

# Sustainability Management

## Approach to Nippon Koei Sustainability

Based on the Management Philosophy, the sustainability of our Group comes from developing business strategies to pursue opportunities in the risk related to environmental and social issues and proposing solutions for environmental and social issues through promoting business activities.

Under the “Nippon Koei Group Code of Conduct,” and “Basic Sustainability Policy,” each and every one of our employees 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 as a consultant.

|      |   |
|------|---|
| 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. |
| 2022 | Established Basic Sustainability Policy   |

## Basic Sustainability Policy

The Nippon Koei Group promotes sustainability management in order to contribute to the development of a sustainable society, based on fair and transparent corporate management that establishes trust with stakeholders and 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 Nippon Koei Group established the “Sustainability Promotion Committee” in September 2021 with the aim of further strengthening its efforts to realize a sustainable society.

As a sub-committee of the Management Council, this Committee will be responsible for examining important issues and key targets for sustainability across the entire company and clarifying necessary implementation strategies, KPIs, and activity procedures. The Committee is chaired by the Director and Vice President (in charge of Sustainability), with outside directors as advisors, and the committee members are those who are responsible for each business headquarters, business unit, and committee. Depending on the topic to be discussed, other parties concerned will attend the Committee, and outside experts will be invited. The Committee Chair, advisors, and committee members are appointed by the President, and sub-members and observers are appointed by the Committee Chair.

## Basic Sustainability Policy

|   |                                 |   |
|---|---------------------------------|---|
| Contributing to Society through Our Business Activities |                                 | We will actively promote the commercialization of solutions for social issues and contribute to the development of a sustainable society through business activities that support the development of optimal infrastructure to meet the needs of the times.     |
| Environment   | Environmental conservation      | We will strive to create a richer social environment in harmony with the natural and living environments, emphasizing the need to respond to climate change, to make a transition to a resource-recycling society, and biodiversity.                            |
|   | Respect for Human Rights        | Throughout our supply chain, we recognize diversity and address human rights risks based on race, nationality, gender, ideology, creed, and social status, and strive to avoid complicity in human rights abuses.   |
| Social  | Human Resource Development      | We will develop human resources who have the expertise to meet the needs of our clients and who can be active on a global scale, while maintaining fair and equitable employment relationships that enable our employees to play an active role in the company. |
|   | Work Environment Improvement    | We will support the safety and health of our employees and promote a working environment in which they can feel comfortable, prosperous, and fulfilled.   |
| Governance  | Enhancement of Governance       | We will comply with our corporate governance policies and ensure transparency of management and increase credibility through enhanced communication with stakeholders.  |
|   | Conduct Business with Integrity | We will comply with laws, regulations, and corporate ethics, including social norms, and conduct fair transactions with our business partners, respecting each other’s position.  |

The Committee is responsible for formulating business policies and approving and deciding on activities related to Group-wide sustainability risks and opportunities. The Committee's activities are supervised by the Board of Directors and matters discussed by the Committee are regularly submitted and reported to the Management Council and the Board of Directors. Specific business operations that contribute to the Sustainable Development Goals (SDGs) will also be considered by the Committee.

#### Composition of the Sustainability Promotion Committee

|                   |  |
|-------------------|--|
| Committee Chair   | Takayasu Tsuyusaki<br>Director and Vice President<br>(Officer in charge of Sustainability)       |
| Advisor           | Yoko Ishida<br>Outside Director  |
| Committee Members | Each headquarters Director General Managers and department General Managers (6 persons in total) |
| Offices           | Corporate Planning Dept.   |

#### Main Discussions of the Sustainability Promotion Committee and Future Responses

|                                       |   |
|---------------------------------------|---|
| Main Discussions During FYE June 2022 | <ul style="list-style-type: none"> <li>● Establishment of a Sustainability Promotion Committee and placement of full-time officers</li> <li>● Consideration and establishment of the Basic Sustainability Policy</li> <li>● Held study sessions to understand social trends and to improve the quality of information disclosure through mutual recognition of issues</li> <li>● Review and enhancement of Sustainability Promotion System</li> </ul>             |
| Future Responses                      | <ul style="list-style-type: none"> <li>● Analysis of the Nippon Koei Group's current conditions from the perspective of sustainability management</li> <li>● Realization and deepening of the roadmap and outputs for promoting sustainability management</li> <li>● Realization and deepening of materiality issues (including the consideration/formulation of KPI proposals)</li> <li>● Response to TCFD</li> <li>● Response to human rights issues</li> </ul> |

### Signatory of the UN Global Compact

In July 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.

Many of the projects in which we are involved, such as infrastructure construction, energy development, and environmental conservation in developing countries, will greatly contribute to the realization of the Ten Principles of the Global Compact. We will promote



management in accordance with these principles and contribute to the creation of a sustainable society through our business.

## Environmental Management

### Basic Approach to the Environment

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

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.

### Responding to Climate Change

Nippon Koei promotes the modal shift from automobiles to railroads and ships, supports conversion to renewable energy, supports the efficient use of energy, and provides consulting services for greenhouse gas reduction from the perspectives of various business fields, such as controlling greenhouse gas emissions by improving waste treatment technology and supporting the CDM (Clean Development Mechanism) business. In the Energy Business, we recognize the importance of both "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 the area of research and development, we have set "develop businesses responding to climate change" as one of the

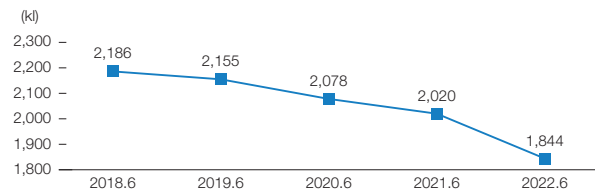
main technology measures that we are implementing across the entire company, and are for working on the development of related cutting-edge technology and new businesses. The Company also works to share and disseminate its technology and expertise widely, such as through the operation of NK-ClimVault, a portal site that allows users to obtain free future climate forecast information on rainfall and temperature in major cities.

In response to the Task Force on Climate-related Financial Disclosures (TCFD), the Sustainability Promotion Committee is analyzing the impact of climate change on our business and considering measures to address the issue. Going forward, we will promote the appropriate 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.

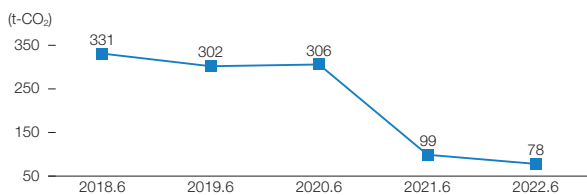
## Initiatives for Reducing Environmental Impact In-house

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, located in Sukagawa City, Fukushima which has a manufacturing department, is working on reducing power consumption by installing solar power generation and introducing storage batteries, reusing packaging materials, and recycling waste plastic and waste wood.

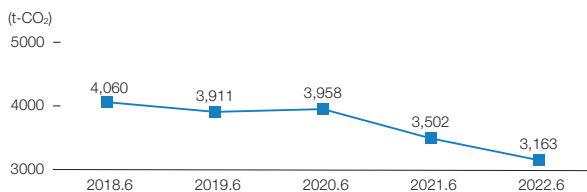
### Energy Consumption



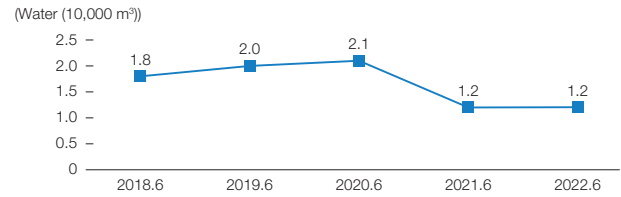
### CO<sub>2</sub> Emissions (Scope 1)



### CO<sub>2</sub> Emissions (Scope 2)



## Water Use



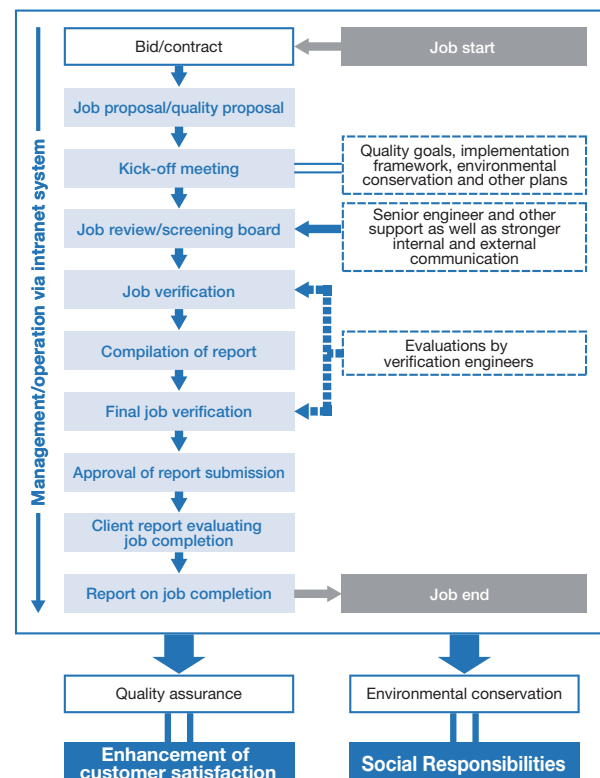
\*All Nihon Kohei offices in Japan

# Contributing to the Environment Through Business

## Quality and Environmental Management System

Nippon Koei has built and operates a quality and environmental management system at each business headquarters in compliance with ISO 9001 and ISO 14001 standards in an active effort to ensure quality and protect the environment in its business activities.

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.



## Project Information

### Decarbonization Supporting local government collaboration between Japan and developing countries to achieve a decarbonized society

In order to promote the decarbonization of cities in developing countries, we are engaged in the commissioning of public-private partnerships to realize decarbonization by sharing Japanese local governments' deep experience, know-how, and achievements related to the formation of decarbonized societies during collaboration with local governments in developing countries.

As part of this project, we support the formulation of master plans for overseas cities related to decarbonization, introduce decarbonization technologies by companies, and support the commercialization of decarbonization technologies. We also introduce technologies and products owned by private companies and support their commercialization in order to formulate concrete decarbonization projects for cities in developing countries. Since there are many financial problems associated with commercialization in developing countries, we provide support for commercialization by introducing subsidy schemes, etc. under the Ministry of the

Environment's Joint Crediting Mechanism (JCM) and providing guidance on application procedures.

To date, we have implemented several inter-city collaboration projects, mainly in Southeast Asian countries, with six projects underway in 2022.

#### City-to-City Collaboration Achievements (2022)

| Municipality in Japan | Foreign Municipality                      |
|-----------------------|---|
| Osaka City            | Ho Chi Minh City, Vietnam                 |
| Toyama City           | Renca Commune, Santiago, Chile            |
| Osaka City            | Eastern Economic Corridor (EEC), Thailand |
| Kawasaki City         | Pekanbaru, Indonesia                      |
| Fukuoka Prefecture    | Hanoi, Vietnam                            |
| Sakai City            | Ba Ria-Vung Tau Province, Vietnam         |

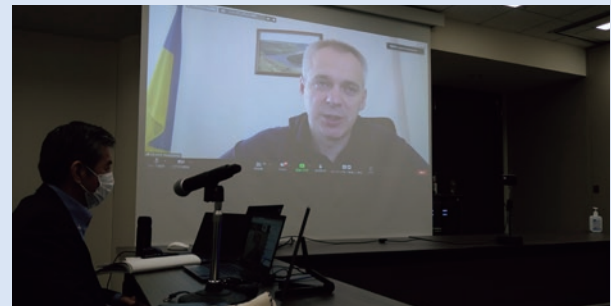
### Waste Treatment Sharing Japan's knowledge and experience in waste disposal with Ukraine, a nation which is experiencing waste issues

Since 2018, Nippon Koei has been conducting basic surveys to improve municipal solid waste management in Ukraine and dispatching experts from JICA to support the improvement of solid waste management capacity in Ukraine. As part of this work, we are currently holding online seminars (scheduled to be held four times in total) to share Japan's knowledge and experience in disaster waste management with Ukraine, which is currently experiencing difficulties in dealing with the large amount of debris (from destroyed buildings, etc.) generated by the Russian invasion.

The first seminar, held in June 2022, was attended by representatives from Ukraine's then Ministry of Local Government and Land Development, Ministry of Environmental Protection and Natural Resources, and city and state governments. From Japan, speakers included JICA officials, representatives from Nippon Koei, and officials from the Japan Environmental Sanitation Center and Higashimatsushima City in Miyagi Prefecture, which was severely damaged in the Great East Japan Earthquake, to deepen mutual

understanding of Japan's experience and Ukraine's current situation and challenges.

Going forward, Nippon Koei will continue to take the lead in supporting the recovery and reconstruction of Ukraine and contribute to its reconstruction.



Online seminar held in June 2022

### Clean Energy Reducing environmental impact and waste in the construction of renewable energy facilities

At the Fujiwara Power Station (Minakami-cho, Tone-gun, Gunma Prefecture), we were responsible for the foundation of the water turbine room, retaining walls, construction, paving and external structures within the power station, and for the foundation of the substation. The project is for the renovation of the hydroelectric power plant (22,200 kW output), which began operation in 1956, as a "power generation facility certified for renewable energy power generation projects based on the feed-in tariff system." In the past, when dismantling the foundation of a water turbine generator, thick steel materials such as water turbines and suction pipes buried in concrete were exposed and removed by gas cutting while the concrete was being dismantled. In this project, the burden on the environment was reduced by adopting a method of carrying out the buried steel material with the cut blocks using an overhead crane. In addition, waterless cutting, which does not use water

when cutting concrete, reduced waste (sludge water produced during cutting).



Removing a concrete section cut using a wire saw

# Society

## Human Resource Development

### Human Resource Policies and Basic Approach to Human Resources

The Nippon Koei 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 employee 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.

#### Training, Programs, and Systems for Human Resource and Skill Development

| Training and Seminars   |   |
|---|---|
| <ul style="list-style-type: none"> <li>● New employee introductory training</li> <li>● Third-year training</li> <li>● Mid-level employee training</li> <li>● Manager training</li> <li>● Training before appointment to managerial positions</li> </ul>                           | <ul style="list-style-type: none"> <li>● Harassment prevention training</li> <li>● Life planning seminars</li> <li>● Technical development training / TD follow-up training<sup>1</sup></li> <li>● Professional engineer (secondary) exam preparation seminar</li> <li>● Skill advancement courses, etc.</li> </ul> |
| Programs  | Systems   |
| <ul style="list-style-type: none"> <li>● Personnel Exchange Multiseed Program<sup>2</sup></li> <li>● Distance education</li> <li>● Financial incentives for paper submissions and lecture attendance</li> <li>● Financial incentives for certification attainment etc.</li> </ul> | <ul style="list-style-type: none"> <li>● NKG E-learning System</li> <li>● Career Path Planning System</li> <li>● CPD Activity Recording System etc.</li> </ul>  |

<sup>1</sup> Technical Development: A Nippon Koei training program for employees to define their career vision to serve as a guide for developing technical expertise to achieve their vision.  
<sup>2</sup> Abbreviation of Multi Seed Program, which is a system of personnel exchange that assign employees to a different department than the originating department for a set duration to develop engineers.

### Human Resources Strategy

Our human resources strategy aims to develop world-class human resources in 2030. In other words, our goal is to develop human resources that embody the Nippon Koei Group brand who "Think globally, Act locally."

In the medium-term management plan NKG Building Resilience 2024, "establishing the Nippon Koei Group brand and quality" is included as a resilience measure. "NKG Quality" is the technology and deliverables that have created a high level of customer satisfaction, and "NKG Brand" is the trust relationships with countries around the world built through overseas ODA projects and advanced disaster prevention and mitigation technology cultivated through domestic natural disaster response, which are rooted in the local community. For the Group, it is human resources themselves that create the brands and quality, so we recognize that "strengthening our human resources" is the most important management issue.

In addition to building a solid technological foundation, we are making intensive human resource investments in the following points as specific measures.

|                    |   |
|--------------------|---|
| Training measure ① | Domestic and overseas hybrid human resource development                     |
| Training measure ② | Regional engineer development   |
| Training measure ③ | Development of human resources capable of conducting cross-segment business |

### Human Resource Development Programs

In order for the Nippon Koei Group to continue to exist as a group of professionals capable of solving the issues of the times and issues that regions face who are committed to society, we believe that it is important for our employees to work tirelessly and for the company to create an environment that encourages them to do so. To achieve this, we established a system for career development and a structure for human resource development based on the career vision formulated in 2001. In addition, it is also important for each and every employee to be aware of the role he or she should play and to act with a sense of unity throughout the Group. In order to achieve this goal, we indicate the following three roles as being necessary: Technical Manager (TM), General Manager (GM) and Project Manager (PM). We offer a variety of training programs to promote knowledge and learning for each of them.

Furthermore, in order to smoothly promote work as professionals, we believe that communication skills, specialized technical skills, social skills, and management skills that integrate these abilities are essential. To improve these skills, we will enhance our effective training programs.

### NKG Global Academy

As part of our Medium-term Management Plan, we aim to establish the "NKG Global Academy," a platform which will enable engineers in the Group around the world to mutually exchange and integrate technical information. We are currently developing and expanding the content in stages with the aim of establishing it in June 2024. In 2030, it will be made available not only to the Group but also to general companies, etc. In the future, we plan to evolve it into a place where people from all over the world can gather and learn.

We are building a platform for co-creation with the aim of raising the level of all Group employees and developing top-class human resources, positioning it as a human resource development institution for the growth of all Group employees.

## Various Systems

### Job Rotation System

We have established the Multi Seed Program (MSP) under which young engineers are systematically transferred to other departments 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 by conducting a wide range of personnel exchanges on an ongoing basis.

In regard to administrative employees, we regularly conduct job rotations, especially for younger employees, 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 of the entire company, departments, projects, subsidiaries, etc., from a management perspective.

### Career Development Support System

We have established a system to help employees who seek to enhance their own professional development. The purpose of the “Financial incentives for certification attainment” program is to encourage employees to acquire official qualifications necessary for business strategy as well as to promote the development of employees’ skills and self-improvement.

Under the educational support system for self-improvement, we subsidize tuition fees for employees who have completed courses (correspondence courses, etc.) approved by the company.

In addition, we encourage employees 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 engineering employees in Japan and it is essential for our business strategy that our engineers have this qualification. Therefore, we support employees seeking to become certified professional engineers by offering annual preparation seminars for the certification examinations.

Programs are designed to build the confidence of individuals preparing for the examination through correcting and advising about written submissions, workshops and study sessions on test preparation and how to write papers, practice questions and answers, and mock interviews for the oral examination. The Company also offers financial incentives and a support system for the cost of examinations to reward employees that earn certification.

## Measures to Improve Employee Engagement

We believe that it is important for all employees to share the vision and mission of the Nippon Koei Group and operate its business with a sense of unity.

In addition, smooth internal communications, especially the building of good human relationships between superiors and subordinates, is directly linked to the improvement of employee engagement. For newly appointed managers, training is provided from the perspective of how to enhance team strength while utilizing the individuality and strengths of their subordinates.

In addition, we believe that it is important to properly evaluate abilities and achievements in order to improve employee 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 employees (excluding part-time and contract employees) as an opportunity for employees to present us with their own career aspirations and requests. The results are used for job rotation purposes and to improve the work environment.

### Key Human Resource Data

|  | 2019  | 2020  | 2021  | 2022  |
|--|-------|-------|-------|-------|
| Number of Certified Professional Engineers (Group total, number of persons)      | 1,621 | 1,656 | 1,727 | 1,743 |
| Number of Certified Professional Engineers (Non-consolidated, number of persons) | 1,334 | 1,362 | 1,420 | 1,466 |
| Number of New Employees (Domestic Group total, number of persons)                | 173   | 187   | 206   | 205   |
| Ratio of Female Employees Among New Employees (Domestic Group total, in percent) | 21.4  | 22.5  | 29.1  | 37.1  |
| Average Number of Years of Employment (Non-consolidated, years)                  | 14.4  | 13.9  | 13.6  | 13.4  |
| Employee Turnover Rate (Non-consolidated, in percent)                            | 2.3   | 2.1   | 1.8   | 2.4   |
| Training Cost per Person per Month (Non-consolidated, in JPY)                    | 3,502 | 2,646 | 1,187 | 2,903 |

### Turnover Rate of New Graduate Hires Within 3 Years\*

| Month/Year of Entry          | April 2016 | April 2017 | April 2018 | April 2019 |
|------------------------------|------------|------------|------------|------------|
| Turnover Rate Within 3 Years | 10.3%      | 7.0%       | 7.9%       | 7.6%       |

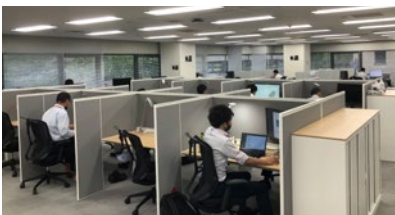
\* For example, the figure indicates the ratio of new graduate hires who joined Nippon Koei in April 2019 that have left the company within three years (by the end of March 2022).

## Work Style Reform

The Group has established a Work-Life Balance Promoting Committee under the Management Council to pursue a balanced work style that emphasizes the quality of labor so that each employee 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,” the Nippon Koei 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. As a response to the Covid-19 pandemic that we currently face, while using the decisions of the government and local governments as a standard, we have set an office attending rate for each employee according to the status of the pandemic since March 2020 to protect their safety and health, and we continue to use a combination of 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 employees who have difficulty working from home due to their home environment and other factors.

At the Head Office, by flexibly selecting and utilizing locations suited for work content, such as spaces for online meetings, offices for focused work, etc., we have established a work environment that encourages collaboration and improved productivity. 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"> <li>● Introduce telework, free address system, and satellite offices</li> <li>● Improve the efficiency of online meetings and regulate them</li> <li>● Digitization of various internal applications (paperless)</li> <li>● Use smartphones for extension calls</li> </ul>  |
| Improve management work efficiency          | <ul style="list-style-type: none"> <li>● Digitization of purchase management/contract management</li> <li>● Visualization of schedule management, labor management, and daily tasks</li> </ul>  |
| Improve efficiency of production activities | <ul style="list-style-type: none"> <li>● Digitalization of sales tools</li> <li>● Digital Transformation of activities from order acquisition to production through the use of AI, DB, and RPA</li> </ul>   |

## Work-Life Balance Initiatives

Nippon Koei acquired the Kurimin 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.



Nippon Koei build an environment where human resources may have diverse work styles in an effort to foster a better work climate.

## Systems to Support Work Friendliness

Nippon Koei has put in place a wide range of programs as a way to support employees 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 employees.

### Childcare Leave

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

#### Childcare Leave Utilization Rate

|          | FYE June 19 | FYE June 20 | FYE June 21 | FYE June 22 |
|----------|-------------|-------------|-------------|-------------|
| Total    | 23.6%       | 31.0%       | 38.7%       | 39.0%       |
| (Male)   | 10.2%       | 14.5%       | 17.2%       | 28.7%       |
| (Female) | 84.6%       | 87.5%       | 111.8%      | 122.2%      |

### Sick/Injured Childcare Leave System

Employees 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

| FYE June 19 | FYE June 20 | FYE June 21 | FYE June 22 |
|-------------|-------------|-------------|-------------|
| 25.2%       | 30.4%       | 23.1%       | 25.6%       |

### Nursing Care Leave

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

#### Nursing Care Leave Utilization Rate

| FYE June 19 | FYE June 20 | FYE June 21 | FYE June 22 |
|-------------|-------------|-------------|-------------|
| 1.2%        | 1.6%        | 0.9%        | 0.5%        |

## Supporting Employee 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 employee health from a management perspective and strategically promotes various measures to improve employee health.

### Nippon Koei Group Health Declaration

The Nippon Koei Group believes that in order to put into practice our management philosophy of "Act with integrity and contribute to society through technology and engineering," our employees and their families must be healthy, both physically and mentally.

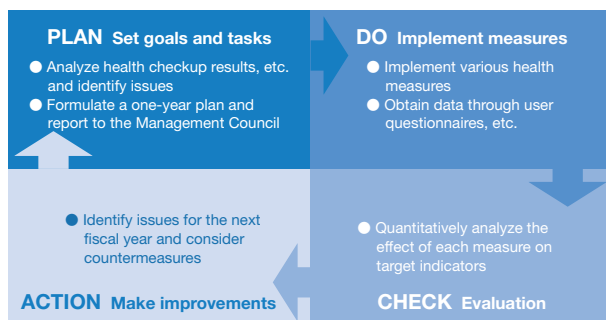
By maintaining and promoting the health of employees and their families, and creating a vibrant work environment and highly productive work styles that respect diversity, we will realize a favorable work-life balance of employees as well as the well-being of the Group and contribute to the development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

## Employee Health Management Support

Under the leadership of the Officer in charge of Health Management (Director and Vice President), we are implementing measures focused on the prevention of severe illnesses based on the premise that 100% of employees receive health checkups (all employees, including contract employees and part-time employees who are obliged to enroll in social insurance). We have established a wide range of preventive measures, such as annual health checkups, including gynecological checkups and complete physical examinations for all employees over 35 years of age, as well as recommendations for reexaminations by full-time industrial physicians for employees 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

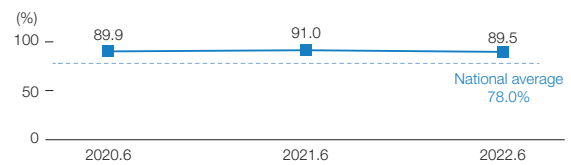
Nippon Koei was certified as a 2022 "White 500" Outstanding Health and Productivity Management Organization, continuing its status for four years in a row.



## Mental Health Care

Caring about the mental and physical health as well as the safety of our employees, we conduct annual stress checks for all employees and the ratio of employees 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 employees can easily consult with them.

### Percentage of Employees That Received Stress Checks



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

## Labor Safety and Health Initiatives

Nippon Koei places top priority on safety in every aspect of corporate activities in the 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 and illnesses and ensure the safety of all people from our corporate officers and employees to partner companies and everyone else in the value chain.

Our human resources are the foundation of Nippon Koei. The entire Group not only strives to engage in health management initiatives but also promotes various health measures unifying the company, employees and health insurance association to help all of our human resources perform to the best of their abilities.

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

|       | FYE June 20 | FYE June 21 | FYE June 22 |
|-------|-------------|-------------|-------------|
| Total | 13          | 10          | 11          |



## Diversity

The Nippon Koei 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. These figures will be reviewed and announced each fiscal year, and we 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

|                                      | 2021 Level | 2022 Level | 2030 Target    |
|--------------------------------------|------------|------------|----------------|
| Ratio of female managers             | 4.5%       | 5.4%       | 15% or more    |
| Ratio of foreign managers            | 0.4%       | 0.5%       | 1% or more     |
| Ratio of mid-career recruit managers | 30.1%      | 31.3%      | 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 graduate recruitment stage to increase the ratio of female employees. Specifically, we have set a target for increasing the percentage of new female university graduates hired to at least 20%.

### Ratio of New Female University Graduates Hired (Domestic Group Total)

| FYE June 19 | FYE June 20 | FYE June 21 | FYE June 22 |
|-------------|-------------|-------------|-------------|
| 21.4%       | 22.5%       | 29.1%       | 37.1%       |

## Promoting the Active Participation of Foreign Employees

Nippon Koei 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 Employees

| FYE June 19 | FYE June 20 | FYE June 21 | FYE June 22 |
|-------------|-------------|-------------|-------------|
| 1.7%        | 1.9%        | 2.2%        | 3.0%        |

## 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 2022, Aichi Tamano Information System Co., Ltd., a Group company established in 1987 for the purpose of promoting the employment of people with severe disabilities, was certified as a special subsidiary of the Nippon Koei Group, transforming from its old form as a subsidiary of Tamano Consultants. The employment rate in recent years has been 2.69% (including the special subsidiary), exceeding the statutory employment rate of 2.3%.

### Ratio of Employees Who are Disabled

| FYE June 19 | FYE June 20 | FYE June 21 | FYE June 22 |
|-------------|-------------|-------------|-------------|
| 2.02%       | 2.17%       | 2.09%       | 2.69%       |

## Human Rights Initiatives

Supporting the ten principles of the UN Global Compact in the four areas of human rights, labor, environment, and anti-corruption, in line with the "Nippon Koei Group Code of Conduct," and the "Ten Environmental Principles," the Nippon Koei Group obeys laws and ordinances related to the human rights of workers in each country where it conducts business while respecting basic human rights. In addition, the Nippon Koei 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 employees based on gender, age, origin, nationality, race, ethnicity, creed, religion, or disability.

### 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 Corporate 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.

### Training and Seminars

Nippon Koei provides harassment prevention training corresponding to each career stage. In addition to training for employees 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. Company-wide training for creating a workplace free of power harassment and sexual harassment is held once a year for all managers, and experts are invited to participate online while reviewing each year's theme. The attendance rate has been 100% each time it has been held.

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 employees due to the active recruitment of new graduates in recent years, and "Online Management Training" based on the increase in online communication due to the Covid-19 pandemic.

### Harassment Consultation System

We have established three contact points for harassment-related consultations. Employees can consult with our Personnel Department, labor union, or outside attorney. Consultants may directly consult with these contacts, and the privacy of the consultants will be strictly protected. Each consultation desk is made known to employees 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.

### Business Due Diligence

While conducting business in Japan or overseas, Nippon Koei promotes business due diligence that focuses on environmental and social aspects. We work to reduce potential human rights risks by effectively assessing the impact of our activities on people and regional societies based on international standards.

### 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. For this reason, we have identified the creation of "a workplace environment where human rights are respected and employees feel fulfilled" as one of the materiality issues in our sustainability management, and are aiming to formulate a human rights policy to promote initiatives based on a clearer understanding of our approach to human rights. As a group, we will operate with respect for human rights and work together with various stakeholders, including our business partners, to promote respect for the human rights of all stakeholders related to our business activities.

# Corporate Governance

The Nippon Koei'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 maintaining a structure facilitating the swift execution of business.

## Basic Corporate Governance Policy

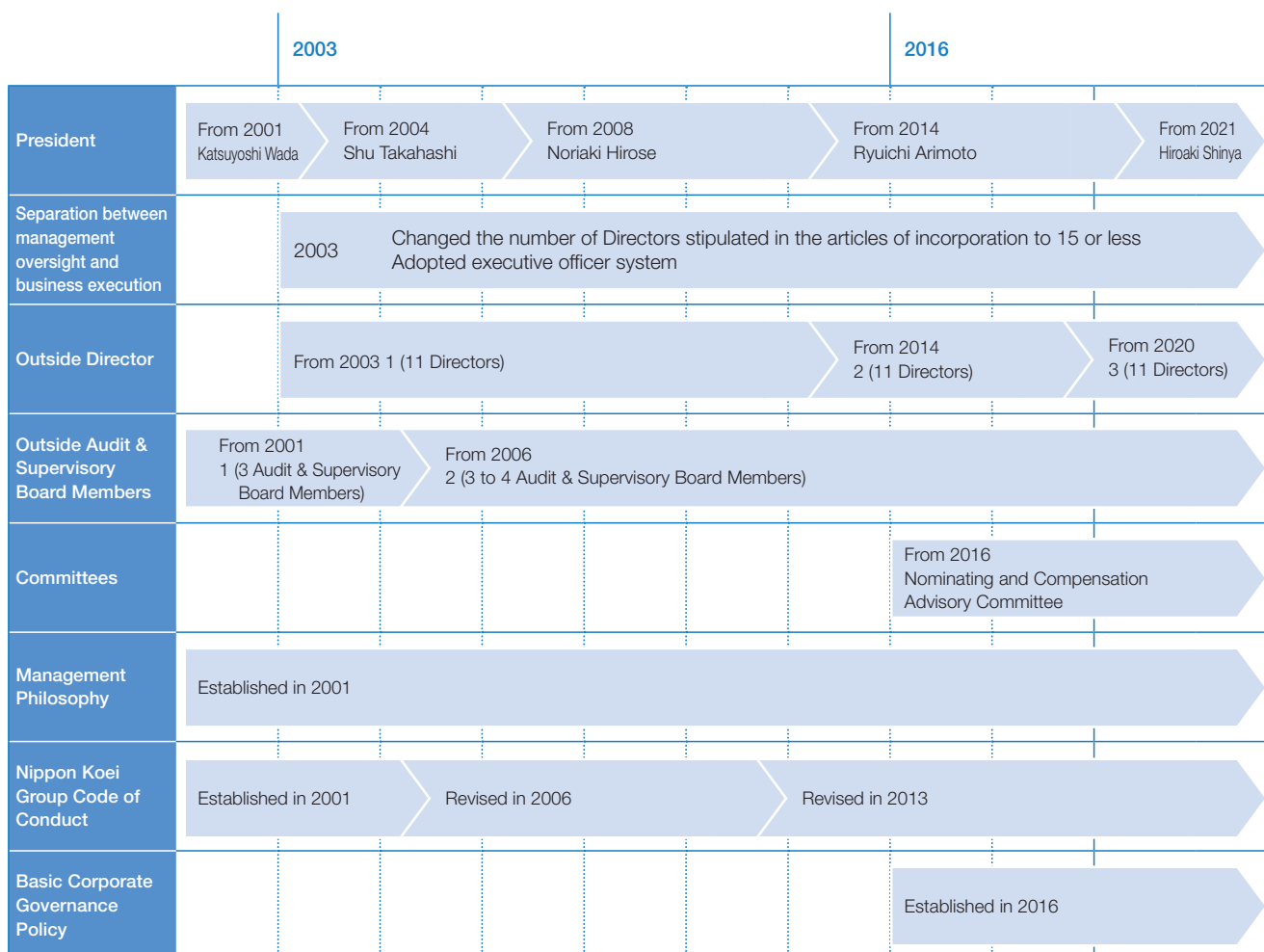
To promote corporate governance, the Company's Board of Directors has established and implements the "Fundamental Approach to Corporate Governance." The "Fundamental Approach to Corporate Governance" has been formulated with reference to the chapters of the Tokyo Stock Exchange's "Corporate Governance Code" and consists of the following sections: Basic Philosophy of Corporate Governance (Chapter 1), Ensuring Shareholder Rights and Equality (Chapter 2), Appropriate Collaboration with Stakeholders Other than Shareholders (Chapter 3), Appropriate Information Disclosure and Transparency (Chapter 4), Responsibilities of the Board of Directors and Others (Chapter 5), and Dialogue with Shareholders (Chapter 6).

## Committees and Meeting Organizations Related to Governance

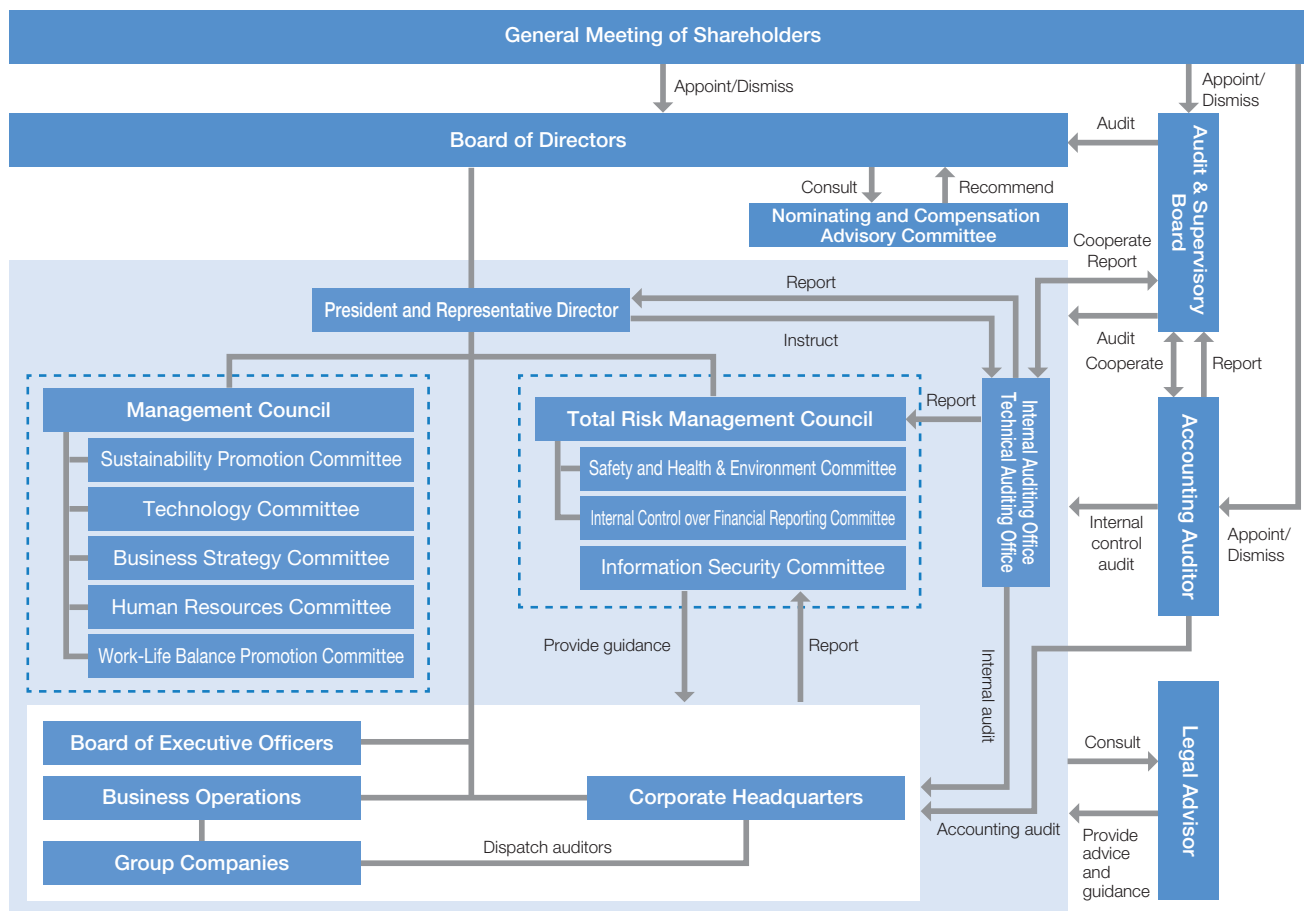
Nippon Koei maintains an Audit & Supervisory structure with a Board of Directors, Audit & Supervisory Board, and accounting auditors.

In 2003, we introduced an executive officer system as a voluntary system which separates management monitoring and supervisory functions from business execution functions, thereby clarifying responsibilities and accelerating decision-making. Since 2016, we have 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



## 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, in accordance with the Regulations of the Board of Directors, makes decisions about important matters and oversees the directors' execution of their duties. | Meetings are normally held once a month  | Composed of 11 Directors. 3 are Outside Directors. Four Audit & Supervisory Board members, including two Outside Audit & Supervisory Board Members, also attend meetings of the Board of Directors.   | Representative Director and Chairman       |
| Nominating and Compensation Advisory Committee | The committee reports its discussions of personnel changes, director compensation, and other matters to the Board of Directors.  | 6 times a year                           | Composed of 6 members. These members include 3 Independent Outside Directors and 1 Independent Outside Audit & Supervisory Board Member.  | Representative Director and Chairman       |
| Management Council                             | The Management Council discusses basic policies related to business execution and important matters related to management and promotes business planning.                            | Meetings are normally held twice a month | The council is composed of 10 members, including three representative directors as well as five directors and two executive officers designated by the President. One Full-time Audit & Supervisory Board Member attends the council meetings as an observer. | President and Representative Director      |
| Board of Executive Officers                    | The Board closely monitors the execution of specific measures related to the annual business plan and the medium-term management plan.   | Meetings are normally held once a month  | Composed of 31 members (Representative Director and President and 30 Executive Officers). Two Full-time Audit & Supervisory Board Members attend the meetings as observers.   | President and Representative Director      |
| Audit & Supervisory Board                      | The Audit & Supervisory Board conducts audits related to the execution of duties by directors and audits including monitoring the independence of accounting auditors.               | Meetings are normally held once a month  | Composed of 4 members (2 full-time Audit & Supervisory Board Members and 2 Part-time Audit & Supervisory Board Members).  | Full-time Audit & Supervisory Board Member |
| Total Risk Management Council                  | The Total Risk Management Council supervises the overall promotion of risk management.   | Meetings are normally held once a month  | Composed of 8 directors with the president serving as the Chair. One Full-time Audit & Supervisory Board Member attends the council meetings as an observer.  | President and Representative Director      |

## Board of Directors

The Board of Directors formulates mid- to long-term strategies and plans and supervises management 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 one female Outside Director who has held the position since September 2020. In addition, there is one female Outside Audit & Supervisory Board Member.

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 and Procedures for Nominating and Dismissing Directors

In order to improve fairness and transparency, proposals for appointing/dismissing Directors (proposals for the General Meeting of Shareholders or Board of Directors meetings regarding positions and appointments), which include the benefits and negatives of reappointment, are first screened by the Nominating and Compensation Advisory Committee and then discussed by the Management Council. Afterwards, plans are then decided by the Board of Directors.

In addition, Plans for appointing/dismissing Audit & Supervisory Board Members (plans for the General Meeting of Shareholders) are decided by the Board of Directors after consultation by the Management Council which obtains consent from the Audit & Supervisory Board in advance.

### Officer Skills

Based on the above concept behind the composition of the Board of Directors, 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.

### Officer Skills

| Name               | Job title   | Age (Gender) | Skills (experience, knowledge, ability) |                |                  |                             |                       |                         |                     |        | Activity status (for reference) |  |
|--------------------|---|--------------|---|----------------|------------------|-----------------------------|-----------------------|-------------------------|---------------------|--------|---------------------------------|--|
|                    |   |              | Corporate Planning                      | Technology/ IT | Sales/ Marketing | Human Resources Development | Financial/ Accounting | Legal/ Internal Control | Environment/ Energy | Global | Number of years in the position | Number of Board of Directors Meetings Attended (FYE June 2022) |
| Ryuichi Arimoto    | Director and Chairman                                     | 69 (Male)    | ●                                       |                |                  | ●                           | ●                     | ●                       | ●                   | ●      | 13                              | 18/18 (100%)   |
| Hiroaki Shinya     | Representative Director President                         | 62 (Male)    | ●                                       | ●              | ●                | ●                           |                       | ●                       | ●                   |        | 5                               | 18/18 (100%)   |
| Takayasu Tsuyusaki | Director and Vice President                               | 66 (Male)    | ●                                       |                | ●                | ●                           |                       |                         | ●                   | ●      | 5                               | 18/18 (100%)   |
| Haruhiko Kanai     | Representative Director Senior Managing Executive Officer | 64 (Male)    | ●                                       | ●              |                  | ●                           |                       | ●                       | ●                   | ●      | 5                               | 18/18 (100%)   |
| Noriaki Yoshida    | Representative Director Senior Managing Executive Officer | 64 (Male)    | ●                                       | ●              | ●                | ●                           |                       |                         | ●                   |        | 1                               | 13/13 (100%)   |
| Yasushi Hirusaki   | Director Managing Executive Officers                      | 60 (Male)    | ●                                       |                |                  | ●                           |                       | ●                       |                     | ●      | 5                               | 18/18 (100%)   |
| Tomohisa Fukuoka   | Director Managing Executive Officers                      | 59 (Male)    | ●                                       | ●              |                  | ●                           |                       |                         | ●                   |        | 1                               | 13/13 (100%)   |
| Hiroshi Yokota     | Director Managing Executive Officers                      | 62 (Male)    | ●                                       | ●              | ●                | ●                           |                       |                         | ●                   | ●      | —                               | —  |
| Hiizu Ichikawa     | Outside Director  | 75 (Male)    | ●                                       |                | ●                | ●                           | ●                     | ●                       | ●                   | ●      | 8                               | 18/18 (100%)   |
| Kazumasa Kusaka    | Outside Director  | 74 (Male)    | ●                                       |                | ●                | ●                           |                       | ●                       | ●                   | ●      | 7                               | 18/18 (100%)   |
| Yoko Ishida        | Outside Director  | 65 (Female)  | ●                                       | ●              |                  | ●                           |                       |                         | ●                   | ●      | 2                               | 18/18 (100%)   |
| Yoshizo Goto       | Full-time Audit & Supervisory Board Member                | 63 (Male)    | ●                                       |                |                  | ●                           | ●                     | ●                       |                     | ●      | 4                               | 18/18 (100%)   |
| Kunio Okamura      | Outside Full-time Audit & Supervisory Board Member        | 68 (Male)    | ●                                       |                |                  | ●                           | ●                     | ●                       |                     | ●      | 3                               | 18/18 (100%)   |
| Naoki Honjo        | Audit & Supervisory Board Member                          | 68 (Male)    | ●                                       |                |                  | ●                           | ●                     | ●                       |                     | ●      | 4                               | 18/18 (100%)   |
| Yoshiko Koizumi    | Outside Audit & Supervisory Board Members                 | 79 (Female)  | ●                                       |                |                  | ●                           |                       | ●                       |                     | ●      | 5                               | 18/18 (100%)   |

\* Since Noriaki Yoshida and Tomohisa Fukuoka were newly appointed and assumed their positions at the 77th General Meeting of Shareholders held on September 29, 2021, the number of Board of Directors meetings they were able to attend differs from that for the other Directors listed.

\* Because Director Hiroshi Yokota was newly appointed and assumed his position at the 78th General Meeting of Shareholders held on September 29, 2022, the terms of office and attendance for the fiscal year ended June 30, 2022 are not shown.

## 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.

### Process for Evaluating the Effectiveness of the Board of Directors

- A survey for Directors and Audit & Supervisory Board Members is conducted (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. However, social issues, recent issues faced by the Company, etc. will be newly added.
- This year's survey addressed eight topics: (① composition and operation of the Board of Directors, ② management and business strategies, ③ risk and crisis management, ④ monitoring of group companies, ⑤ evaluation and compensation of management), ⑥ Investment-related, ⑦ Dialogue with shareholders, etc., ⑧ Other matters).

### Evaluation Results and Future Issues

#### (Evaluation results)

- Confirmed that the effectiveness of the Board of Directors of the Company was ensured, including the improvement of the matters indicated previous fiscal year.

#### (Issues)

- Expansion of business execution reports of Group companies
- Further improvement of Board of Directors operations

## 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 an officer 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

- Since 2014, the Board of Directors has had two Outside Directors to encourage lively discussions. In addition, since September 2020, the Company has appointed an additional female outside director, making it three outside directors, thereby ensuring diversity in the composition of the Board of Directors and achieving even more vigorous deliberations.
- In order to demonstrate the function of the Board of Directors as a monitoring board, we have been transferring authority since 2018 to the President on certain orders, which were previously decided by the Board of Directors.

## Policies for Developing Our Next Generation of Executives

### President Succession Plan

The President Succession Plan was established by the Board of Directors after deliberation by the Nomination and Compensation Advisory 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 Nomination and Compensation Advisory 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 of promotion to the highest level of employee qualifications.

Specifically, employees 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 with internal directors (including presentations). In order to acquire the general knowledge required as a candidate for executive management, these promoted candidates will participate in training sponsored by external organizations.

In addition, candidates who are nominated to become executive officers on the recommendation of the President will be interviewed (including candidate presentations) with outside directors as their main interviewers. Based on their opinions, candidates will be appointed as executive officers through prescribed procedures such as resolutions of the Board of Directors. 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.

## 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 Directors

Director compensation follows the compensation framework established at the General Meeting of Shareholders, and individual compensation amounts are set using the following policies and procedures established by the Board of Directors. The Company has adopted a structure in which these compensation systems are reviewed by the Nominating and Compensation Advisory Committee, which is primarily comprised of independent outside directors, as necessary.

In addition, compensation is structured as described below.

|  |  |
|--|--|
| Directors Other than Outside Directors | Composed of fixed compensation (monthly compensation), results-based compensation (bonus) and compensation for restricted stocks                   |
| Outside Director                       | Composed solely of fixed compensation (monthly compensation)   |
| Audit & Supervisory Board Member       | Composed solely of fixed compensation (monthly compensation) (individual compensation is determined through consultation among corporate auditors) |

### Fixed Compensation

Fixed compensation (base compensation) for Directors (other than Outside Directors) is determined for each Director based on their role and level of responsibility. Monthly compensation is determined in accordance with the standards predetermined for each official position.

Part of the compensation of Outside Directors is spent to acquire the Company's share under the Directors' Stock Ownership Plan.

Audit & Supervisory Board Members have the option of allotting a portion of the salary to be used to acquire Company shares in the Officer Shareholding Association.

## Results-based Compensation (bonus)

For directors (other than outside directors), performance-linked 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 each fiscal year are selected as appropriate performance evaluation indicators.

Specifically, a standard amount is determined according to the achievement rate based on the planned value of sales revenue and profit attributable to owners of the parent company as a bonus payment standard, and the Representative Director and President evaluates the degree of achievement of business performance and the degree of contribution to the company, etc. of each Director. Furthermore, bonuses are paid every year at a certain time after the end of the relevant fiscal year within the maximum annual amount of remuneration for directors approved by the General Meeting of Shareholders following deliberation by the Nomination and Compensation Advisory Committee.

## Restricted Stock Compensation

Restricted Stock Compensation has been implemented starting in September 2017 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.

Within the scope of the total amount of monetary compensation claims to be paid as compensation for restricted stock that has been approved separately from the annual limit of director compensation at the general meeting of shareholders, restricted stock is allocated at a certain time each year by having the monetary compensation claims paid to each director contribute in kind according to predetermined criteria for each position.

### Description of Officer Compensation

|                                    | Compensation (annual amount)  | Director<br>(excluding<br>outside director) | Outside Director | Audit &<br>Supervisory<br>Board Member |
|------------------------------------|---|---|------------------|--|
| Fixed Compensation                 | Directors (excluding outside directors): Up to ¥465 million (includes bonus)<br>Outside Directors: Set at ¥45 million<br>Audit & Supervisory Board Member: Set at ¥80 million | ●   | ●                | ●                                      |
| Results-based compensation (bonus) | The standard amount is determined according to the percentage of achievement of the planned value of sales revenue and profit attributable to owners of parent                | ●   | –                | –                                      |
| Restricted Stock Compensation      | Set at ¥60 million  | ●   | –                | –                                      |

### Standard Compensation Structure for Director Compensation

| Fixed Compensation (Base Compensation) | Results-based compensation (bonus) | Restricted Stock Compensation |
|--|------------------------------------|-------------------------------|
| 67%                                    | 19%                                | 14%                           |

### Compensation Amounts for Directors and Audit & Supervisory Board Members in FYE June 2022

| Officer Classification  | Total Amount of Compensation (Millions of yen) | Total Amount of Compensation by Type (Millions of yen) |                               |                             | Number of Officers Eligible |
|---|--|--|-------------------------------|-----------------------------|-----------------------------|
|   |  | Fixed Compensation                                     |                               | Number of Eligible Officers |                             |
|   |  | Base Compensation                                      | Restricted Stock Compensation | Bonus                       |                             |
| Directors (excluding outside directors)                       | 359  | 206  | 43                            | 110                         | 10                          |
| Audit & Supervisory Board Members (excluding outside members) | 29   | 29   | –                             | –                           | 2                           |
| Outside Director  | 45   | 45   | –                             | –                           | 3                           |
| Outside Audit & Supervisory Board Members                     | 33   | 33   | –                             | –                           | 2                           |



# Compliance

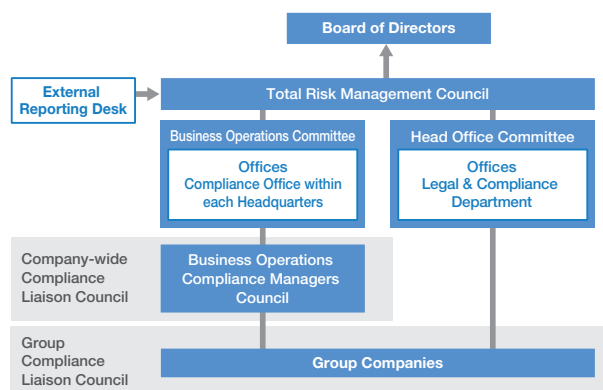
In order to conduct business appropriately in a global society and to prepare for all kinds of risks that may hinder business activities, initiatives and guidance that serve as common guidelines worldwide are becoming increasingly important. We are aware that thorough compliance is a source for increased 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

The Nippon Koei Group has established the Nippon Koei 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 employee. It has been made available into seven languages, including Japanese, English, and Spanish, and shared with employees 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.

**Nippon Koei Group Code of Conduct URL**  
[https://www.n-koei.co.jp/english/profile/ideas/pdf/code\\_of\\_conduct.pdf](https://www.n-koei.co.jp/english/profile/ideas/pdf/code_of_conduct.pdf)

## Compliance Organizational Chart



## Compliance Awareness Survey

The Nippon Koei Group regularly conducts a compliance awareness survey of officers and employees 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 employees, 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 employees, including training for employees at some Group companies.

## Compliance Consultation/Reporting System

We established the Consultation/Reporting System Regulations in 2003 and have set up a system where employees who become aware of compliance violations or actions that may violate compliance can directly consult or report to the Department in charge of compliance or an outside attorney. This system is available not only to our employees but also to temporary employees, Group companies, and business partners. The number of reports (excluding consultation cases) over the past few years is as shown in the table below.

### Number of Internal Reports

| FYE June 2020 | FYE June 2021 | FYE June 2022 |
|---------------|---------------|---------------|
| 12            | 7             | 7             |

## 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 Nippon Koei 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. The Code of Conduct stipulates that we will not pursue profits by unfair means and that we will conduct our business activities in compliance with laws and regulations based on fair, transparent, and free competition.

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 Head Office.

## Risk Management

As we conduct a wide range of business activities on a global level, we believe that a solid risk management system is essential for implementing our business strategies. In formulating long-term management strategies and medium-term management plans, risks are comprehensively identified and closely monitored as we conduct our business activities, while incorporating various measures to hedge risks.

### Risk Management Organization and System

As an organization to supervise the overall risk management promotion, the Total Risk Management (TRM) Council meets monthly to identify and assess risks within the Group and promote risk prevention and countermeasures.

The TRM Council is comprised of eight directors including the President serving as the Chair. Each meeting includes an Audit & Supervisory Board member who attends as an observer. Executive Officers of Nippon Koei have the duty of conducting risk management related to the assigned duties each was given. Total Risk Management Council members consist of individuals who are at the Executive Officer level or above.

The TRM oversees the overall promotion of risk management, and the TRM as well as the Safety and Health & Environment Committee, Internal Control over Financial Reporting Committee, and Information Security Subcommittee, all of which are under the supervision of the TRM, manage risks across the entire company and report important risk information monthly to the Board of Directors.

### Risk Management Plan Formulation and PDCA Cycle

Based on the Basic Policies on the Development of Internal Control System established by the Board of Directors, Nippon Koei has formulated a Group-wide Risk Management Plan and is promoting systematic risk management.

Each division identifies and evaluates risks associated with its business activities each fiscal year, formulates specific management measures to prevent risk events from materializing or to minimize the possibility of losses, and drafts a risk management plan. After compiling risk management plans for each department and discussing and formulating a Group-wide risk management plan, TRM regularly monitors the progress of the risk management plan, review the progress, issues, and future countermeasures, and implements a PDCA cycle. When a significant risk event becomes apparent, we conduct an assessment of the risk management plan, take necessary measures and improvements, and reflect them in the risk management activities of each division. In addition, the status of risk management at Group companies is reported to the TRM Council by the heads of each department, and it is monitored on a regular basis.

In the event of a crisis, in accordance with the Crisis Management Regulations, a Company-wide emergency task force or emergency task force of the relevant department is established to respond appropriately to the crisis after promptly reporting to the President (who serves as Chair of the TRM Council).

### Business Continuity Initiatives

If we do not have adequate countermeasures for natural disasters as well as for epidemics and outbreaks of infectious diseases, there is a risk that we will be forced to suspend operations for a long period of time, which could result in significant losses that would have a major impact on our 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 a business continuity plan (BCP) and are working to create and regularly review procedures for responding quickly and appropriately in the event of a crisis.

### Quality and Environmental Management System

We have established and implement a quality and environmental management system in accordance with ISO 9001 and ISO 14001. 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 have realized consideration, 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 and perform consulting services from customers, including government and public agencies. The Group Code of Conduct stipulates the thorough protection and management of all information obtained in the course of work and the prevention of unauthorized use and leakage. In addition, we have established and implement the Basic Policy on Information Security and the Information Management Rules to protect and manage information and prevent unauthorized use and leakage. In addition, as a response to increasing information security risks such as cyberattacks, we continuously improve information security measures under the supervision of the Information Security Subcommittee established under the TRM Council. In addition, we have been audited by a third-party organization and some departments have obtained the ISO 27001 certification, an international standard for information security management systems (ISMS).

## A Discussion with Outside Directors



**Yoko Ishida**  
Outside Director

**Hiizu Ichikawa**  
Outside Director

**Kazumasa Kusaka**  
Outside Director

### Transition to a Holding Company

— Please tell us your thoughts about Nippon Koei's transition to becoming a holding company.

**Kusaka** Regarding the transition to a holding company, at first I would like to say that although organizations in the world exist in

various forms, there is no form that will act as a panacea to make everything go well. Since conditions surrounding a company change depending on the trends of the times and various circumstances, we should think about organizational design from the perspective of how we can achieve the desired results according to the circumstances at the time. Since its founding, Nippon Koei has continued to grow with the Consulting Business serving as its core business. From the 2010s, Nippon Koei has diversified its business by launching its Urban & Spatial Development Business and Energy Business as part of its previous

long-term management strategy. When diversifying, some companies establish new companies under the umbrella of a main company, but there are cases where communication between the main company and its subsidiaries may not be successful. In the Nippon Koei Group, each business has different origins, track record, and way of working, so it is important to establish an organizational structure that facilitates communication within the Group as smoothly as possible.

For this reason, it was thought that a horizontal relationship would work better for the Nippon Koei Group, in which other operating companies, including Nippon Koei itself, are established under the umbrella of the holding company rather than a vertical relationship between Nippon Koei as an operating company and its subsidiaries for group governance. With the Consulting Business as the “eldest son” and the Urban & Spatial Development Business, Energy Business, and other business companies that have newly joined the Nippon Koei Group serving as “younger daughters and sons,” I believe that it will be possible to create a relationship of mutual understanding and cooperation among the business companies. In order to realize the ideal vision we have envisioned for the future, I believe that the optimal organizational structure at present is a pure holding company structure.

**Ishida** The business conditions surrounding the Nippon Koei Group continue to change drastically due to the spread of Covid-19, the permeation of DX, and the further progress of globalization. In addition, as the positions of countries around the world and regional communities such as ASEAN are changing, the nature of Japan's ODA is also changing. It is becoming increasingly difficult to formulate future-oriented plans in management based on common sense, so we need to increase management flexibility more than ever. For the Nippon Koei Group, it is necessary to build an organizational structure that is both top-down and bottom-up rather than the monolithic corporate management scheme that has been in place until now with Nippon Koei at the center. Instead of concentrating our strengths in the monolithic Nippon Koei, each operating company should demonstrate its strengths while collaborating within the Group to create new value. In other words, each operating company should autonomously demonstrate its strengths. At the same time, we aim to build an organizational structure that maintains a sense of unity as the Nippon Koei Group. This is what is behind the transition to a pure holding company structure.

**Ichikawa** As Mr. Kusaka said, it does not mean that everything will work just because the organization has a given form. An organizational form is only a box. Therefore, the success of a company is determined by the ability of the people within to demonstrate their individual strengths. When it comes to whether the organization or the people are more important, it goes without saying that the people are more important. Nippon Koei Group will

continue to promote diversification and aim to become an organization that encompasses a wide range of fields. However, what is most important in doing so is having leaders who can drive growth. If each leader can exert a strong centripetal force and unite a diverse group of people toward a single goal, the organization will develop into a powerful entity with many strengths.

In this sense, just as important as the transition to a pure holding company structure is the further strengthening of the supervisory function of the holding company. As a holding company with a nominating committee, etc., it is important that the committees properly discuss and select leaders who are suitable to lead the Nippon Koei Group in an open and fair manner. I would like people to focus on the new structure of the Nippon Koei Group, which will promote both the shift to a holding company structure to encompass a wide range of diverse fields and the function of objectively selecting leaders to oversee these fields.

#### — What other changes are you expecting as a result of the transition to a holding company?

**Kusaka** It can also be expected that the transition will accelerate the growth of potential leaders. As an example, it is conceivable that human resources who have been active in the operating companies for 15 to 20 years will be transferred to the Corporate Planning Department of the holding company for about two years. While simply staying with the operating company to which you originally belonged may deepen your knowledge of the business field, it is difficult to gain a multifaceted perspective doing so. The holding company brings together potential leaders who are expected to play a central role in the future management of the Nippon Koei Group and gives them the opportunity to enhance their understanding of the group as a whole and their knowledge of group management. If each potential leader gains this kind of experience and plays an even more active role after returning to his or her original company, it will lead to the sustainable growth of the entire Group as a result. I believe that the deepening of communication and personal relationships among seconded employees will also strengthen the cohesiveness of the entire Group in the future.

In addition, the head of each business division will move from the position of making decisions in that division to that of president of a single operating company and will fulfill their accountability to stakeholders while exercising their authority as president. By doing so, they will be able to realize their potential and eventually grow into leaders who can lead the entire Group.

**Ishida** I think it is true that the position makes the person. If the transition to a holding company structure increases the number of new positions, we can expect to further promote diversity, including

increasing the number of our female and non-Japanese employees. In the past, community and infrastructure development was carried out almost exclusively from the perspective of men. Recently, however, the opinions of women have been incorporated as well. Diversity at the project level is progressing steadily and I believe that the transition to a holding company structure will lead to greater diversity at the management level.

**Kusaka** Although the ratio of female managers at Nippon Koei is just over 5%, I expect that if more women are placed in positions of responsibility in the future, they will contribute to the creation of new value from a different perspective than men.

**Ishida** Since connections with overseas group companies, including BDP Holdings Limited (BDP), a British architectural design firm that is part of the Nippon Koei Group, are increasing, we may consider taking advantage of the expanded cooperative relationships to develop human resources, such as transferring employees from Nippon Koei to those companies and human resource exchanges with universities.

**Ichikawa** Another option is to constantly send two or three trainees to a Group company that possesses know-how, such as BDP. BDP also acquired Pattern Design Limited, which designed the stadiums for the Football Qatar World Cup. Since we have such a company with a global presence under our corporate umbrella, I think it would be good if we could expand mutual exchanges and enable Nippon Koei employees to learn about their latest technology. By absorbing their knowledge, we should be able to increase the overall strength of the Group as a whole.

**Kusaka** In 2019, BDP acquired the Canadian architectural design company Quadrangle. By accelerating its business

expansion in North America with Quadrangle as a foothold, BDP is expanding its business area both geographically and vertically. Since these companies are also subsidiaries of the Nippon Koei Group, we have the opportunity to hear directly about the latest trends in the business environment from our colleagues where those companies are based, including the political economy of each country, rather than obtaining information from the media in Tokyo. We can get opinions from different perspectives on the same phenomenon. Diversity is not just about gathering people with different attributes. It is intrinsically valuable in working with people with different perspectives and having contact with other parts of the world. I believe that interacting with employees of overseas-based Group companies and deepening mutual understanding of different cultures will serve as the foundation for Nippon Koei, a Japanese company, to play an active role in the world, create value, and grow.

## About Our ESG Initiatives

### — I would like to hear your opinions on the Nippon Koei Group's seven materiality issues.

**Ichikawa** Solving social issues is what Nippon Koei does. It is our mission to play a role in the field of renewable energy, since the energy sector, which is linked with the decarbonization of society, was the first business undertaken by our founder, Yutaka Kubota. All of the seven materiality issues are important for the Nippon Koei Group to grow sustainably together with society. However, it may be more effective to promote each materiality issue with some degree of prioritization rather than to pursue each in a uniform manner. From this perspective, "Challenge to decarbonization" is a particularly important materiality issue.

In the consulting field, DX must be fully utilized to improve efficiency and speed. In order to strengthen infrastructure, it will be necessary to devise ways to double or triple the efficiency within a limited budget. To achieve this, it is important to enhance the organization and human resources.

**Ishida** I think it is important to give priority, but also to encourage the Nippon Koei Group to focus on areas that it has not emphasized so far is the significance of raising the seven materiality issues. For the Nippon Koei Group, which operates not only in Japan but also overseas, this is a good opportunity to raise awareness of global social issues. It is important to recognize our company's situation from the perspective of society. As a member





**Ichikawa** From my experience, good companies have good people. They listen and respond to customers when they are really facing trouble. I think that is the most important thing for a company to do, and I hope that Nippon Koei will continue to be such a company.

I believe that my role as Outside Director is to continue to convey opinions through my own filters on each and every move that Nippon Koei faces. I feel that guiding Nippon Koei in a direction that I think is appropriate will contribute to the company.

**Kusaka** Both Ms. Ishida and Mr. Ichikawa talked about “people.” I also feel that companies are ultimately all about people. The “software” (people) is combined with the “hardware” (organizations) and the wisdom of each organization is accumulated. Therefore, I would like to meet with all employees at Nippon Koei Group regardless of position to deepen our communications when the Covid-19 pandemic is under control. I think there are opportunities for small groups to meet for dinner and where people can talk freely, so traveling to many sites and engaging in dialogue with employees is what I most want to do now.

of the Sustainability Promotion Committee, I am very happy that we are now able to have discussions about materiality issues.

**Kusaka** It is important to use the identified materiality issues as tools for communication with stakeholders. In the process of carefully explaining to investors and other stakeholders what Nippon Koei believes is important and why, I believe that the Group can clarify its values.

## Closing Messages

— In closing, could you each give us a closing message regarding your expectations for the future of the Nippon Koei Group and the role that you would like to play as an Outside Director?

**Ishida** Construction and development consultants in the Nippon Koei Group play an important role in creating plans to materialize policies created by JICA and other national agencies and in giving shape to the needs of local people, but they are not well known and are often seen as behind-the-scenes helpers. Although reserved nature and seriousness are good qualities of this company, I would like to see the Nippon Koei Group’s presence enhanced by strengthening its ability to communicate outside the industry a bit more. I expect that this will lead to the acquisition of excellent human resources and the development of new markets.

