The systems such as flexitime and telework that have been implemented in response to the “work style reform” and the corresponding expansion of the IT infrastructure environment, such as the shift to cloud computing, digitization of various internal applications (move to a paperless approach), and the establishment of online meetings, have not only promoted diverse work styles but also increased productivity.

Initiatives for work style reform and improving productivity

Improve office system efficiency	<ul style="list-style-type: none"> ● Introduce telework, free address system, and satellite offices ● Improve the efficiency of online meetings and regulate them ● Digitization of various internal applications (paperless) ● Use smartphones for extension calls
Improve management work efficiency	<ul style="list-style-type: none"> ● Digitization of purchase management/contract management ● Visualization of schedule management, labor management, and daily tasks
Improve efficiency of production activities	<ul style="list-style-type: none"> ● Digitalization of sales tools ● Digital Transformation of activities from order acquisition to production through the use of AI, DB, and RPA

ID&E Group was awarded four stars in the 7th Nikkei Smart Work Management Survey, which selects leading companies that are taking on the challenge of revolutionizing productivity through work style reform.

This survey has been conducted by Nikkei Inc. since 2017, targeting listed companies and leading unlisted companies nationwide. The survey defines “smart work management” as efforts to maximize organizational performance through three elements: realization of diverse and flexible work styles, a system for creating new businesses, and the ability to develop markets. The evaluation is based on a five-star scale.



Certified companies: ID&E Group companies

Initiatives for Improving Work-Life Balance

ID&E Group acquired the Kurumin and Platinum Kurumin Certification from the Ministry of Health, Labour and Welfare as a company with a high-standard of support for child raising in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children.

ID&E Group fosters a workplace climate and builds an environment where staff may have diverse work styles.



Certified companies: Nippon Koei, Nippon Koei Urban Space, Nippon Koei Energy Solutions, and Nippon Koei Business Partners

Systems to Support Work Friendliness

ID&E Group has put in place a wide range of programs as a way to support staff at different stages of life whether having or raising children or caring for sick or elderly family. In addition to complying with legal standards, we also add our own preferential treatment and systems to our efforts to enhance the work-life balance of our staff.

Childcare Leave

Staff with children under the age of three may take up to 18 months of childcare leave.

Childcare Leave Utilization Rate (Nippon Koei)

	FYE June 20	FYE June 21	FYE June 22	FYE June 23
Total	31.0%	38.7%	39.0%	51.9%
(Male)	14.5%	17.2%	28.7%	47.8%
(Female)	87.5%	111.8%	122.2%	87.5%

Sick/Injured Childcare Leave System

Staff with children up to elementary school age are entitled to take sick/injured child care leave in addition to annual paid leave.

Sick/injured Childcare Leave Utilization Rate (Nippon Koei)

FYE June 19	FYE June 20	FYE June 21	FYE June 22	FYE June 23
25.2%	30.4%	23.1%	25.6%	34.8%

Nursing Care Leave

Staff who need to care for a family member can take nursing care leave in addition to annual paid leave.

Nursing Care Leave Utilization Rate (Nippon Koei)

FYE June 19	FYE June 20	FYE June 21	FYE June 22	FYE June 23
1.2%	1.6%	0.9%	0.5%	1.3%

Supporting Staff Health

In order for our human resources, the foundation of the Group, to fully demonstrate their abilities, we have established the Group Health Declaration and are working on health management that considers staff health from a management perspective and strategically promotes various measures to improve staff health.

ID&E Group Health Declaration

ID&E Group believes that in order to put into practice our management philosophy of “Act with integrity & Contribute to society through technology and engineering,” our staff and their families must be healthy, both physically and mentally and hereby commit to promoting health management.

By maintaining and promoting the health of staff and their families, and creating a vibrant work environment and highly productive work styles that respect diversity, we will realize a favorable work-life balance of staff as well as the well-being of the Group and contribute to the development of a sustainable society through our business.

Staff Health Management Support

We are implementing measures focused on the prevention of severe illnesses based on the premise that 100% of staff receive health checkups (all staff, including contract staff and part-time staff who are obliged to enroll in social insurance). We have established a wide range of preventive measures, such as annual health checkups, including gynecological examinations and complete physical examinations for all staff over 35 years of age, as well as recommendations for reexaminations by full-time industrial physicians for staff with findings and interviews with industrial physicians for those at high risk.

Health Management PDCA Cycle

We identify health issues, evaluate and improve the results based on the annual plan we have formulated, and make improvements every year.



External Evaluation

The Company was certified as a “White 500” Outstanding Health and Productivity Management Organization, continuing its status for five years in a row.

We are the only company in the construction consultancy industry to receive the “White 500” certification.

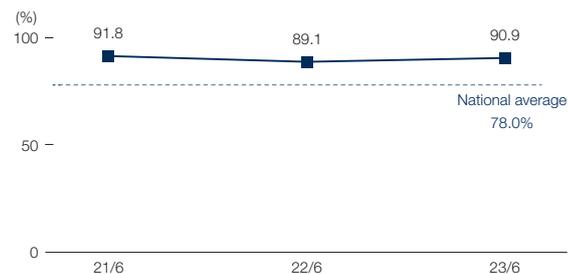


Certified companies: ID&E Holdings, Nippon Koei, Nippon Koei Energy Solutions, and Nippon Koei Business Partners

Mental Health Care

Caring about the mental and physical health as well as the safety of our staff, we conduct annual stress checks for all staff and the ratio of staff participating in stress checks is 90%, which is higher than the national average. In addition, we have introduced an EAP (Employee Support Program) counseling service provided by certified psychologists to create an environment where staff can easily consult with them.

Percentage of Staff That Received Stress Checks



* National Average Data, Source: Ministry of Health, Labour and Welfare (July 26, 2017)

Labor Safety and Health Initiatives

ID&E Group places top priority on safety in every aspect of corporate activities in the ID&E Group Code of Conduct and complies with all occupational health and safety laws, regulations and internal rules. Our basic objective is to prevent occupational accidents, injury, and illnesses, and ensure the safety of all people from our corporate officers and staff to partner companies and everyone else in the value chain. Our human resources are the foundation of ID&E Group.

In the event an occupational accident or illness occurs, we have put in place a crisis management system to respond quickly while working to prevent recurrence by disclosing the necessary information both inside and outside of the company.

Number of Occupational Accidents (Nippon Koei)

	FYE June 20	FYE June 21	FYE June 22	FYE June 23
Total	13	10	11	14

Human Rights Initiatives

Basic Approach

The Group has adopted the UN Guiding Principles on Business and Human Rights, which were unanimously endorsed by the United Nations Human Rights Council in 2011, as well as the ten principles of the United Nations Global Compact on the four areas of human rights, labor, the environment and anti-corruption. In addition to supporting the Guidelines on Respecting Human Rights in Responsible Supply Chains established by the Japanese government, in accordance with the ID&E Group Code of Conduct and the Ten Environmental Principles*, we reaffirm that it is the role of companies to respect basic human rights in all aspects of corporate activities, we comply with the laws and regulations concerning the human rights of workers in the countries in which we operate. In addition, the ID&E Group has established items related to the respect for human rights in our Basic Sustainability Policy and materiality. We respect human rights and strive to maintain a fair workplace without discriminating against staff based on gender, age, origin, nationality, race, ethnicity, creed, religion, or disability.

* The Ten Environmental Principles are only applicable to Nippon Koei.

Code of Conduct (Main Corporate Responsibilities)

Respect for Human Rights:
Nippon Koei affirms diversity and does not limit employment opportunities or discriminate on the basis of race, nationality, gender, thought, faith, or social status.

Guidelines of Conduct (Main Staff Responsibilities)

- Comply with laws and regulations concerning human rights.
- Respect the personality, diverse values, and character of each individual, treat each other with respect, and act responsibly.
- Value the efforts of the International Labor Organization (ILO) regarding human rights and avoid use of child labor that violates the ILO recommendations or forced labor in any form. Inform our business partners to assume the same attitude.
- Do not harass or treat others unfairly, including sexual harassment and workplace bullying. Do not allow others to take such actions.
- Respect and protect the privacy of individuals. Handle confidential personal information deliberately according to the predetermined procedure. Do not leak nor try to acquire unnecessary information.

Response to Human Right Due Diligence

In order to express our commitment to human rights, we have developed the Human Rights Basic Policy and Action Guidelines for Human Rights for the entire Group, with the aim of incorporating human rights due diligence into our management and business processes.

Additionally, we are currently identifying and assessing negative impacts on human rights within the Group at the same time, and we have commenced full-scale response to this type of human rights due diligence.

For human rights impact assessment, we first organize the value chain of the entire business and analyze human rights issues in each business and region. In addition to identifying important human rights issues in the value chain, we are at the stage of identifying human rights issues that should be prioritized by the Group from among various human rights issues.

To promote effective human rights due diligence based on this type of human rights impact assessment, we will also work to instill an understanding within the Group in the field of human rights.

Harassment consultation system

In the course of conducting human rights due diligence, the ID&E Group is considering establishing a consultation desk when human rights risks materialize, as well as establishing a necessary grievance mechanism.

We have established three contact points for harassment-related consultations. Staff can consult with our Personnel Department, labor union, or outside attorney. Consultants can make direct consultations at any one of these and their privacy will be strictly guarded. Each consultation desk is made known to staff on the company intranet (this includes the prohibition and disciplinary action of harassment under the employment rules, and the dissemination of definitions of various types of harassment).

In the event of a consultation or report, the department in charge will investigate the matter and, based on the results of the investigation, take corrective measures such as disciplinary action and implementation of preventive measures.

Respect for Human Rights in the Supply Chain

In recent years, the importance of corporate efforts to respect human rights has increased, and we recognize that efforts to respect human rights not only within our company but also throughout the supply chain are required. Therefore, as our Sustainability Basic Policy stipulates that we “recognize diversity throughout our supply chain, address human rights risks based on race, nationality, gender, ideology, creed, and social status, and ensure that we are not complicit in human rights abuses,” we will promote our human rights initiatives based on the clarification of our approach to human rights. In formulating our Human Rights Basic Policy and Basic Conduct Guidelines for Human Rights, we made decisions on important matters related to respect for human rights in our corporate activities to fulfill our responsibility to respect the human rights of all stakeholders related to our business and management activities in cooperation with various stakeholders, including our business partners.

In addition to steadily conducting the human rights due diligence already demonstrated, we are considering the establishment of a consultation desk to deal with the negative impacts caused by human rights violations within the Group.

Human Rights and Harassment Education

ID&E Group provides harassment prevention training corresponding to each career stage. In addition to training for staff in their third year of employment on how to deal with harassment, etc., lectures by invited experts on the impact of harassment on mental health, etc., are provided in training for newly appointed managers and section managers.

In addition, we plan and implement various training and seminars, such as “Managerial Seminars for Training Female Subordinates” based on the increase in the number of young female staff due to the active recruitment of new graduates in recent years, and “Online Management Training.”

Corporate Governance

ID&E's fundamental approach to enhancing the Group's corporate value is to perform comprehensive corporate governance by strengthening oversight of management organizations, ensuring management transparency and swift execution of business.

Additionally, the Company adopts the organizational design of a company with a nominating committee, etc., which separates business execution from supervisory functions by having the Board of Directors properly and efficiently supervise overall management and delegate decision-making and execution related to business operations to executive officers.

The roles of the Board of Directors, committees, and the Board of Executive Officers shall be clarified and an effective corporate governance system shall be established.

Basic Corporate Governance Policy

To promote corporate governance, the Company's Board of Directors has established and implements the "Basic Corporate Governance Policy." It consists of the following sections: Basic Philosophy of Corporate Governance (Introduction), Ensuring Shareholder Rights and Equality (Chapter 1), Appropriate Collaboration with Stakeholders Other than Shareholders (Chapter 2), Appropriate Information Disclosure and Transparency (Chapter 3), Responsibilities of the Board of Directors and Others (Chapter 4), and Dialogue with Shareholders (Chapter 5).

Basic Corporate Governance Policy URL

<https://www.id-and-e-hd.co.jp/assets/pdf/sustainability/governance/corp-governance/basic-policy.pdf>

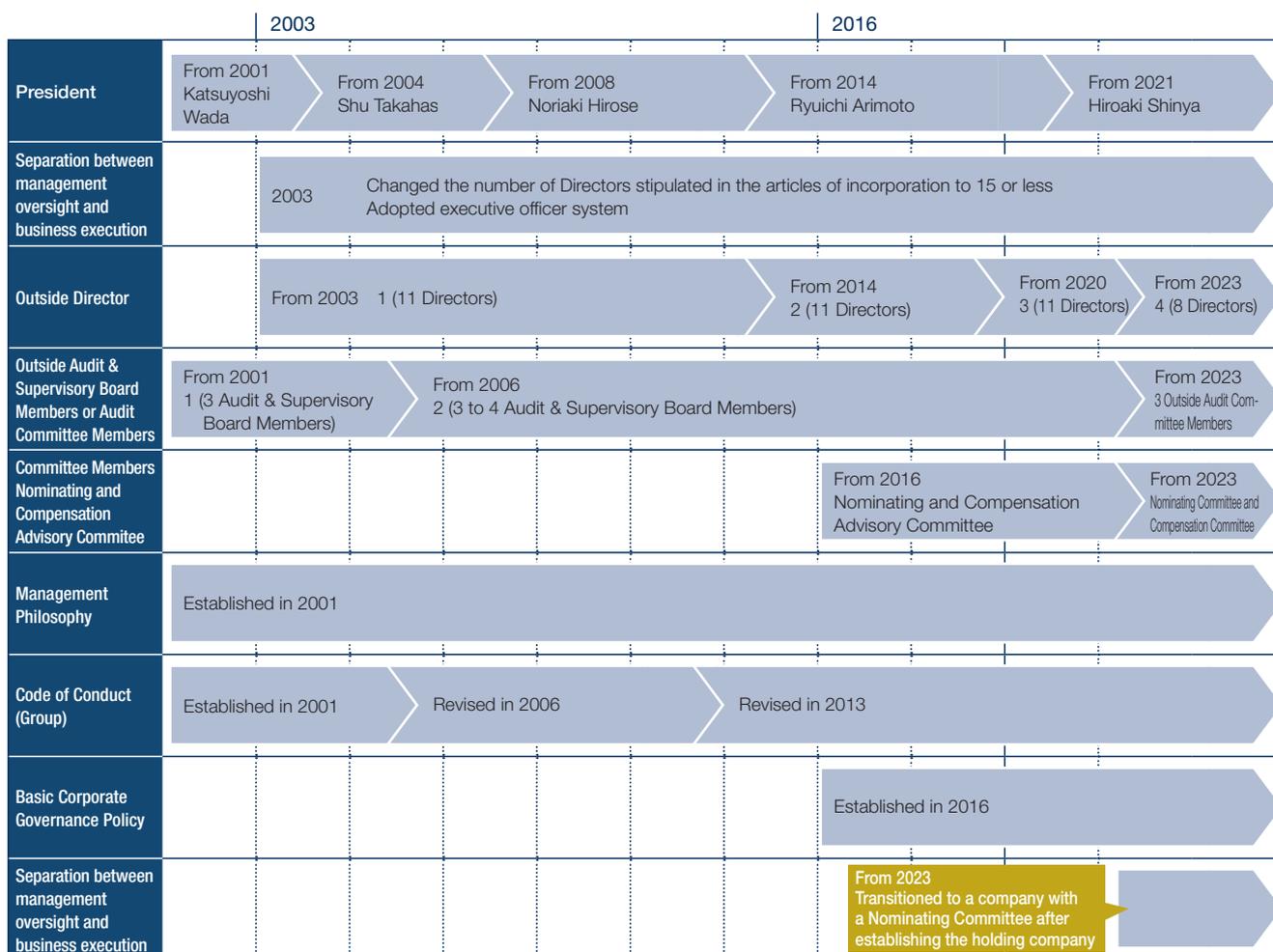
Committees and Meeting Organizations Related to Governance

As a company with a Nominating Committee, the Company has a Board of Directors, Nominating Committee, Compensation Committee, Audit Committee, and Accounting Auditor, and delegates business execution to the Board of Executive Officers.

Before the transition to a holding company structure, Nippon Koei worked to strengthen its governance. The following is the description of Nippon Koei until the establishment of ID&E, the holding company, in 2023.

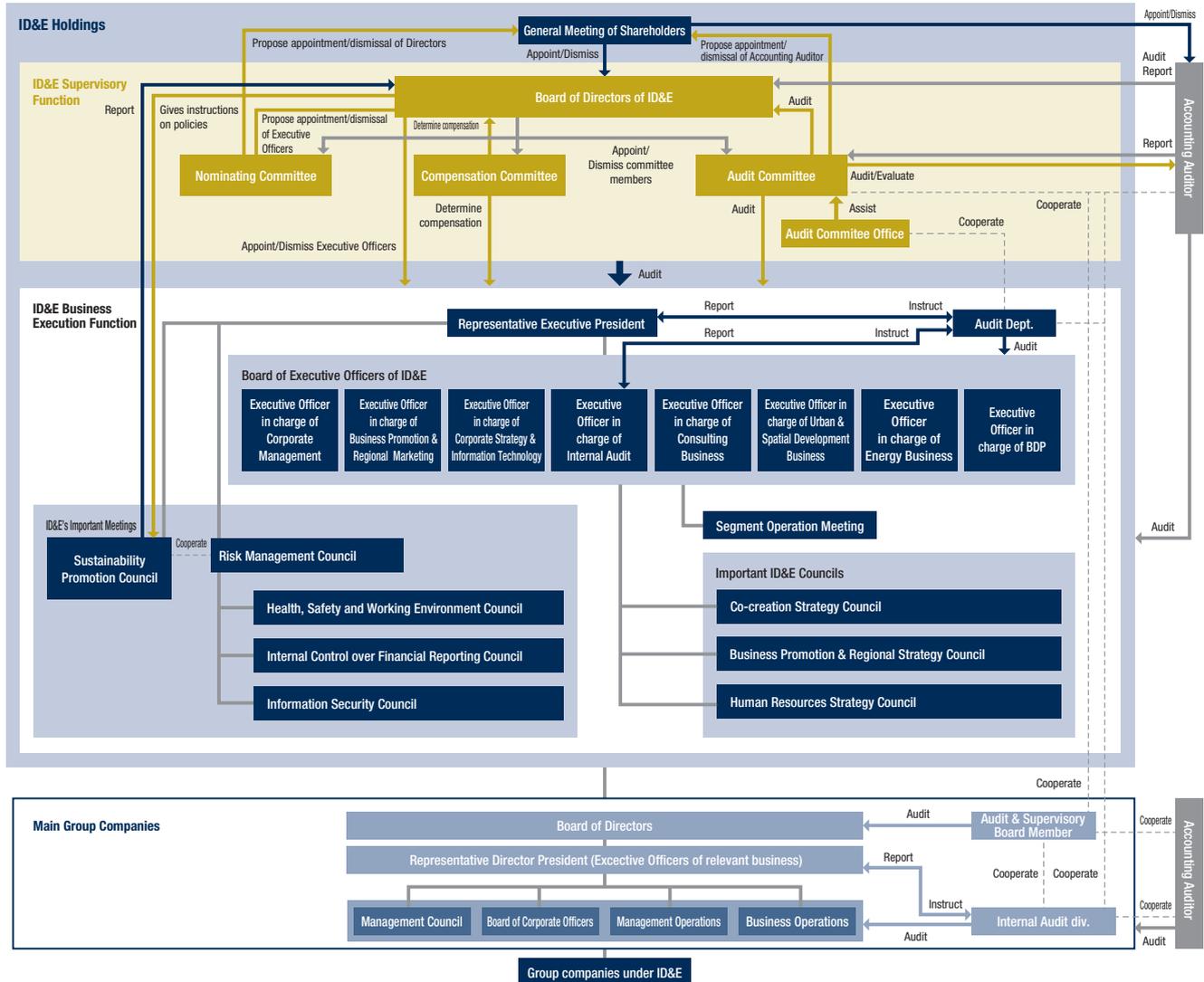
Maintaining an Audit & Supervisory structure, Nippon Koei introduced an executive officer system in 2003 as a voluntary system which separates management monitoring and supervisory functions from business execution functions, thereby clarifying responsibilities and accelerating decision-making. Since 2016, Nippon Koei had established and operated the Nominating and Compensation Advisory Committee, which includes independent outside officers, to enhance the supervisory function of the nomination and compensation of directors, and to ensure the fairness and transparency of management.

Main Initiatives for Strengthening Corporate Governance



Note: Data provided is for Nippon Koei, except for any point in or after July 2023

Corporate Governance Organizational Chart



Main Committees Related to Governance

Committee/Council Name	Purpose	Meeting Frequency	Number of Members	Head
Board of Directors	The Board of Directors deliberates and makes decisions on matters stipulated by laws and regulations and basic management matters, and oversees execution of the duties of executive officers.	Meetings are normally held once a month	Composed of 8 Directors. 4 are Outside Directors.	Director
Nominating Committee	The Nominating Committee determines proposals for the appointment/dismissal of Directors and the criteria for the election of candidates for directors of the holdings company.	3 to 5 times a year	Composed of 4 members. 3 are Outside Directors.	Outside Director
Compensation Committee	The Compensation Committee decides on basic policies for determining the compensation details, etc. for individual directors and executive officers and the amount of compensation, etc. for individual directors and executive officers.	3 to 5 times a year	Composed of 4 members. 3 are Outside Directors.	Outside Director
Audit Committee	The Audit Committee audits and supervises the execution of duties by directors and executive officers, prepares audit reports, and determines the content of proposals for the appointment, dismissal, and non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.	Meetings are normally held once a month	Composed of 4 members. 3 are Outside Directors.	Outside Director
Board of Executive Officers	In accordance with the Company's management policy determined by the Board of Directors, the Board of Executive Officers renders decisions on important matters related to Group management, and oversees/monitors the promotion of Group management.	Meetings are normally held twice a month	Composed of 9 executive officers with the President serving as the Chair. One Full-time Audit Committee Member attends Board of Executive Officers meetings as an observer.	Representative Executive President
Sustainability Promotion Council	Sustainability Promotion Council considers and formulates measures to promote sustainability (management promotion and business promotion) throughout the ID&E Holdings Group and promotes their implementation.	Meetings are normally held four times a year	Composed of 11 directors with the president serving as the Chair. One Outside Director attends Board of Executive Officers meetings as an advisor and one Full-time Audit Committee Member attends Board of Executive Officers meetings as an observer.	Representative Executive President
Risk Operations Council	In accordance with the Company's "Internal Control Basic Policy," the Risk Operations Council oversees the overall promotion of risk management within the Group.	Meetings are normally held once a month	Composed of 10 executive officers and an outside attorney with the President serving as the Chair. One Full-time Audit Committee Member attends Board of Executive Officers meetings as an observer.	Representative Executive President

Board of Directors

The Board of Directors formulates ID&E Group medium- to long- term strategies and supervises management (executive officers) to achieve sustainable growth and medium- to long-term improvements in corporate value under its fiduciary responsibility and accountability to shareholders, thereby improving profitability, capital efficiency, and other aspects of the company's operations.

Concept Behind the Composition of the Board of Directors

The Board of Directors is based on the concept that each member has character, insight, experience, knowledge, and ability, and can make comprehensive decisions from a broad perspective. It is composed of members who are judged to be the best in consideration of their overall balance taking into account the company's business environment.

In order to incorporate diverse perspectives into corporate management, we appointed two female outside directors.

Although there are currently no foreigners serving as Directors, we ensure diversity in the composition of the Board of Directors as a whole by appointing directors with various skills (experience, knowledge, and abilities) as shown in the table below.

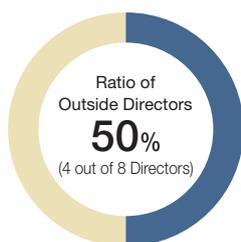
Policies for Nominating and Dismissing Directors

The Nominating Committee deliberates and decides on the appointment of directors (General Meeting of Shareholders proposals), including whether or not they should be reappointed, with proposals submitted to the General Meeting of Shareholders.

Officer Skills

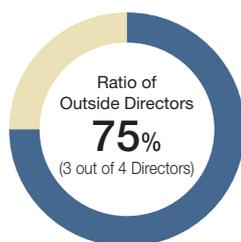
The Company selects candidates after identifying various skills (experience, knowledge, and abilities) that directors and corporate auditors should possess in order to move our Long-Term Management Strategy and Medium-Term Management Plans forward.

Composition of the Board of Directors



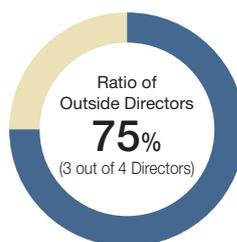
(As of July 03, 2023)

Composition of the Nominating Committee



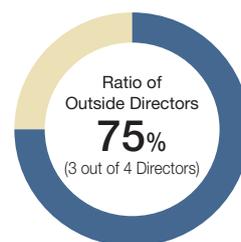
(As of July 03, 2023)

Composition of the Compensation Committee



(As of July 03, 2023)

Composition of the Audit Committee



(As of July 03, 2023)

Officer Skills

Name	Job title (July 3, 2023)	Age (Gender)	Skills (experience, knowledge, ability)								Activity status (for reference)	
			Corporate Planning	Technology/IT	Sales/Marketing	Human Resources Development	Financial/Accounting	Legal/Internal Control	Environmental/Energy	Global	Number of years in the position	Number of Board of Directors Meetings Attended (FYE June 2023)
Ryuichi Arimoto	Director	70 (Male)	●			●	●	●	●	●	14	16/16 (100%)
Hiroaki Shinya	Director	63 (Male)	●	●	●	●		●	●		6	16/16 (100%)
Takayasu Tsuyusaki	Director	67 (Male)	●		●	●				●	6	16/16 (100%)
Yasushi Hirusaki	Director	61 (Male)	●			●	●	●		●	6	16/16 (100%)
Hiizu Ichikawa	Outside Director	76 (Male)	●		●	●	●	●	●	●	9	16/16 (100%)
Kazumasa Kusaka	Outside Director	75 (Male)	●		●	●		●	●	●	8	16/16 (100%)
Yoshiko Koizumi	Outside Director	80 (Female)	●			●		●		●	6	16/16 (100%)
Yoko Ishida	Outside Director	66 (Female)	●	●		●			●	●	3	16/16 (100%)

Evaluation of the Effectiveness of the Board of Directors

The Company analyzes and evaluates the effectiveness of the Board of Directors every year with the aim of improving the functions of the Board of Directors and enhancing governance. We promote a PDCA cycle to improve the effectiveness of the Board of Directors by discussing the identified issues at the Board of Directors meetings and making improvements.

The following is a description of Nippon Koei up to FYE June 30, 2023 before it transitioned to a holding company. ID&E plans to conduct an evaluation of the effectiveness of the Board of Directors in 2024 using the same method.

Process for Evaluating the Effectiveness of the Board of Directors

- The Board of Directors conducts A survey for Directors and Audit & Supervisory Board Members (anonymous questionnaire using a third-party organization to ensure objectivity).
- The Board of Directors evaluates the effectiveness of the Board of Directors based on the aggregated and analyzed results of the survey, and the summary of the evaluation results is described in the Corporate Governance Report which is made public in October.

Evaluation Content

- The content of the questionnaire is based on fixed-point observation.

Evaluation Results

- The effectiveness of the Board of Directors of the Company was confirmed to be ensured, including the improvement of the matters indicated.

Initiatives for Enhancing the Deliberations of the Board of Directors

In order to enhance the deliberations at the Board of Directors and enhance its functions, the Company implements the following initiatives to train officers and energize deliberations.

Officer Training

In order for officers to properly fulfill their responsibilities, the basic objective of officer training is for officers to acquire necessary knowledge and improve abilities regarding corporate value, governance, etc.

- Training for officers at the time of their appointment
When a Director is newly appointed, we provide training to them on the roles (including legal responsibilities) expected of Directors and Audit & Supervisory Board Member, compliance, etc. In addition, we explain our corporate history, Management Philosophy, business outline, management situation, governance system, etc. to outside officers.
- Ongoing training after their appointment
We regularly invite lecturers from outside of the Company to hold seminars on topics that are relevant to current events for all officers. We also continue to provide opportunities for officers to acquire specialized knowledge, such as attending outside seminars.

Initiatives to Promote Lively Discussions

- The Board of Directors has had four outside directors to encourage lively discussions. In addition, two female outside directors are included in the Board of Directors to ensure diversity and more active deliberations.

Policies for Developing Our Next Generation of Executives

President Succession Plan

The President Succession Plan was established by the Nominating Committee for the purpose of selecting candidates who meet the personnel requirements for the position of President of the Company. This plan consists of the development and implementation of a plan to enhance the qualities required of a candidate to become President, and the evaluation, selection, and deliberation processes of the candidate for becoming President.

In implementing the President Succession Plan, the Nominating Committee thoroughly deliberates on the successor candidates proposed by the current President, taking into account the exchange of opinions with the candidates and their compatibility with Medium- to Long-Term Management Strategies and strives to ensure transparency, fairness, and objectivity of the plan.

Development and Selection of Executive Candidates

We recognize the importance of forming a group of executive management candidates in order to enhance the above-mentioned candidate pool for President and to strengthen as well as stabilize the management foundation of our Company and our Group. As a measure to realize this, we have introduced a system for training and selecting candidates for management positions from the stage preceding promotion to the highest level of staff qualification.

Specifically, staff of main group companies with certain in-house qualifications and positions, who are selected through the recommendation of their department heads, are required to attend SMC (Senior Management) training, where they analyze and formulate business strategies and solutions under the guidance of external instructors for about six months on themes such as creating new businesses and overcoming management issues at the Company, and present them to Company management. The purpose of this training is to foster the ability to make strategic decisions from a management perspective.

Candidates for promotion to the highest level of internal qualification will be recommended from among the participants of this SMC training, and promotion will be decided through interviews (including presentations). Additionally, those promoted will participate in training organized by external organizations for the purpose of acquiring general knowledge necessary for management candidates. Furthermore, those candidates who are recommended by the presidents of main group companies as executive officer candidates of the relevant group companies are interviewed by executive officers (including presentations), and, based on interviewers' opinions, are appointed as executive officers through prescribed procedures, including resolutions by the Board of Directors of each company.

Newly appointed executive officers will participate in training organized by external organizations for the purpose of acquiring knowledge of general laws and regulations necessary for managers and fostering their resolve as managers.

Directors of main group companies, executive officers of the Company, etc. are appointed through deliberation by the Nominating Committee, from the group of senior management candidates formed through such training and selection processes.

Policy Regarding Strategic Shareholdings

For the purpose of business expansion and sustainable growth of our company, our policy is to hold stocks that are necessary for policy purposes while selling stocks when it is no longer rational to hold them, as appropriate based on a comprehensive consideration of their importance in business strategy and business relationships with business partners, from a medium- to long-term perspective.

Strategic shareholdings are examined from a medium- to long-term perspective, taking into account their returns and risks. The purpose and rationality of strategic shareholdings reflecting these results are examined by the Board of Directors.

With regard to voting rights for strategic shareholdings, voting rights are exercised based on factors such as whether the investee company is conducting management that places emphasis on the development of the investee company and the interests of its shareholders, and whether the proposal contributes to the enhancement of the corporate value of the investee company.

Approach to Officer Compensation and a Description of Each Type of Compensation

Description of Compensation System for Officers

Compensation of company officers shall be based on a compensation system that takes into account the interests of shareholders in order to function adequately as an incentive for the Compensation Committee to sustainably increase corporate value. The basic policy of the Company is to set the compensation of individual officers to an appropriate level based on their respective responsibilities.

In addition, compensation is structured as described below.

Internal Non-Executive Director	Composed of fixed compensation (monthly compensation) and restricted stock compensation
Outside Director	Composed solely of fixed compensation (monthly compensation)
Executive Officers	Composed of fixed compensation (monthly compensation), results-based compensation (bonus) and restricted stock compensation

Fixed Compensation

Basic compensation for Company officers shall be fixed monthly monetary compensation, and the Compensation Committee makes decisions based on an overall consideration of the Company's performance and staff salary levels.

Results-based Compensation (Bonus)

Results-based compensation (bonus) is positioned as an incentive for short-term performance improvement, and sales revenue and net income attributable to owners of the parent company for the consolidated performance of each fiscal year are selected as appropriate performance evaluation indicators, which is reflected in the form of a cash bonus.

Specifically, a standard amount is determined according to the achievement rate based on the planned value of consolidated performance sales revenue and profit attributable to owners of the parent company as a bonus payment standard, and the Representative Executive President evaluates the degree of achievement of business performance and the degree of contribution to the company, etc. of each Executive Officer. Results-based compensation is deliberated and determined by the Compensation Committee. The determined amount is paid as a bonus every year at a certain time after the end of the relevant fiscal year.

Restricted Stock Compensation

Restricted Stock Compensation has been implemented with the intention of having directors share with shareholders the merits and risks of share price fluctuations and providing additional motivation to contribute to increase in the share price and enhancement of corporate value. Restricted transferable shares with a transfer restriction period of three years are allocated at a certain time each year by having the monetary compensation claims paid to each Officer in accordance with predetermined standards for each position be contributed in kind.

Non-Japanese executive officers who are not resident in Japan are granted phantom stock under the same terms and conditions as those of this plan.

Standard Compensation Structure for Officers

Category	Fixed Compensation (Base Compensation)	Results-based compensation (bonus)	Restricted Stock Compensation
Internal Non-Executive Director	90%	—	10%
Executive Officer	61-64%	26-28%	9-13%

Compensation Amounts for Directors and Audit & Supervisory Board Members in FYE June 2023

Note: Results are for Nippon Koei before it transitioned to a holding company structure.

Officer Classification	Total Amount of Compensation (Millions of yen)	Total Amount of Compensation by Type (Millions of yen)			Number of Officers Eligible
		Base Compensation		Number of Eligible Officers	
		Base Compensation	Restricted Stock Compensation	Bonus	
Directors (excluding outside directors)	248	203	44	0	9
Audit & Supervisory Board Members (excluding outside members)	29	29	—	—	2
Outside Director	45	45	—	—	3
Outside Audit & Supervisory Board Members	33	33	—	—	2

* The above figures include one director who retired at the conclusion of the 79th General Meeting of Shareholders held on September 29 2022.

* The amount of bonuses represents the provision of allowance for officers' bonuses for the fiscal year under review.

* The above restricted stock compensation is non-monetary compensation. Other compensation is in the form of monetary compensation.

Compliance

In order to conduct business appropriately in a global society and to prepare for all kinds of risks that may hinder business activities, initiatives and guidance that serve as common guidelines worldwide are becoming increasingly important. We are aware that thorough compliance is a source for increased corporate value, and we are striving to achieve highly transparent management. In addition, we are systematically responding to compliance risks in promoting our business by visualizing them as much as possible.

Code of Conduct

ID&E has established the ID&E Group Code of Conduct (basic policy) for the Group's common code of conduct, and aims to truly enhance corporate value by incorporating it into the daily actions of each and every executive and staff. It has been made available in Japanese and English, and shared with staff around the world. We aim to create a highly transparent management system and build a relationship of trust across the entire Group as well as establish and operate a compliance observance system that also aims for the Company to adhere to social norms in order to put into practice our Management Philosophy "Act with integrity and contribute to society through technology and engineering" in accordance with laws and regulations.

ID&E Group Code of Conduct

https://www.id-and-e-hd.co.jp/assets/pdf/aboutus/ideas/koudou_shishin.pdf

Compliance Organizational Chart



Compliance Awareness Survey

ID&E regularly conducts a compliance awareness survey of staff within the Group every year. All surveys are conducted anonymously with the results disclosed within the Group and reflected in our compliance activities.

Compliance Training

We provide training on compliance by career level, hold compliance lectures for officers and executive staff, and provide training for each department. During training sessions, lectures are given on causes and preventive measures with reference to specific cases, and participants learn about laws which are closely related to our business. In addition, through the Group's E-learning system, we conduct education and testing on various themes such as compliance with the Antitrust Act and harassment, and provide training for staff.

Compliance Consultation/Reporting System

We established the "Group Consultation/Reporting System Regulations" and have set up a system where staff who become aware of compliance violations can directly consult or report to the department in charge of compliance or an outside attorney. This system is available to officers, staff, temporary staff, and partner company staff (including those who have left the company for one year or less) of the Company and its Group companies. The number of internal reports (excluding consultation cases) over the past few years is as shown in the table below.

Number of Internal Reports

FYE June 2021	FYE June 2022	FYE June 2023
7	7	12

The above figures are for Nippon Koei before it transitioned to a holding company.

Initiatives for Preventing Corruption

As our Group is expanding its business globally, we cannot deny the risk of being asked to provide improper financial benefits in the course of promoting business, discussions, and negotiations with local government agencies, etc. Therefore, we must assume such cases in advance and take firm action. Since the ID&E Group is a signatory to the UN Global Compact, it has incorporated the four areas of human rights, labor, environment, and anti-corruption, and their ten principles, into our Code of Conduct, which we adhere to. It stipulates that we shall conduct our business activities in compliance with laws and regulations under fair, transparent, and free competition without pursuing profits by unfair means.

In addition, in order to ensure thorough compliance, we have established and operate internal rules such as the Anti-Bribery Regulations. For example, we have established standards for what constitutes inappropriate expenditures, and we have established rules to deal with the risk of fraud, such as ensuring that any unreasonable demands are not judged solely by the field, but are always discussed with the department in charge.

Risk Management

We believe that a solid risk management system is essential for conducting a wide range of business activities on a global level and implementing our business strategies.

In accordance with the Company's Basic Policy on Internal Control and Crisis Management Regulations, the ID&E Group formulates and promotes a Group-wide Risk Management Plan on a quarterly basis. During plan formulation, each Group company conducts business activities while managing risks on an ongoing basis, by comprehensively identifying risks, and setting management measures for each risk.

Risk Management Organization and System

As an organization that oversees the overall promotion of risk management in the Group, the Risk Operations Council meets monthly to identify and assess risks and promote preventative risk management.

The Risk Operations Council is comprised of ten members (the President of the Company who serves as the Chair, executive officers, and an outside attorney). Each meeting includes one full-time Audit Committee member who attends as an observer. Executive officers of ID&E have the duty of conducting risk management related to each of their assigned duties. This includes all executive officers.

In addition, the Safety and Health & Environment Council, the Internal Control over Financial Reporting Council, and the Information Security Council have been established under the Risk Operations Council, each of which conducts risk management throughout the Group in their area of specialty.

The Risk Operations Council reports important risk-related information to the Board of Directors on a monthly basis.

Risk Management Plan Formulation and PDCA Cycle

ID&E has formulated a "Group-wide Risk Management Plan" to promote systematic risk management.

Each Group company identifies and evaluates various risks associated with its business activities, prevents risk events from materializing or formulates specific management measures to minimize the possibility of losses, and creates its own risk management plan proposal. The Risk Operations Council compiles the risk management plans of each company and approves/determines the overall Group-wide Risk Management Plan.

In addition, the Risk Operations Council regularly monitors the progress of the plan, reviews progress, issues, and future measures, and implements a PDCA cycle. When a risk event becomes apparent, we conduct an assessment of the related risk management plan, make necessary improvements, and reflect them in the risk management activities.

In the Group Information Security Policy, of an important risk event, the Company promptly reports to the President (Chair of the Risk Operations Council) and establishes an emergency task force within the Group as necessary to respond appropriately to the risk event.

Business Continuity Initiatives

If we do not have adequate countermeasures for natural disasters as well as for infectious disease pandemics, it could hinder business promotion for a long period of time, resulting in losses for the Company as well as have a significant impact on stakeholders. As a company involved in the infrastructure that supports people's daily lives, we believe that it is our social responsibility to continue to provide stable services. Therefore, we have established the "Group Earthquake Countermeasure Regulations." In the event of an emergency, we will activate our Business Continuity Plan (BCP) and have prepared procedures in advance for responding quickly and appropriately in the event of a crisis.

Quality and Environmental Management System

Each main group company has established and implements a quality and environmental management system in compliance with ISO9001 and ISO14001. This system standardizes work procedures in projects, review and verification methods, and checks the degree of achievement of quality targets. This minimizes risk and promotes the achievement of project objectives. In addition, by continuously acquiring knowledge about the environment and improving technical capabilities, we give attention to related matters, including environmental risk management.

Information Security

The Group has established an information security system to appropriately manage the confidential information of customers in order to receive order for and perform various types of services, including consulting services requested by customers such as government and public agencies. In other words, based on the ID&E Group Information Security Policy, we have established and implements regulations such as the "Group Information Management Regulations" to protect and manage all information obtained in the course of duties and to prevent unauthorized use and leakage of information. Additionally, as a response to increasing information security risks such as cyberattacks and other risks, we have established the Information Security Council and continuously improve information security measures under the supervision of the Council. In addition, some Group companies have been audited by a third-party organization and have obtained the ISO27001 certification, an international standard for information security management systems (ISMS).

Messages from Outside Directors

As a Japanese private company involved in the energy business, how quickly will ID&E respond to issues and what will those issues be?

Hiizu Ichikawa Outside Director



As of February 2024, ID&E's stock price performance has been strong. Although I do not know what the situation will be at the time this Integrated Report is made available, given the background of rising stock prices, there may be some temporary volatility but basically the stock price will continue to be stable. A variety of positive factors have had an impact on the stock prices, including price rises due to heightened geopolitical risks, expectations for an end to deflation, inflows of individual investors due to the introduction of the new NISA scene (Japan's Tax Exemption Scheme for Investment by Individuals), and more foreign investor activity.

Among these factors are the movements of the Tokyo Stock Exchange, which should receive particular attention. The industry has started to respond positively to calls from last year to "realize management that keeps capital costs and stock prices in mind." Funds invested by shareholders is equity capital. However, when market capitalization (stock price x number of shares) falls below the amount of equity capital, it is indirectly said to be a "management failure." This is an important issue for companies and there is a need to find a solution when a company's P/B ratio is less than one. This applies to 40% of TSE Prime companies. P/B ratio can be broken down into return on equity (ROE) x price-to-earnings ratio (PER), where ROE is considered to be "level of efficient earnings" and PER is considered to be "expected earnings growth." In corporate management, it is necessary to achieve results and demonstrate the potential for future growth.

Looking back at the Company's stock price over the past 10 years, it has more than doubled despite a large price movement history. The dividend yield is just over 3%. Although it is not something that we can boast about, it is not a failure. However, the Company's P/B ratio, which is a point of focus, has been less than 1 for many years. As a company engaged in businesses with a high level of public interest, although there are circumstances where profitability is not the only factor, it is necessary to further improve profitability and develop attractive business fields.

The Company transitioned to a holding company structure as a result of organizational restructuring in July 2023. Aiming to "seize various changes as opportunities to boldly link them with business opportunities," the Company has established an organization that brings together a wide range of capabilities. ID&E is now able to effectively utilize its holding company framework in the development of new fields and growth areas. The new framework is well formed to improve corporate value by eliminating organizational complexity

and allowing for flexible initiatives, making it easier to develop a wide range of new projects.

However, of course it is not true that everything will go well just because a framework can be created. The larger the organization, the more diverse the approach is. However, this is more likely to blur the direction in which the entire organization is headed. From an external perspective, there is concern that the organization's vision and business areas may not be clear, and as a holding company, the risk of a conglomerate discount valuation increases. Therefore, in the management of a holding company, it is necessary to always be aware of the dangers, constantly assess the intrinsic business value, and promote the healthy growth of the organization.

One of the keywords for future growth is "sustainability." Sustainability is a concept in which organizations and companies aim to achieve sustainable development by conducting business while balancing environmental, social, and economic aspects. In order to achieve sustainable development, it is necessary to take concrete action. It is important to identify the essence of sustainability, incorporate it into our business and determine what kind of contribution we will make.

As a Japanese private company involved in the energy business, how quickly will ID&E respond to issues and what will those issues be? The management of the Company is to accurately prioritize its priorities despite the limited number of staff, capital, and financial resources, and through this practice, contribute to realizing sustainability.

At the time of the organizational restructuring, which was the Company's transition to a holding company structure, we also transitioned to a company with a nominating committee, etc. This is a huge change from a governance standpoint. Fewer than 100 listed companies in Japan have adopted this system, accounting for less than 5% of listed companies. The three committees (Audit Committee, Nominating Committee, and Compensation Committee) have a great amount of responsibility and authority in the areas of personnel, operations, and compensation, areas which they are deeply involved in. The majority of the members of each committee are outside directors with some committees chaired by outside directors. Although the Company made a major decision transitioning to a holding company structure, we will continue our efforts in the strong hope that this change will bring about a tense relationship of high quality with management, which in turn will further accelerate our efforts to increase corporate value.

We are in the process of creating a Buddha statue called ID&E, which is a holding company, and figuring out how to put a spirit into it

Kazumasa Kusaka Outside Director



When considering the vitality of Japanese companies, the meaning of start-ups is again being questioned. Looking at the growth in the value of stocks in Japan and the United States, there is no significant difference between the traditional groups of companies in the two countries, with the exception of start-ups such as GAFAM. In both Japan and the U.S., job creation is driven by companies within 10 years of launching a new business. The growth of new businesses to meet new social needs is evident in the fact that Yutaka Kubota saw the need for infrastructure investment for the reconstruction of postwar Japan and the development of newly independent Asian regions and societies, leading him to start his own business in conjunction with manufacturing. Japan's leading electronics and automobile manufacturers also started their history by being founded by young people.

We are in the process of creating a Buddha statue called ID&E, which is a holding company, and figuring out how to put a spirit into it. If only the Board of Directors and the CEO understand this, the people that make up the organization will not be able to move in the same direction. Over the past year, I have seen active exchange of opinions among many business divisions through visits to offices and sites. Feedback is also required through dialog with the market (business partners) and investors. The amount of energy involved in this depends on how broadly stakeholders can be involved.

When a person is busy with immediate tasks, especially when face-to-face communication was limited due to the COVID-19 pandemic, that anxiety may arise in the mind, it seems understandable that it would cause them to experience anxiety. The opposite of anxiety is "complacency," or "satisfaction with current conditions." Due to this, there is a risk of becoming brand dependent, which is the root of "big company disease." If there are some stakeholders who are experiencing anxiety (awareness of issues) right now, I expect that these people, who demonstrate a high level of awareness, are the ones who will be responsible for our future growth strategy.

I would like to talk about whether handling two tasks at the same time will work in an organization.

When faced with two tasks, one which is strategically important and the other with a tomorrow deadline, many people will give priority to the task with the deadline, so focus on growth strategies ends up on the back burner. In other words, it is difficult to assign duties of a general staff headquarters to a unit that has a plant. The key point of transitioning to a holding company is that the roles of

considering active business and growth strategy are to be divided. The latter will involve creating a growth strategy and figuring out how to procure people, money, and goods (equipment, information, and markets necessary for production), finding it by themselves if there is something lacking within the Company, and seeking M&A if the necessary elements and time cannot be secured unless action is taken by each company.

The Board of Directors of the holdings company will function effectively only when there is an organization responsible for the growth strategy. The role of an outside director is like a family doctor. It can be said that an outside director monitors the health of the organization and helps promote growth. While constantly asking where the Group's core competencies lie, we will seek initiatives to address new social needs.

The Noto earthquake, which occurred at the beginning of the year, reminded us of the risks that people face in the places where they live, and the challenges of how to reduce those risks from an engineering perspective through infrastructure development and building preparation. In this field, the national government and local governments have taken the lead in efforts to make Japan more resilient. However, issues related to the sustainability of industrial activities, including supply chains, have emerged in the private sector as well. Dealing with natural disasters is also a common challenge for all countries around the world.

Sustainability management means making corporate management and economic society sustainable with an eye to the future. Therefore, the issue of governance is the development of the next generation of human resources who can respond to social needs in the infrastructure field in the future, both domestically and internationally, with the private sector taking the lead.

It will be interesting to develop a diverse team that acts quickly, is creative, and can communicate with the private sector, evolving from a team that has been optimized to respond to domestic and foreign governments that have been responsible for infrastructure. We look forward to finding strategic partners also in the energy business to expand the market by acquiring funds and human resources in a variety of specialized fields. If we choose an organic growth path that covers all of this in-house, we risk not meeting social needs due to losing valuable time and speed. I am confident that under the holding company, we will be able to cultivate the centripetal force of "One ID&E," focusing on raising awareness to make it easier to make new friends in business.

I am confident that ID&E will be able to provide unprecedented one-stop services to contribute to society by collaborating with operating companies in different fields

Yoshiko Koizumi Outside Director



As Chair of the Audit & Supervisory Committee, I would like to talk primarily about governance, management issues, and return on capital.

1. Working to Improve the Effectiveness of Governance

● Implementation of the “Three Reality Principle”

One of the duties of the Audit Committee is to audit the execution of duties by executive officers and directors. This includes legal audits as well as validity audits. For this reason, it is essential for officers to understand what the problems in the field are and what the issues that need to be resolved are.

Communication with people is indispensable in order to understand about real locations, real things, and actual conditions, and it requires wisdom, time, and money to realize it. The Company sends outside officers and executives to various sites to provide opportunities for them to receive explanations from the officers in charge and the people in charge of the sites in an effort to ensure that non-executive officers understand issues. After observing site conditions, we set up an opportunity to directly hear about the difficulties that the person in charge of the site faces and ask questions such as where risks lie, how much money is required, and how much information is available on the trends of competitors. By doing so, we can obtain a better understanding of actual conditions, something that can only be done by visiting a site. It is possible to increase “intuition and sensitivity to risk” through feedback from those directly involved with various projects. I highly appreciate the fact that the Company has designed and implemented programs that help us understand what we are aiming for.

● Establishment of an audit system

Under the Audit Committee, there is the Audit Committee Office comprised of full-time executive officers and persons in charge of auditing-related work. The Audit Committee Office collaborates with the holding company’s internal audit department and closely collaborates with the auditors of the major operating companies under the holding company. The Audit Committee regularly holds meetings to exchange opinions and information with the auditors of the five major operating companies under the holding company to examine the issues and perceptions of each Group company, discuss measures for resolving issues, and share information.

2. Working to Solve ID&E Management Issues

We are making steady progress on the issue of reducing the proportion of Official Development Assistance (ODA) related work in the consulting sector. Although the number of projects undertaken by private companies in the consulting sector is not large, it is commendable that they have been achieving results. In areas within the Group that are lacking in specialists, I appreciate that the

Company is making up for this through M&A and joint ventures in Japan and overseas, aiming to provide one-stop services.

With regard to the creation of new businesses, the acquisition of BDP enabled us to expand into businesses within the former British Commonwealth, known as the “Union Jack arrow” (a visual description of the former British Commonwealth extending from Britain to New Zealand). I would like Japanese human resources to expand overseas markets together with Japanese markets while cooperating with on-site personnel within the BDP Group.

3. Working to Improve Return on Capital

Since Nippon Koei became the ID&E Holdings company, each operating company has been examining the return on capital of each project in detail, aiming to create one-stop services with a view to cross-departmental collaboration. On the other hand, the Company needs to plant seeds in various fields. For example, when there are investment projects from underground to space that the Company would like to consider, I believe that a management policy should be maintained with the determination that it is an investment for the future, even if it will not lead to a profit in a few years. Recently, we published a series of books on a project we were awarded some 46 years ago to examine and analyze the actual conditions of sewage shield construction. It serves as a record that expresses the enthusiasm of the engineers who were involved in the project at the time, and provides data to serve as a warning bell for the next generation. We also published a series of books about the power development projects in the Korean Peninsula for which Yutaka Kubota was awarded before the World War 2. From a return on capital perspective, the time, energy, and costs spent on things such as these publications may not be subject to monetary valuation. However, in the long run, they should also serve as catalysts that instill a sense of mission in junior staff and arouse their courage and motivation. I am proud that the recognition of the importance of value that cannot be measured from a short-term perspective has been passed down to us from generation to generation, and I believe that this will also lead to human resource development and the securing of human resources.

The holding company transition has made the objectives and business activities of each operating company clearer and has led to faster decision-making. I am confident that ID&E will be able to provide unprecedented one-stop services to further contribute to society by collaborating with operating companies in different fields. With natural disasters occurring more frequently in recent years, I am confident that our high level of expertise and technology in disaster mitigation and disaster prevention will be highly valued and respected by society.

It is important to gain the approval and support of all members of the Group companies and build a solid foundation so that no one is left behind

Yoko Ishida Outside Director



It has been three years and four months since I became an Outside Director of Nippon Koei and ID&E Holdings (as of the end of January 2024 at the time of this writing). Looking back, it was a turbulent period, beginning with the start of the COVID-19 pandemic, and with natural disasters and conflicts occurring both in Japan and overseas. I think it is wonderful that the transition to a holding company structure was realized as planned under these circumstances.

Since ID&E Holdings was recently established in July 2023, it is too early to assess the outputs and outcomes of the transition to a holding company structure at this point. However, since it is important to review the process of the transition to a holding company structure and learn some lessons from it, I decided to evaluate the process at this point in time.

In evaluating the process, the following evaluation items were set based on the procedures and activities to achieve the objectives and goals of target programs.

- i) Pre-assessment
- ii) Goal setting and planning
- iii) Implementation and progress reports
- iv) Information dissemination
- v) Target satisfaction

"i) Pre-assessment" was conducted carefully as far as I know from the reports provided during Board of Directors meetings. However, various events that occurred in Japan and overseas during the transition to a holding company structure could not have been assumed in the risk analysis.

"ii) Goal setting and planning" was also discussed many times at Board of Directors meetings carefully to develop procedures and plans for successful goal setting and planning. In addition to the general objectives of the transition to a holding company structure, goals specific to ID&E Holdings including faster decision-making, risk diversification by business, organizational revitalization, and M&A-based defense, will increase the sense of ownership by constituents of the entire Group. I am looking forward to the materialization of ID&E Holdings, which is currently being promoted by the Sustainability Promotion Council.

"iii) Implementation and progress reports" are also being carried out despite difficult conditions. Considering the socio-economic situation during this period, I think we could have spent a little more time in the preparation stage. However, I think it was appropriate that the Company became a holding company as planned so that it could continue to be a company trusted by society.

Regarding "iv) Information dissemination," I assume that no

effective measures have been taken yet. The Board of Directors has confirmed that the information necessary for corporate procedures has been properly disseminated. On the other hand, the status of explanations and exchanges of opinions with staff of the Head Office and Group companies in Japan and overseas and shareholders is not clear. I believe that disseminating information to market participants and the general public is a challenge for the future.

"v) Target satisfaction" comes from a questionnaire (currently being compiled) conducted by the Sustainability Promotion Council on staff awareness and satisfaction levels in the second half of 2023. According to the survey, many staff are highly satisfied with their work contributing to the development and maintenance of social infrastructure, disaster prevention, etc., but they do not have a high level of understanding regarding the Company's transition to a holding company structure.

Based on the above, I can conclude that the transition to a holding structure as an organization is proceeding appropriately. However, it is necessary to further enhance communication with shareholders and staff and disseminate information to the market. At present, the high level of staff satisfaction has been an asset since the Nippon Koei era. Based on this foundation, in order to generate results from the holding structure and expand it, it is essential that staff approve of and support the holding structure. A top priority is to communicate to the market, not only to increase sales, but also to attract the best future talent. During his 2024 New Year's Address, President Shinya said, "The fiscal year ending June 30, 2024 is the first year that we will undertake a new structure after our organizational restructuring and also the year that we will complete the current Medium-Term Management Plan. We need to address the issues that were clarified in our business activities in the previous fiscal year with "sincerity and firmly lay the groundwork for the next Medium-Term Management Plan, which will be in the development phase." As President Shinya said, in order to achieve the goals of the holding company as a whole, it is important to gain the approval and support of all members of the Group companies and build a solid foundation so that no one is left behind. I myself, as an Outside Director, will make further efforts to resolve issues.