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Basic Corporate Governance Policy

Nippon Koei Co., Ltd.

Introduction

Nippon Koei Co., Ltd., has established the management principle: “Act with integrity and contribute to the society through technology and engineering.” Nippon Koei Group, by developing a wide range of business operations that serve the public, including construction-related consulting business and electric power engineering business, works to achieve the group’s social missions and strives to enhance the group’s continued growth and improve mid- and long-term corporate values.

Chapter 1 Basic Idea for Corporate Governance (Code 3-1(ii)) (*)

The Company’s basic idea in this area is that it will make efforts for enhancing corporate governance to further improve the Group’s corporate values, by strengthening the management’s supervisory function and by working to secure transparency and establish a system for speeding up its business operations.

(*) A Code number is shown here for indicating the corresponding principle of the “Corporate Governance Codes” established by the Tokyo Stock Exchange in which disclosure is a requirement (hereinafter, the same applies).

Chapter 2 Securing Shareholders’ Rights and Equality

1. Securing Shareholders’ Rights

- (1) The Company has an appropriate environment in place to substantially secure shareholders’ rights including their voting rights.
- (2) A notice of calling for General Meeting of Shareholders is principally sent to shareholders no later than three weeks prior to the date of session and it is also published on the Company’s website. In this way, the Company makes efforts to secure sufficient time for shareholders to consider how they will exercise the voting rights.
- (3) An environment suitable for diverse shareholders is in place, for example, notices of calling are translated into English and voting can be carried out on the Internet.
- (4) As a general rule, the Company does not allow persons other than shareholders listed by

name in the register of shareholders to attend the General Meeting of Shareholders. However, an institutional investor, such as a person holding shares in the name of a trust bank, who wishes to attend the General Meeting of Shareholders as an observer, will be allowed to attend on having completed the prescribed formalities one week or more prior to the day on which the General Meeting of Shareholders is to be held.

2. Equality of Shareholders

For all shareholders including minority shareholders and foreign shareholders, considerations are made and equality is secured to enable them to exercise their rights in proportion to their respective shares.

3. Basic Capital Policy

In order to improve corporate values, the Company works to further promote its capital efficiency by carrying out growth investment based on mid- and long-term management strategies, by carrying out financing that appropriately meets the relevant current situation and by managing the Company with the targeted level of return on equity (ROE) in mind.

Furthermore, efforts are made to secure a stable delivery of dividends and increase shareholder returns in line with an increase in profit level with due regard for dividend payout ratio.

4. Cross-holding of Shares (Code 1-4)

- (1) To promote expansion of business and sustainable growth, the Company has a policy to cross-hold shares that the Company needs strategically, based on a mid- and long-term perspective and by comprehensively taking into consideration its significance to the Company's business strategies and business relationship with clients and suppliers, and to sell at its own discretion shares that have lost the rationality for cross-holding.
- (2) At the meeting of the Board of Directors, the Company verifies returns and risks of cross-holding of shares from a mid- and long-term perspective and based on the verification result, further verifies the purpose and rationality of cross-holding of shares.
- (3) With respect to the voting rights of cross-holding shares, in principle, the Company agrees to proposals submitted by the company it cross-holds shares, and in exercising its voting rights, the Company does so considering whether the relevant company is being managed with a focus on its growth and shareholders' interest as well as whether the relevant proposal can contribute to improvement in corporate values of the Company.

5. Transactions between Related Parties (Code 1-7)

- (1) Transactions between related parties are examined regularly and decisions are made by the

Board of Directors after, in accordance with laws including the Companies Act, having made careful discussions on whether such a transaction can prejudice the Company's interest and common benefit of shareholders.

- (2) Information on transactions between related parties is disclosed in accordance with applicable laws such as the Companies Act and the Financial Instruments and Exchange Act and regulations of the Tokyo Stock Exchange.

Chapter 3 Appropriate Cooperation with Non-Shareholder Stakeholders

1. Formulation and Implementation of Code of Conduct

Under its management principle, the Company has established the "Nippon Koei Group's Code of Conduct" and delivers and makes the guidelines widely known to officers and employees of the Group companies. In addition, the Company works to develop trust-based relationship with stakeholders including clients, suppliers and employees and manage the Company taking into account its social responsibilities and the creation of added value.

2. Initiatives for Sustainability

In conjunction with establishing a Basic Sustainability Policy, the Company will appoint a new Officer in charge of Promoting Sustainability, and promote initiatives for the development of a sustainable society through the Sustainability Committee under the authority of the Management Council.

3. Efforts on Social and Environmental Issues

- (1) The Company contributes to the development of local communities, through its core business, by providing technical services and products that are excellent in meeting the needs of local communities.
- (2) In order to realize a sustainable society, the Company promotes environmentally conscious research and technological development and, based on its "Ten Environmental Principles," it actively promotes business operations that are friendly to the global environment.

4. Ensuring Diversity

The Company develops a work environment where diverse human resources who have a range of values and ways of thinking can display their originality and capability regardless of nationality, gender, age and employment status.

Chapter 4 Appropriate Information Disclosure and Ensuring Transparency

1. Enhancement of Information Disclosure

- (1) In order to ensure transparency and fairness in its business operations, the Company works on active and responsible disclosure of information.
- (2) The Company promptly and appropriately discloses information that is related to its business operations including financial information and other information that is deemed to be useful for shareholders and investors, in accordance with applicable laws such as the Companies Act and the Financial Instruments and Exchange Act and regulations of the Tokyo Stock Exchange.

Chapter 5 Responsibilities of the Board of Directors, etc.

1. Organizational Structuring

The Company has selected to establish itself as a company with an Audit & Supervisory Board that has significant auditing capability as required by law (also with a Board of Directors and with Accounting Auditors). Furthermore, while installing a Nominating and Compensation Advisory Committee whose constituent members include Independent Outside Directors to enhance the fairness and transparency of the management, the Company has separated the function to monitor and supervise the management and the function to execute business operations by introducing an executive officer system, so that clarification of responsibilities and prompt decision-making can be realized.

2. Board of Directors

(1) Responsibilities of the Board of Directors

In order that the Company realizes sustainable growth and improvement in its mid- and long-term corporate values in line with its fiduciary responsibility and accountability, the Board of Directors recognizes that the board's basic responsibilities are to formulate mid- and long-term strategies, supervise the management and promote improvement in the Company's earning capability and capital efficiency.

(2) Limit of authority delegated to the management (Code 4-1 ①)

Matters to be resolved by the Board of Directors include those specified by laws and the Company's Articles of Incorporation as well as certain important matters which should be based on the "Rules of the Board of Directors" (such as formulation of management and business plans). For other decisions on business execution, a necessary and appropriate authority suitable to the relevant job position (authority to receive orders, to spend expenses, to make decisions on human resources, etc.) is delegated to the owner of the job title including the President, Directors General of Headquarters, Senior General Manager of Operations, General Managers of Divisions and General Managers of Branch Offices and the

delegation of such authorities is specified in the Company's internal regulations such as the "Administrative Authority Regulations."

(3) Basic idea for the composition of the Board of Directors (Code 4-11 ①)

The Board of Directors is composed of members who in principle have appropriate personality, insight, experience, knowledge and capability to fulfill their duties and can make comprehensive judgment with a wide perspective as well as who are deemed the most appropriate. The members of the Board of Directors are appointed, after having made considerations so that an appropriate and total balance can be achieved under the current business environment of the Company.

(4) Policies and procedures to nominate, appoint and remove Directors and nominate and appoint Audit & Supervisory Board Members (Code 3-1 (iv))

From the viewpoint of enhancing the fairness and transparency, personnel proposals related to the Board of Directors including the pros and cons of reappointment (agenda of the General Meeting of Shareholders and agenda of the Board of Directors meeting pertaining to posts and appointments) are examined by the Nominating and Compensation Advisory Committee and are subject to discussions by the Management Council before being determined by the Board of Directors. Decisions related to personnel proposals of Audit & Supervisory Board Members (agenda of the General Meeting of Shareholders) are made by the Board of Directors after the Management Council has made discussions and a prior approval of the Audit & Supervisory Board has been obtained.

(5) Compensation system for Directors (policies and procedures for decision-making on compensation) (Code 3-1 (iii))

With respect to compensation of the members of the Board of Directors, the amount of each Director's compensation is determined in accordance with the predetermined compensation limit established at the General Meeting of Shareholders as well as with the following policies and procedures established by the Board of Directors.

Compensation of Directors excluding that for Outside Directors shall be base compensation (fixed monthly compensation), results-based compensation (bonus) and non-monetary compensation (compensation related to restricted stocks). The amount of the base compensation (fixed monthly compensation) is determined in accordance with the standards predetermined for each official position and the standard amount of the results-based compensation (bonus) is determined based on the consolidated revenue of each term and the consolidated profit attributable to owner of parent of each term, and then a specific amount is determined within the predetermined compensation limit after the President has evaluated each Director's achievement in performance and contribution to the Company after the deliberations of the Nominating and Compensation Advisory Committee. In addition, with respect to the non-monetary compensation (compensation related to restricted stocks), the

Company allocates each Director such restricted stocks in a manner that the Company requires each Director to contribute in kind the monetary remuneration payable which the Company issues to each Director in accordance with standards predetermined for each official position.

Compensation of Outside Directors shall be base compensation (fixed monthly compensation), a part of which is spent to acquire the Company's shares under the Directors' Stock Ownership Plan.

The Company has adopted a structure in which these compensation systems are reviewed by the Nominating and Compensation Advisory Committee as necessary.

(6) Internal control

The Board of Directors has established the "Basic Policies on the Development of Internal Control System" and based on which, it develops and operates the organizational structure for internal control.

(7) Operation of the Board of Directors

At the meeting of the Board of Directors, free, active and constructive discussions and exchange of opinions are carried out obtaining support from the department acting as the Executive Office of the Board of Directors.

(8) Evaluation of effectiveness of the Board of Directors (Code 4-11 ③)

The Board of Directors implements annual analysis and evaluation of effectiveness of the entire Board by referring to self-evaluation made by each Director and it works to improve its function by disclosing the summary of analysis and evaluation.

3. Audit & Supervisory Board

The Audit & Supervisory Board is organized by all members of the board and works to realize effective auditing process by making decisions on policies, plans, methods and operation of audit and other matters deemed necessary by the members and by receiving reports on the exercise of duties from each member.

4. Voluntarily Organized Meeting Structure

(1) Nominating and Compensation Advisory Committee

In order to enhance the fairness and transparency of the management, the Company has installed a Nominating and Compensation Advisory Committee whose constituent members include Independent Outside Directors. The Committee examines the human affairs, compensation, etc. of Directors and submits a report to the Board of Directors.

(2) Management Council

In order to enhance the management efficiency, the Management Council composed of members including the Representative Director discusses basic policy and important affairs

concerning the Company's business operations and responds flexibly as necessary.

(3) Board of Executive Officers

An executive officer system has been introduced to separate the function to monitor and supervise the management and the function to execute business operations, in order to promote clarification of responsibilities and speeding-up of decision-making process. The Board of Executive Officers is composed of the President and other Executive Officers and it regularly monitors execution of detailed measures within the relevant annual business plans and mid-term management plans.

(4) Total Risk Management Council

The Total Risk Management Council has been established as a body to supervise the promotion of risk management in general and it is composed of officers, etc. including Outside Audit & Supervisory Board Members.

5. Directors and Audit & Supervisory Board Members

(1) Directors recognize their fiduciary responsibility to shareholders and have the responsibility to fulfill their duties as members of the Board of Directors and contribute to sustainable growth and improvement of mid- and long-term corporate values of the Company.

(2) Independent Outside Directors are expected to play the role of 1) providing management advice from a mid- and long-term perspective, 2) supervising the management including appointment and removal of executive managers, 3) supervising the conflict of interest between the Company and Directors and 4) reflecting opinions of stakeholders including minority shareholders and the Company works to make the most use of Outside Directors.

(3) The Audit & Supervisory Board, as an independent body mandated by shareholders, has the responsibility for sound and sustainable growth and creation of mid- and long-term corporate value of the Nippon Koei Group and for the establishment of a quality corporate governance system that can meet social confidence, by implementing audit on Directors' execution of their duties.

(4) Criteria for judgment of independence (Code 4-9)

On the condition to meet the criteria for independence specified by the Tokyo Stock Exchange, the Company appoints Independent Outside Directors who have a wealth of knowledge and experience on corporate management and have capability to supervise the Company's management from an objective and wide perspective.

(5) The Company makes efforts to develop a support system for its officers and promptly provide information that is helpful and necessary for them. In relation with important matters, advice of outside experts is requested at the expense of the Company as necessary.

(6) Training policy for officers (Code 4-14 ②)

For enabling officers to perform their duties appropriately, the Company has established basic

policy for training so that they can acquire necessary knowledge and improve their capability related to corporate values and governance.

- a. When an Executive Officer is appointed, the person will be given training on the role expected from a Director or Audit & Supervisory Board Member (including that related to legal responsibility) and compliance. When an Outside Director is appointed, the person will receive explanatory lecture on the Company's history, management principles, business summary, financial condition, governance system, etc.
- b. For providing training to all officers, independent lecturers are invited regularly to give seminars on topics related to current affairs. Furthermore, officers continue to be given opportunities to participate in external seminars so that they can acquire expertise.

(7) President Succession Plan

Aiming at selecting a President who meets the human resource requirements for President of the Company, a "President Succession Plan" is established by the Board of Directors following deliberation by the Nominating and Compensation Advisory Committee. The Plan is composed of the following processes: formulation and implementation of a training plan to enhance the qualities required of president candidates and evaluation, selection, and consideration of candidates.

When implementing the President Succession Plan, transparency, fairness, and objectivity are guaranteed by the leadership role played by the current President and the involvement of the Nominating and Compensation Advisory Committee.

Chapter 6 Dialogue with Shareholders

For achieving sustainable growth and mid- and long-term improvement in corporate values at Nippon Koei Group, policies have been established for ensuring constructive dialogue with shareholders as follows. (Code 5-1, 5-2 ②)

- (1) For promoting dialogue with shareholders, the Director General of Corporate Management Headquarters is appointed to act as the Executive Officer in charge of investor relations (IR) and under the supervision of the Executive Officer in charge of IR, the Corporate Management Headquarters leads the effort to realize constructive and meaningful dialogue.
- (2) The department in charge of IR, Corporate Communication Office, has constructed a cooperation system with departments in charge of corporate planning, accounting, legal affairs and general affairs and implements dialogue with shareholders appropriately.
- (3) In order to enhance dialogue with shareholders, results briefings are provided by the management, individual meetings are offered and a newsletter is delivered to shareholders.

Furthermore, for communicating information widely and fairly, a range of information is provided through the Company's website.

- (4) Shareholders' opinions received through such dialogue are reported to the management, while there are opportunities in place to know evaluation made by the capital market. Furthermore, the Company's shareholder composition is regularly reviewed.
- (5) Important information is managed strictly in accordance with the "Inside Information Management Regulations."

Chapter 7 Establishment and Revision/Abolition

This Policy shall be established, revised or abolished in accordance with the resolution of the Board of Directors. Changes in formality such as changes in organization names and job titles, however, shall be implemented based on the decision made by the Director General of Corporate Management Headquarters.

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