

2 Sustainability at the ID&E Group

Based on our management philosophy of “Acting with sincerity and contributing to society through technology,” the ID&E Group places sustainability at the core of our management and is working to address environmental and social issues.

By utilizing our diverse technological capabilities and providing sustainable solutions with an eye to future generations, we aim to achieve our mission of “making the world a better place.”

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2.1 Sustainability Policy and Basic Approach

Approach / Policy

The ID&E Group formulated the Sustainability Foundational Policy in 2022. This fundamental policy solidified the company's commitment to addressing the social impacts and societal demands associated with its business activities, while contributing to the development of a sustainable society through its operations. The ID&E Group's management philosophy, "Act with integrity & contribute to society through technology and engineering," forms the foundation of our stance on sustainability. By positioning sustainability at the core of our management, we confront environmental and social issues head-on, aiming to create positive societal impact through our business activities, with each employee carrying a strong sense of responsibility, actively working towards realising a sustainable society with sincerity. In our long-term management strategy, we have positioned the Medium-Term Management Plan up to FY2024/06 as a "Transformation," during which we have been laying the foundation for sustainability management. From FY 2025/06 to FY2027/06, we will expand and establish this foundation across the entire Group in the "Expansion phase." We aim to increase the transparency of our sustainability initiatives and become a corporate group trusted by all stakeholders. By integrating the insights gained through sustainability management with the experience and technology we have cultivated thus far, we will enter various business markets related to sustainability challenges and establish ourselves as a service provider or operator. By providing sustainable solutions that look to the next generation, we will achieve our mission to "Make the World a Better Place."

Sustainability Foundational Policy

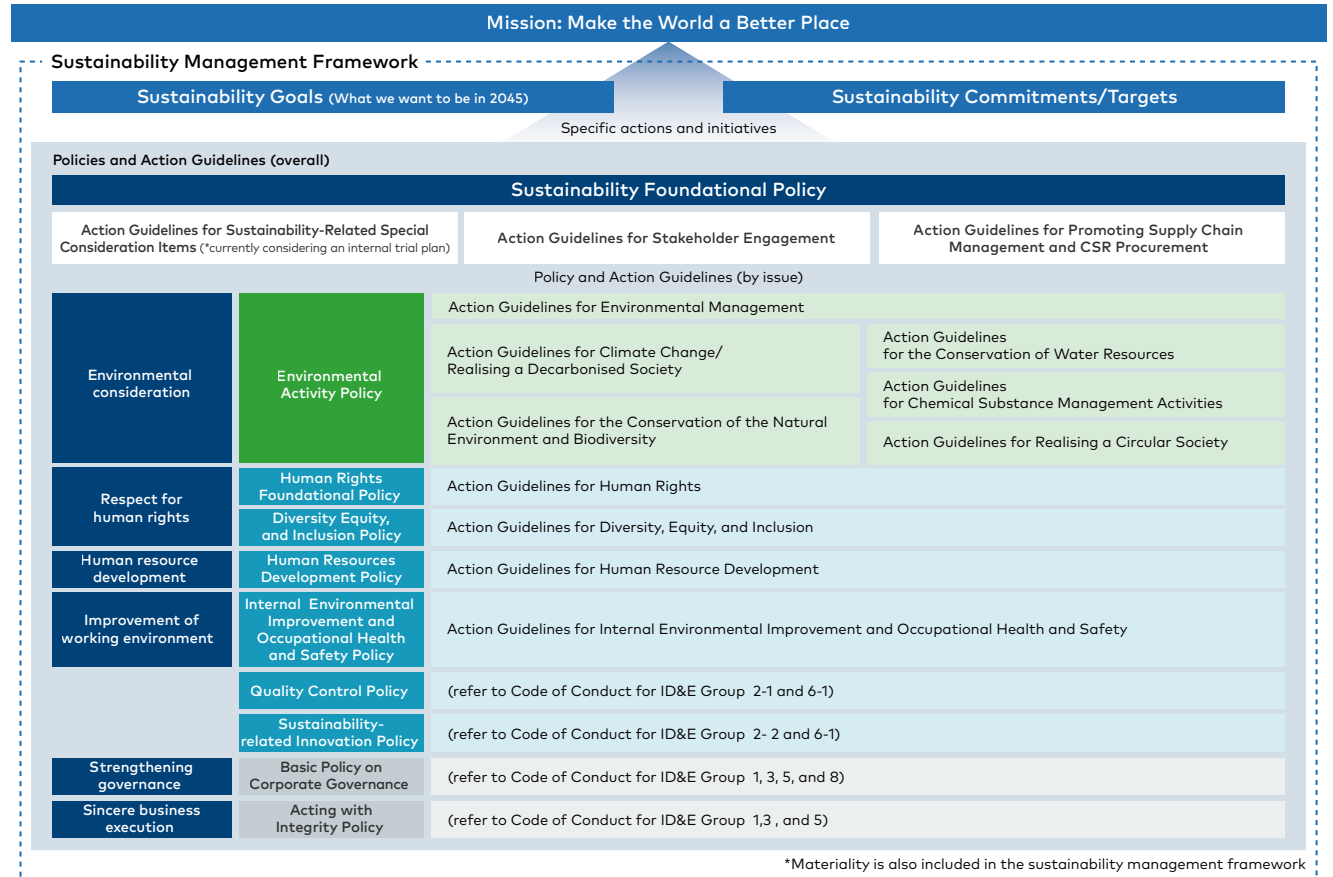
The Management Philosophy of the ID&E Group is "Act with integrity and contribute to society through technology and engineering." Based on this management philosophy, the ID&E Group promotes sustainability management in order to establish trust with stakeholders and contribute to the development of a sustainable society under fair and transparent corporate management based on values shared within the Group. Sustainability encompasses multiple perspectives, and we promote the following activities from the viewpoint of contributing to create social value through our business, in addition to the viewpoint of responding to the impact on society and social needs in the promotion of our corporate business.

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

Sustainability Management Framework

The goal of our Group is to achieve sustainability management that is not merely ticking boxes but has substance and is effective. We believe that sustainability management involves not only pursuing short-term profits but also ensures long-term growth and continuous progress while coexisting with various stakeholders. To realise this, we formulated the "Sustainability Management Framework" (Framework) in 2024. The Framework systematically outlines the decision-making structure for the ID&E Group's sustainability management practices and aims to promote unified efforts across the Group. The Framework is composed of the "Sustainability Goals," which present our vision for 2045, the "Sustainability Commitments/Targets," which serve as milestones towards achieving those goals, and the policies and action guidelines for each key issue. These components will be reviewed flexibly and continuously improved upon in response to changing societal factors.

In line with these policies and action guidelines, our Group will implement effective measures by formulating action plans and monitoring the progress of sustainability management initiatives at each Group company. The operational status of the Sustainability Management Framework will be regularly reviewed in the Sustainability Promotion Council and reported to the Board of Executive Officers and the Board of Directors.



2.1 Sustainability Policy and Basic Approach

ID&E Holdings Sustainability Goals (What we want to be in 2045)

For many years, the ID&E Holdings Group (ID&E Group) has been working on upgrading social capital and resolving social issues in Japan and overseas that have a direct connection to the lives of people, livelihoods, and happiness, in order to "Make the World a Better Place."

The world is now facing a historic turning point. There are many crises that are intertwined in a complex manner, such as social fragmentation and disparities, frequent conflicts and terrorist attacks, climate change, and resulting in intensified damage from extreme weather events and natural disasters, and this in turn creates new crises and leads to great uncertainty in the environments and societies that surround people's lives and corporate activities. Ever since its founding, the ID&E Group has been carrying out activities under the management philosophy of "Act with integrity and contribute to society through technology and engineering." At this historic turning point, we have positioned "Sustainability" as the foundation of our management.

At this period of great uncertainty, our aim to become a "professional group for the creation of a sustainable environment and society," that is selected more than ever before by the world, by mobilizing all of our diverse technologies and making use of our Group's "integrated strength." In addition, we seek to create with our stakeholders a world where people and various living creatures live in harmony on the earth together.

Supplementary explanation:

Background of setting 2045 as our target year: At present, many countries and regions are aiming for 2050 as their target year for achieving net zero, including decarbonisation. In view of the fact that Nippon Koei, the main body of the ID&E Group, will celebrate its 100th anniversary in 2046, the target year for achieving the ID&E Group's sustainability goals has been set as 2045.

Sustainability Commitments/Targets

■ Sustainability Targets

- We will fulfil our accountability for sustainability management pursued by the ID&E Group and become a trusted corporate group
- By challenging new social issues through co-creation, we will provide solutions that contribute to the realisation of a comfortably livable global environment.
- We will contribute to the development of a sustainable society and increase our corporate value by respecting human rights and promoting human capital management.
- We will continue to engage in dialogue and collaboration with stakeholders, fostering mutual understanding and aiding in improving our corporate management.

2.1 Sustainability Policy and Basic Approach

■ Sustainability Target

Item	2030 Targets	2045 Targets	Relevance to Materiality
	Group Goals	Group Goals	
Energy	<p><u>Equipment introduction and technology construction for environment-friendly energy infrastructure</u></p> <ul style="list-style-type: none"> Introduce and provide a stable supply of energy-efficient renewable / next-generation energy infrastructure equipment <ul style="list-style-type: none"> R&D related expenses and investment amount: 15% of annual sales <p><u>Contributing to a decarbonised society by expanding renewable energy business</u></p> <ul style="list-style-type: none"> Contribution to a decarbonised society through the expansion of renewable energy businesses <ul style="list-style-type: none"> Cumulative revenue from renewable energy promotion: 43 billion yen Annual sales volume of RE100-compliant power supply business: 100 GWh 	<p><u>Achievement of "ID&E RE100"</u></p> <ul style="list-style-type: none"> Achieve "ID&E RE100" by covering all power required by all locations (**) of the ID&E Group with renewable energy or through the purchase of environmental certificates to achieve net-zero emissions. 	2.Cultivating a beautiful and habitable planet
Nature and biodiversity response	<p><u>Contributing to achievement of the Kunming-Montreal Global Biodiversity Framework 2030 Mission</u></p> <ul style="list-style-type: none"> Contribute to achieving the 23 global targets of the "Kunming-Montreal Global Biodiversity Framework 2030 Mission" by accelerating nature-positive efforts through the expansion and promotion of projects and services related to biodiversity conservation and creation. <ul style="list-style-type: none"> Area contributed to ecosystem maintenance and restoration (cumulative) <ul style="list-style-type: none"> Direct contribution: 5 ha, Indirect contribution: 100,000 ha Disclosure of results of biodiversity impact assessments and risk predictions. 	<p><u>Contributing to achievement of the Kunming-Montreal Global Biodiversity Framework 2050 Vision</u></p> <ul style="list-style-type: none"> Contribute to achieving the four long-term goals of the "Kunming-Montreal Global Biodiversity Framework 2050 Vision" by reducing the impact of business activities on nature and biodiversity and accelerating nature-positive efforts through public-private collaboration. 	2.Cultivating a beautiful and habitable planet
Climate change and decarbonisation	<p><u>Set greenhouse gas reduction targets based on SBT (Science-Based Targets) standards</u></p> <ul style="list-style-type: none"> Set greenhouse gas (Scope 1, 2) emissions reduction targets at a level consistent with SBT <ul style="list-style-type: none"> 42% reduction compared to FY2023/06 <p><u>Contribution to Carbon neutrality (**)</u></p> <ul style="list-style-type: none"> Reduce Scope 1 and 2 greenhouse gas-equivalent emissions from the entire ID&E Group (*) to net zero by CO₂ absorption and fixation, emission reduction, etc., including purchase of credits <p><u>Contribution to carbon-positive outcomes through business activities</u></p> <ul style="list-style-type: none"> Contribute to CO₂ emission reduction by expanding current businesses, such as promoting smart cities, supporting the introduction of renewable/ next-generation energy solutions, supporting forest conservation/regeneration, etc. Increase proposals that solve issues through the dual approach of mitigation measures, such as promoting energy conservation and utilizing renewable/ next-generation energy solutions, and adaptation measures including disaster mitigation and prevention Increase proposals for services that contribute to the transition to a decarbonised society through the use of carbon pricing mechanisms <ul style="list-style-type: none"> Contribution to greenhouse gas emissions reduction (cumulative) <ul style="list-style-type: none"> Direct contribution: 36,000 tCO₂, Indirect contribution: 1,000,000 tCO₂ 	<p><u>Contribution to Carbon neutrality (**)</u></p> <ul style="list-style-type: none"> Reduce Scope 1, 2 and 3 greenhouse gas-equivalent emissions across the entire ID&E Group (*), including the supply chain, to net zero by carbon absorption and fixation, emission reduction, etc. including purchase of credits 	2.Cultivating a beautiful and habitable planet

2.1 Sustainability Policy and Basic Approach

■ Sustainability Target

Item	2030 Targets	2045 Targets	Relevance to Materiality
	Group Goals	Group Goals	
Technology and service quality	<p><u>Ensuring the quality of technologies and services from the standpoint of sustainable development</u></p> <ul style="list-style-type: none"> Establish quality control mechanisms that take into account sustainability issues such as the global environment and occupational health and safety Research and development related to the development and space creation of The Good City project <ul style="list-style-type: none"> Related sales: 42 billion yen R&D and investment cost: 0.9% of related sales <p><u>Creation of enterprise value through provision of innovation that transforms efforts to address sustainability issues into drivers of corporate growth</u></p> <ul style="list-style-type: none"> Sales revenue from sustainability challenge response business: Cumulative 44 billion yen <p><u>Cross-functional development and utilisation of cutting-edge technologies, including AI</u></p> <ul style="list-style-type: none"> Annual R&D and investment amount: 1 billion yen 	<p><u>Establishing quality management and business development based on sustainability</u></p> <p>Continuously reinforcing quality management based on sustainability issues, leveraging efforts on sustainability challenges as a driving force, and establishing our position as a top-tier consulting and engineering firm globally.</p>	<p>2.Cultivating a beautiful and habitable planet</p> <p>3. Innovating to address the challenges of the modern world</p>
Human rights	<p><u>Reliable response to human rights issues, including human rights due diligence.</u></p> <ul style="list-style-type: none"> Identify human rights risks and violations, and implement remedial measures and information disclosure <p><u>Establishment of a system to address human rights issues and monitoring system</u></p> <ul style="list-style-type: none"> Establish the necessary internal system structures to address human rights issues, and establish a system to implement effective monitoring 	<p><u>Establishment and embedding of human rights due diligence</u></p> <p>Ensure consistent and reliable implementation of human rights due diligence across the entire ID&E Group (*), establishing a global reputation as a group of companies that prioritises respect for human rights.</p>	<p>1. Building a more equitable society</p>

2.1 Sustainability Policy and Basic Approach

■ Sustainability Target

Item		2030 Targets	2045 Targets	Relevance to Materiality
		Group Goals	Group Goals	
Human capital	Realisation of Diversity, equity and inclusion	<p><u>Establishment of a system to promote diversity, equity and inclusion</u></p> <ul style="list-style-type: none"> Establish a diversity, equity, and inclusion (DE&I) promotion contact point, along with an implementation framework, and a verification and improvement cycle for DE&I measures. 	<p><u>Establishment of monitoring for promoting diversity, equity, and inclusion (DE&I).</u></p> <ul style="list-style-type: none"> Implementation of the PDCA (Plan-Do-Check-Act) cycle for DE&I initiatives, ensuring continuous improvement. 	4. Building a global team with diverse perspectives
	Occupational health and safety/ Wellbeing management	<p><u>Establishment of a monitoring system for occupational accident response</u></p> <ul style="list-style-type: none"> Determine the number of occupational accidents, investigate the causes, implement safety measures, and disclose the information. <p><u>Promotion of health management measures</u></p> <ul style="list-style-type: none"> Establish a health monitoring and health education system with an emphasis on disease prevention, and gradually expand support for health management to Group's business locations worldwide (***) as well as business partners 	<p><u>Entrenchment of a monitoring system for occupational accident response</u></p> <ul style="list-style-type: none"> Implement a PDCA cycle to determine the number of occupational accidents, investigate the causes, implement safety measures and disclose the information. <p><u>Embedding of health management initiatives and deployment of measures using digital technology</u></p> <ul style="list-style-type: none"> Establish a health monitoring and health education system with a focus on disease prevention and implement a PDCA cycle of health management at Group's business locations worldwide (***) as well as business partners. Additionally, implement measures to maintain and improve health using advanced technologies such as AI in order to extend healthy life expectancy. 	4. Building a global team with diverse perspectives
	Human resources development	<p><u>Active investment in the "ideal human resource image" (***) sought by the ID&E Group</u></p> <ul style="list-style-type: none"> Invest in the development of employees with global perspectives and enhanced DX and management skills <ul style="list-style-type: none"> Increase the number of participants in training for management talent development by 360 by FY2024/06 Increase the number of participants in training for global talent development by 600 by FY2024/06. Increase the number of participants in training for digital transformation talent development by 600 by FY2024/06 Establish and embed a talent development system through the ID&E Global Academy (**) Increase the number of users of the ID&E Global Academy from ID&E Group's business locations worldwide (**) (To be quantified at a future date) 	<p><u>Group-wide deployment of a talent development system and provision to external parties</u></p> <ul style="list-style-type: none"> Invest in the development of employees with global perspectives and enhanced DX and management skills Establish and commence a corporate university developed from the ID&E Global Academy to enhance collaboration with stakeholders by utilizing the expertise and know-how of the ID&E Group. 	4. Building a global team with diverse perspectives

*1: All main consolidated group subsidiaries listed on ID&E Holdings official website. Overseas Network | About Us | ID&E Holdings

*2: The ID&E Group defines "achieving carbon neutrality at the ID&E Group" as achieving the target of "net zero emissions" set forth in the text.

*3: The ideal human resource image for global human resources, management human resources and DX human resources listed in the same target, as described in the Human Resources Development Action Guidelines

*4: ID&E Global Academy refers to the platform for human resources development aimed at providing training and knowledge management inside and outside the ID&E Group.

Note: Targets will be reviewed as appropriate in light of the circumstances surrounding the Group.

2.1 Sustainability Policy and Basic Approach

As a global company, the ID&E Group is collectively working towards achieving its targets. However, for human capital-related indicators, specific laws and regulations that apply uniquely to each country or region necessitate additional measures. Accordingly, in addition to the globally established targets mentioned earlier, we have set targets based on Japanese laws and guidelines.

■ Sustainability Targets for Human Capital Development in Japan

Item	2030 Targets	2045 Targets	Relevance to Materiality
	Japan-focused Goals	Japan-focused Goals	
Realisation of Diversity, equity and inclusion (DE&I)	<ul style="list-style-type: none"> ◆ In all main Japan-based consolidated subsidiaries (**1) 1. Ratio of women in managerial positions: 15% or higher 2. Gender pays gap 80% 3. Ratio of foreigners in managerial positions: 1% or higher 4. Highly skilled foreign talent ratio: 3.5% 5. Ratio of mid-career hires to managerial positions: successfully maintained at 30% 6. Legally mandated employment rate for persons with a disability: 3.0% 7. Male childcares leave take-up rate: 85% or higher 	<ul style="list-style-type: none"> ◆ In all Japan-based companies (**2) 1. Ratio of women in managerial positions: 30% or higher 2. Eradication of the gender pay gap 3. Ratio of foreigners in managerial positions: 5% or higher 4. Ratio of mid-career hires to managerial positions: successfully maintained at 30% 5. In addition to stable achievement of the legally mandated employment rate for persons with a disability, expansion of the scope of application to special subsidiary companies, and increase of the number of Group companies and departments where persons with a disability are employed 6. Male childcares leave take-up rate: 100% 	4. Building a global team with diverse perspectives
Occupational health and safety/Wellbeing management	<ul style="list-style-type: none"> ◆ Continued recognition of all Japan-based companies (**2) as a Certified Health and Productivity Management Outstanding Organization (White 500) <ul style="list-style-type: none"> – Annual health check-up participation rate: 58.3% – Absenteeism(**3) 2.3 days – Presenteeism (**3) 84.9% – Work engagement score (**3) 3.3 points ◆ Implement advanced technologies such as AI (for hygiene environment monitoring, etc.) to enhance workplace health and safety management systems 	<ul style="list-style-type: none"> ◆ Continued recognition of all Japan-based companies (**2) as a Certified Health and Productivity Management Outstanding Organization (White 500) ◆ Establish a system to monitor workplace safety conditions in real time through the introduction and updating of advanced technologies such as AI 	4. Building a global team with diverse perspectives
Human resources development	<ul style="list-style-type: none"> ◆ Gradually increase the number of holders of internally recommended qualifications in all Japan-based companies (**2) <ul style="list-style-type: none"> – Number of certified engineers: 2,400 – Number of new doctoral degrees acquired (using the internal support system): Increase by 5 people from FY2024/06 ◆ Quantify educational efforts by identifying the training costs per person/month in all Japan-based companies (**2) and increase them as necessary 	<ul style="list-style-type: none"> ◆ Increase the number of holders of internally recommended qualifications in all Japan-based companies (**2) ◆ Increase education and training costs per person/month in all Japan-based companies 	4. Building a global team with diverse perspectives

(**1) ID&E Holdings Co., Ltd. and main Group companies in Japan (as of the end of FY2024/06 : Nippon Koei, Nippon Koei Urban Space, Nippon Koei Energy Solutions, Nippon Koei Business Partners)

(**2) Main Japan-based locations of all consolidated subsidiaries within the Group listed on the official website of ID&E Holdings: [Overseas Network | About Us | ID&E Holdings \(id-and-e-hd.co.jp\)](#)

(**3) Absenteeism: The number of days of leave taken in a year due to illness.

Presenteeism: An evaluation of one's work performance over the past four weeks, assuming 100% performance when there are no illnesses or injuries.

Work Engagement: A state characterized by vigor, dedication, and absorption in one's work.

-All terms are cited from the Ministry of Economy, Trade and Industry's "Health Management Guidelines.

Note: Targets will be reviewed as appropriate in light of the circumstances surrounding the Group.

2.1 Sustainability Policy and Basic Approach

The Baluchaung Hydropower Plant Project: The Origin of Our Group's Overseas Business

The Baluchaung Hydropower Plant Project was the first overseas project awarded to Nippon Koei, commissioned by the Government of Burma (now Myanmar) in 1954. It marked the starting point of our Group's overseas business, contributing to society through technology-driven initiatives.

This project also represented Japan's first post-war reparations (1954-) and is recognised as one of the earliest examples of Japan's Official Development Assistance (ODA) to developing countries, which began in 1954.

In 1953, during an overseas inspection tour, our founder, Kubota Yutaka, visited Burma, where he learned about the country's hydropower development plans. Kubota's proposal, showcasing superior investigative capabilities and vision compared to those of the United States and the United Kingdom, earned high acclaim and led to the project being awarded to Nippon Koei.

Our Group oversaw the entire project, including planning, design, and construction supervision. Furthermore, we took full responsibility for securing funding and negotiating with the governments of both countries, making this a landmark project for our Group.

Since the completion of the Baluchaung No.2 Hydropower Plant in 1960, the Baluchaung Hydropower Plants have played a crucial role in Myanmar's power supply. In 2024, the year marking the 70th anniversary of Japan's international cooperation, the plant continues to contribute to Myanmar's electricity supply.



View of the Baluchaung No.2 Hydropower Plant



Construction Scene of the Baluchaung No.2 Hydropower Plant

2.2 Structure

For the ID&E Group, sustainability is inseparable from management, and we are working to build a structure where leadership can be effectively demonstrated by top management. In July 2023, the holding company ID&E Holdings was established, and under the supervision of the Board of Directors, the "Sustainability Promotion Council," chaired by the Representative Executive President of ID&E, was established. In July 2024, in order to enhance the function of formulating and promoting group-wide sustainability management strategies, the "Sustainability Promotion Division" was newly established as a dedicated unit within ID&E Holdings. Under this structure, the ID&E Group is steadily progressing through the "expansion phase" of its sustainability management.

Sustainability Management Promotion Structure

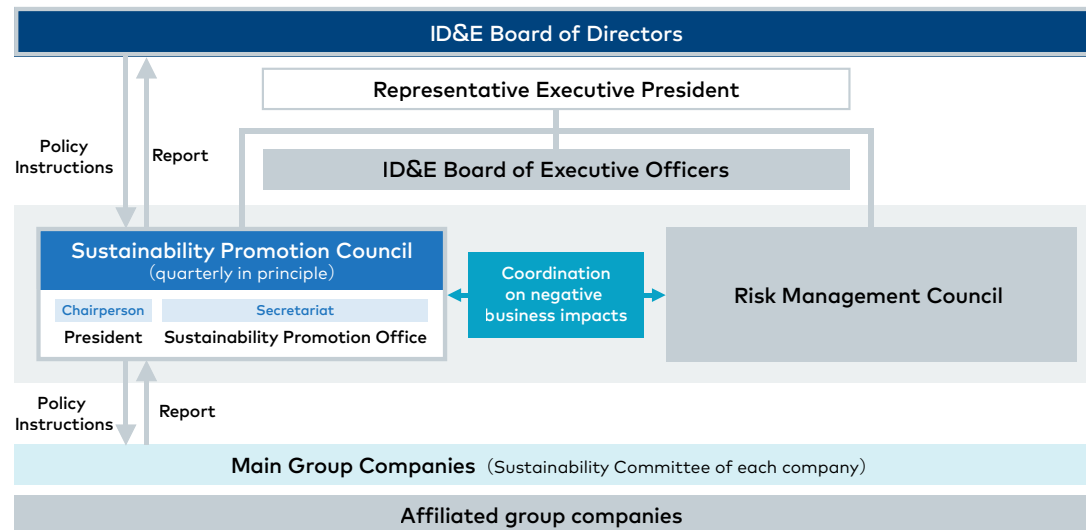
The "Sustainability Promotion Council" serves as the control tower for the Group's sustainability management, overseeing governance, the planning and promotion of strategies, the management of sustainability-related risks and opportunities, and accountability to stakeholders across the Group. This Council is chaired by the Representative Executive President of ID&E Holdings, with Directors participating as advisers and observers. The Council members include the presidents of Main Group Companies as well as the heads of each operation within ID&E Holdings. Depending on the agenda, relevant parties and external experts are invited to attend. The activities of the Council are regularly presented and reported to the Board of Executive Officers and the Board of Directors.

In each main Group company, a "Sustainability Promotion Committee" works in coordination with the "Sustainability Promotion Council," with designated personnel assigned to promote sustainability management within each of the group companies. To advance sustainability for the entire Group, ID & E Sustainability Promotion Council closely collaborates and work together with the secretariats of these committees and representatives from each Group company. In order to deepen the specialised discussions

related to specific sustainability issues, such as human rights, ID&E Sustainability Promotion Council has established a "Specialised Committee" under the Council. Through the Specialised Committee, the Sustainability Promotion Council is building a closely coordinated

structure with other key councils and committees within ID&E, such as the "Risk Management Council" and the "Human Capital Strategy Council." This coordination aims to further strengthen and enhance the quality of the Group's sustainability management.

■ ID&E Group's Sustainability Structure



2.2 Structure

Sustainability Promotion Council

In July 2023, with the establishment of ID&E Holdings Ltd., our Group took a fresh start, focusing on the clarification of our sustainability management policies and the proactive disclosure of information regarding critical sustainability issues. Through active discussions within the Sustainability Promotion Council, we have systematically addressed every key challenge. On the other hand, in order to achieve the ultimate goal of creating a sustainable society and sustainable corporate value creation, it is essential that the outcomes of FY2024/06 are integrated across the entire Group and lead to concrete actions. Going forward, the Sustainability Promotion Council will continue to take the lead in driving sustainability management across the entire Group.

■ Main Discussions of the Sustainability Promotion Council for FY2024/06.

1st Meeting	<ul style="list-style-type: none"> ● Review of FY2023/06 ● Implementation Plan for FY2024/06
2nd Meeting	<ul style="list-style-type: none"> ● Information Disclosure based on the TCFD Recommendations ● Sustainability Report ● Sustainability Management Framework
3rd Meeting	<ul style="list-style-type: none"> ● Sustainability Management Framework ● Information Disclosure based on the TCFD Recommendations ● Progress on TNFD Response ● Human Rights Due Diligence
4th Meeting	<ul style="list-style-type: none"> ● Sustainability Management Framework ● Progress and Challenges for FY2024/06
5th Meeting	<ul style="list-style-type: none"> ● Progress and Next Steps for FY2024/06 ● GHG Quantification Platform ● Progress on TNFD Response ● Report on the Implementation of Human Rights Due Diligence and Future Actions ● Disclosure of Human Capital Information ● Support for signing of the United Nations Global Compact by group companies

■ FY2025/06. Priority Issue

The Sustainability Promotion Office, under the Sustainability Promotion Operations has set nine priority issue to promote sustainability across the entire Group.

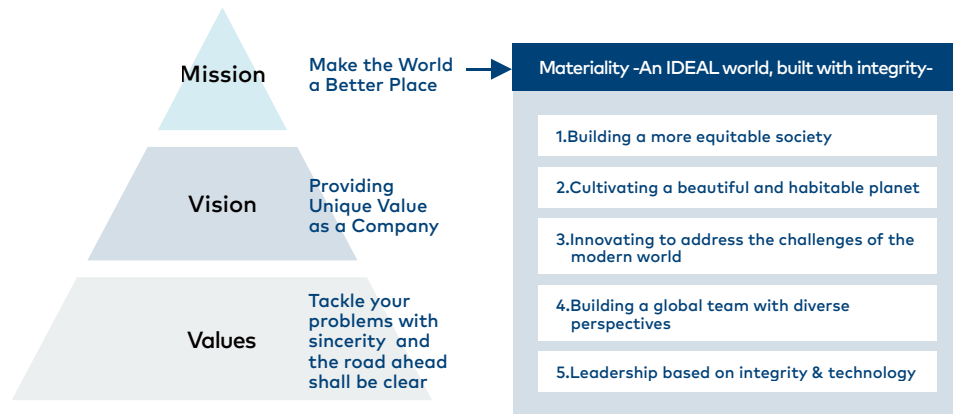
Priority Issue	
1	Strengthening the Sustainability Promotion Council's management planning promotion function
2	Dissemination and implementation of the Sustainability Management Framework (SMF)
3	Improving the quality of responses to climate change
4	Addressing biodiversity
5	Compliance with the Guiding Principles on Business and Human Rights
6	Establishment and operation of risk management process
7	Support for the full-scale development of related businesses
8	Promoting understanding among all stakeholders
9	Establishment of a related information reporting system

2.3 Materiality

There are numerous social challenges around the world, and technological advancements continue to bring about significant changes. In 2021, the ID&E Group announced its material issues, driven by the mission to build a sustainable society in an era of uncertainty. In 2024, we updated our materiality, anticipating the dynamic shifts in society and business, while listening to the voices of our stakeholders. Centered on this new materiality, we will place sustainability at the core of our management, with every employee committed to earnestly and conscientiously working towards the realisation of a sustainable society.

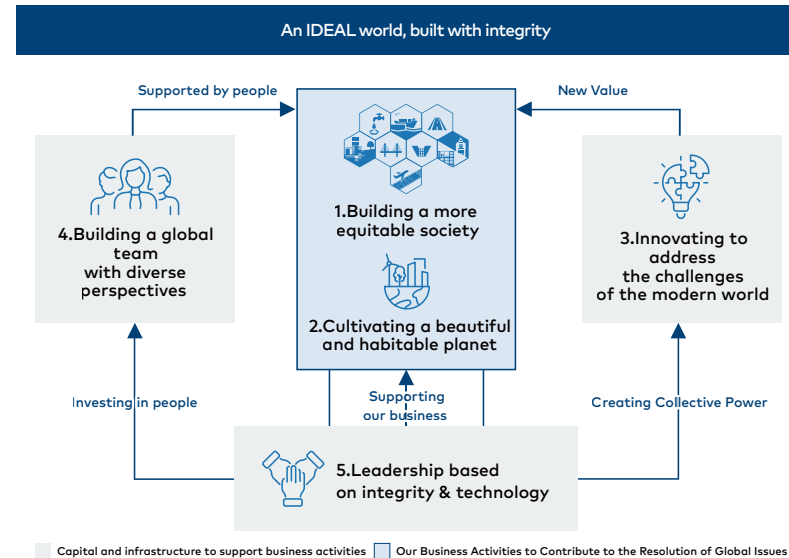
The Five Key Materiality Issue

Our Group has established a mission, vision, and values to ensure sustainable growth while widely sharing our goals with internal and external stakeholders. To achieve our mission, we have identified five key materiality issues that we must prioritise by leveraging our strengths. By deepening our collaboration with stakeholders and addressing these issues, we aim to contribute to solving various social challenges and shaping the future we envision.



The Interrelationship Between Materiality Issues

Among the five identified materiality issues, #1 and #2 represent our Group's "business activities" that contribute to solving global social challenges, while #3, #4, and #5 represent the "capital and infrastructure" that support these activities. These areas, representing both "business activities" and "capital and foundations," are interrelated and generate synergistic effects.













2.3 Materiality

Materiality issues and Targets

For each materiality issue, we have set initiatives, monitoring indicators, and performance target. Moving forward, we will steadily advance these initiatives, disclose our achievements, and engage in ongoing dialogue with stakeholders.

				Main Initiatives	Indicators	Target(FY2030)	Related SDGs	Risks and Opportunities				
								Risks and Opportunities				
								Opportunities				
1.	Building a more equitable society	1-1	Contributing to society's sustainable development through all our global activities	① Business growth driven by the needs of each global region	Revenue(Total) Japan Asia UK, Europe, Middle East, Africa Americas	¥ 250 billion ¥ 125 billion ¥ 65 billion ¥ 45 billion ¥ 15 billion		<ul style="list-style-type: none"> Declining quality of public services, reduced investment in infrastructure, and delayed maintenance due to regional economic stagnation and political instability. Global resource shortages and rising procurement costs due to conflicts and political upheavals Deterioration of working conditions for employees, deterioration of living conditions and loss of livelihood of local residents, delay or cancellation of infrastructure development projects, and loss of trust from stakeholders due to lack of consideration for human rights during infrastructure development projects 	<ul style="list-style-type: none"> More business opportunities in urban development driven by social needs of developing and emerging countries Reduction of social disparities and fostering of engineering talent through infrastructure projects in developing and emerging countries Increased new business opportunities due to rapid progress in DX and GX technologies Early resolution of issues faced by stakeholders by incorporating human rights responses (assessment, due diligence) into our own business 			
				② Consideration for human rights in the Group's business activities (Infrastructure development, human resource development, etc.)	Status of Human Rights Impact Assessment Study Status of response to identified risks	Solid implementation Solid implementation						
	1-2	Building a disaster-resilient future through integrated technologies and expertise	① Engagement in disaster-resilient community building, recovery, and reconstruction projects	Disaster prevention and mitigation related revenue (including revenue of recovery and reconstruction-related businesses)	¥ 16 billion					<ul style="list-style-type: none"> Revised design standards, higher maintenance costs, and delays in construction plans due to more severe and frequent natural disasters and extreme weather events Decrease in disaster prevention/mitigation projects and delay in restoration/reconstruction due to lack of government funding and political instability 	<ul style="list-style-type: none"> Increasing need for technologies to address natural disaster resilience, mitigation and recovery Increasing demand for technologies to understand and address water resource risks associated with climate change Growing need for resilience-based urban planning to cope with severe disasters 	
			② Technological development related to disaster prevention and mitigation	R&D expenditures and investments	3.2% of related revenue							
2.	Cultivating a beautiful and habitable planet	2-1	Building a sustainable society through safe and stable energy supply	① Promotion of renewable energy use* *Expansion of RE100 power supply business, expansion of storage battery business in Japan and Asia, promotion of regional microgrids, and renewal and augmentation of the power system, etc.	Revenue related to the promotion of renewable energy RE100 Power Supply Business Electricity sales volume		¥ 43 billion 100GWh per year		<ul style="list-style-type: none"> Fluctuating energy prices and rising procurement costs of renewable energy Loss of business opportunities due to failure to reduce energy-related GHG emissions 			<ul style="list-style-type: none"> Growing support for a transition to renewable energy, leading to increased business opportunities Market expansion, technological innovation, and business opportunities in energy efficiency and renewable energy Progress in technologies for the practical application of next-generation energy sources that reduce environmental impact while improving operating costs
				② R&D and investment in renewable energy and next-generation energy	R&D expenditures and investments		15% of related revenue					
		2-2	Creating places where people and nature thrive together in harmony and happiness	① Promotion of The Good City Project* *Improvements to urban living environments, redevelopment of cities and local areas, introduction of sustainable design for public buildings	Revenue related to the Good City Project	¥ 42 billion	<ul style="list-style-type: none"> Environmental and human rights issues, loss of business opportunities, and loss of credibility among stakeholders due to lack of support for technologies and services that contribute to a circular regional economy and sustainability. 			<ul style="list-style-type: none"> Increased social demand for green buildings, zero-carbon cities, green infrastructure, etc. Increased business opportunities and funding driven by certification programmes for sustainable design, construction, operation, and community development 		
				② R&D related to habitable spaces Full-scale entry into sustainability-related businesses* * Decarbonisation, biodiversity, waste, human rights, well-being, etc.	R&D expenditures and investments	0.9% of related revenue						
	2-3	Addressing climate change and ecosystem recovery through smart solutions	② Nature-positive contributions (ecosystem maintenance and restoration projects, etc.)	Total area of ecosystems benefiting from maintenance and restoration	Direct contribution: 5 ha Indirect contribution: 100,000 ha	<ul style="list-style-type: none"> Increased fuel costs and other energy procurement costs due to internalisation of carbon pricing Loss of credibility among stakeholders due to the continuation of projects with high GHG emissions Potential loss of biodiversity due to large infrastructure projects Health-related impacts on local residents and destruction of local ecosystems linked to the generation of waste and use of hazardous chemicals by the company's own operations 					<ul style="list-style-type: none"> Monitoring and evaluation of natural capital considerations for early mitigation of potential environmental risks Increasing demand for solutions aimed at decarbonising society, such as GHG reduction Increasing demand for circular economy solutions Growing investor interest in businesses that assess and address biodiversity risks 	
				Status of response to TNFD recommendations for ID&E Group business operations	Quantitative information disclosure for five major operating companies that account for more than 70% of sales							
			③ Carbon-positive contributions (GHG reductions, carbon credit and offsetting-related businesses, etc.)	Status of response to identified impacts	Ensuring Responses to Identified Risks and Opportunities							
				Contribution to GHG reduction through business activities	Direct Contribution: 36,000 (tCo2) Indirect Contribution: 1,000,000 (tCo2)							
④ Reduction of GHG emissions of the ID&E Group (TCFD compliant)			GHG (Scope 1 and 2) emissions of the ID&E Group (five major operating companies accounting for more than 70% of revenue)	42% decrease compared to FY2023								

2.3 Materiality

			Main Initiatives	Indicators	Target(FY2030)	Related SDGs	Risks and Opportunities														
							Risks	Opportunities													
3.	Innovating to address the challenges of the modern world	3-1	Creating value for our clients through our Group's unique integrated capabilities	① Entry into new markets and creation of new businesses through segment cooperation	Related revenue	¥ 10 billion	 	<ul style="list-style-type: none"> Inefficient market strategies in each segment, stifled innovation, and inefficient resource use due to increasingly complex social issues Difficulties faced by the Group around innovation and fundraising due to the complexity of social issues and technological development 	<ul style="list-style-type: none"> Increased opportunities for effective market strategies, technological innovation, and more efficient use of resources driven by collaboration among the three business segments Collaboration with external partners to create new value, expand business, and increase funding opportunities Strengthening of organisational and operational foundations through collaboration among Group companies and development of sustainable corporate activities Creation of Group-wide value creation and risk response through development of IT technologies, including Group-wide generative AI 												
		3-2	Building value through cross-industry collaboration	① Entry into new markets and creation of new businesses through cooperation, alliances and group inclusion of companies from different industries																	
		3-3	Accelerating value through our market-leading research and development	① Group-wide development and utilisation of AI and other cutting-edge technologies	R&D expenditures and investments	¥ 1 billion															
4.	Building a global team with diverse perspectives	4-1	Promoting a culture of wellbeing for our people	① Realisation of DE&I focused management	Percentage of female managers	15%	   	<ul style="list-style-type: none"> Increasing labour costs due to intensified competition for talent Difficulties attracting talent and decline in corporate reputation due to delays in responding to diversification of employees Loss of human capital due to lower employee engagement with the company 	<ul style="list-style-type: none"> Creation of an environment conducive to innovation by promoting talents from a diversity of backgrounds Increase employment opportunities for a diverse workforce 												
				② Promotion of well-being focused management	Gender wage gap	80%				Highly-skilled foreign professionals	3.5%	Percentage of employees with disabilities	2.0%	Percentage of male employees taking childcare leave	85%	Findings of health checkups	58%	Absenteeism	2.3 days	Presenteeism	85%
		4-2	Creating opportunities for growth and career development of our people	① Developing talents who embody the ID&E Group's corporate philosophy	Total number of participants in training for executive leadership development	Increase of 360 people from the end of FY2024				Total number of participants in training for global talent development	Increase of 600 people from the end of FY2024	Total number of participants in training for DX (digital transformation) talent development	Increase of 600 people from the end of FY2024	Number of surveys on engagement index	1 time/year	② Monitoring and data-utilisation of various indicators aimed at improving employee engagement	Number of surveys conducted to support career development	1 time/year			
				③ Exchange and collaboration beyond company limits	Number of exchange and collaboration measures implemented, such as: -Dispatch of employees between Group companies -Support for personnel exchange such as secondment and training -Support for collaborative research and co-creation projects with other companies or research institutions -Support for studying abroad at domestic and international universities -Encouragement of participation in academic societies and similar organisations	5 measures/year															
5.	Leadership based on integrity & technology	5-1	Fostering trust with society through our organisational culture of acting with integrity	① Permeation of corporate philosophy and thorough compliance	Implementation rate in compliance training	100%	   	<ul style="list-style-type: none"> Growing demand for corporate governance initiatives due to heightened global compliance awareness Growing data security threats due to increase in cyber-attacks and social engineering, reputational damage from cyber-security breaches and information leaks, and losses from legal proceedings 	<ul style="list-style-type: none"> Strengthened customer trust by developing a culture of ethics through employee training, effective governance structures, and internal controls Improved customer trust and satisfaction and enhanced brand image due to information security 												
				② Ensuring information security	Awareness of internal consultation channels for compliance	100%				Dissemination of Code of Conduct for ID&E Group to new hires	100%	Status of ongoing NIST SP 800 compliance	Solid implementation	Number of customer awards	-	Number of professional engineers	2,400 people				
		5-2	Trusted quality, though innovative technology and a respect for the planet	① Providing high-quality services	Number of new PhDs obtained#	Increase of 5 people from the end of FY2024				#Number of people who obtained their degrees through in-house programmes	-										
		5-3	Actively engaging with society and stakeholders to respond to their needs	① Promoting mutual understanding with external stakeholders	Number of dialogues with external stakeholders	Solid implementation				② Implementation of the Action Guidelines for Stakeholder Engagement	Number of Group companies preparing and implementing action plans based on the Action Guidelines	All consolidated Group companies									
②	-			-	-	-	-														

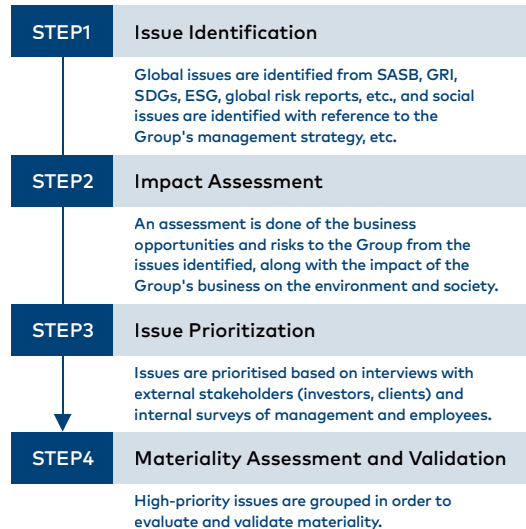
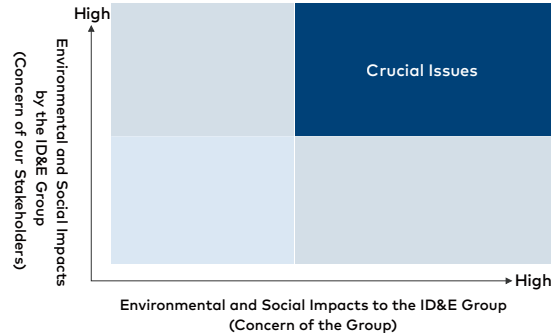
※ Rate: \$1 = ¥160.755, £1 = ¥203.195 (As of end-June 2024)

2.3 Materiality

Identification Process

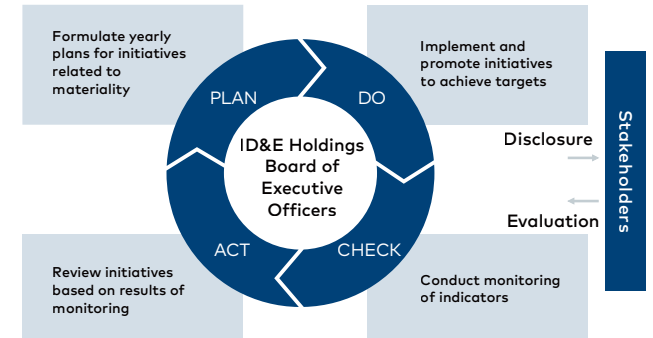
In identifying materiality issues, we incorporated perspectives on the external environment surrounding the company and on future trends, while extracting key issues to achieve our "Mission."

In determining the key themes, we applied the concept of double materiality, evaluating issues based on two axes: "Impact on the environment and society (stakeholder relevance interest level)" and "Impact of the environment and society on our Group (relevance interest level to our Group)." We then consolidated and reorganised high-priority items into five categories, which represent our Group's materiality issues.



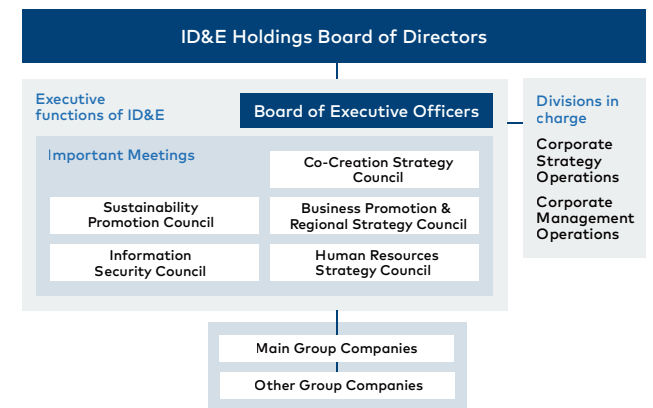
Implementation Process

Based on the PDCA (Plan-Do-Check-Act) cycle, we will regularly monitor the progress of our materialities and develop improvement measures when issues are identified. We will also promptly respond promptly to internal and external environmental changes and revise our initiatives and targets.



Structure

Under the supervision of the Board of Directors, the Board of Executive Officers will review, decide, and monitor matters related to materiality.



2.4 Stakeholder Engagement

Approach/Policy

For the ID&E Group, stakeholder engagement is key to fostering mutual understanding and responding to societal needs, which we have identified as part of our materiality. Rooted in sincerity and technology, our group management is committed to expanding the scope of dialogue and collaboration with stakeholders, in line with the guidelines established under our sustainability management framework.

ID&E Holdings Action Guidelines for Stakeholder Engagement

The ID&E Holdings Group (the ID&E Group) will address the following matters in line with our Sustainability Commitments and our Sustainability Foundational Policy.

1. Emphasis on Dialogue and Collaboration with Stakeholders

We will work with stakeholders (customers, employees, shareholders, suppliers, local residents, NGOs, governmental organizations, etc.) in an appropriate manner to identify and resolve social issues that need to be addressed, based on our understanding of current and future expectations and demands towards the ID&E Group. We will also reaffirm that fostering partnerships and networks among stakeholders will have a positive impact on our corporate activities, and we will take proactive actions and strive for mutual understanding.

2. Identification of Stakeholders

The following relevant parties have been identified as stakeholders in light of their "degree of influence on the organization," which denotes

influence on an organization's decision-making, and the "degree of dependence on the organization," which indicates dependence on an organization's business activities, products, and services, etc. In addition to these relevant parties, the ID&E Group also identifies relevant parties that have legal, commercial, sales, and ethical responsibilities, as well as relevant parties who could become aware of new perceptions and opportunities, as stakeholders according to the "degree of influence and dependence."

- Customers
- Shareholders and investors
- Business Partners (*1)
- Employees and their families
- Government/Local Authorities/Industry Associations
- Local Communities
- Academic and Research Institutions
- Beneficiaries (*2)

(*1) Companies as well as individuals that are participating in or collaborating with related businesses of the Group. (*2) People other than the relevant parties listed that directly or indirectly benefit from corporate activities and results.

3. Initiatives for Stakeholder-desired Engagement

We will continue to build relationships and communicate with stakeholders based on our understanding of their standpoints, as well as their expectations and demands towards the ID&E Group, as described in the preceding paragraph. We will also deepen the collaboration with each stakeholder by understanding the type of engagement they desire and by utilizing a variety of communication methods.

4. Disclosure of Information on Relations with Stakeholders

We will regularly disclose information on relationships with stakeholders, while monitoring the status of communications and making continuous improvements and revisions, in order to achieve the stakeholder engagement that the ID&E Group should aim for.

Initiatives and Achievements

Stakeholder engagement has led to the creation of new solutions for building a sustainable society, which in turn stimulates further stakeholder engagement.

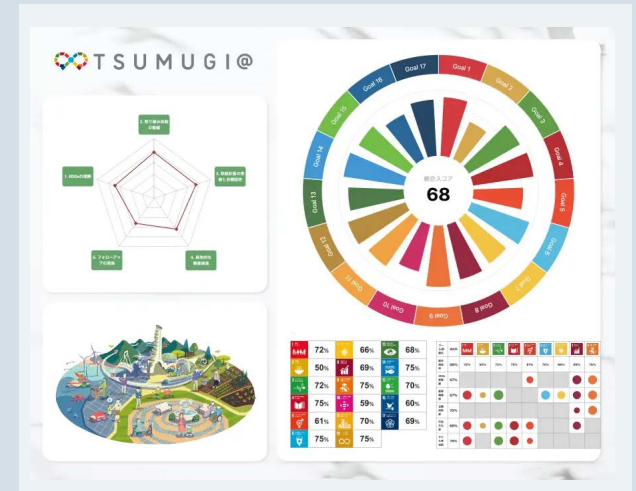
2.4 Stakeholder Engagement

KIBOH2030, TSUMUGI@: SDGs Engagement Assessment and Visualisation Tools

Our Group played a key role in developing the tools "KIBOH2030" and "TSUMUGI@," which are designed to support efforts to achieve the Sustainable Development Goals (SDGs). These tools were developed through dialogue with stakeholders. They not only enhance stakeholder engagement within our Group but also promote engagement among those using them and their stakeholders, expanding the circle of communication towards a sustainable society. "KIBOH2030" is aimed at diagnosing the current SDG initiatives of small and medium-sized enterprises (SMEs), including regional financial institutions, helping them assess their progress and reduce the time and effort needed to identify areas for improvement. "TSUMUGI@" is an SDG diagnostic tool for municipalities, helping local governments visualise their SDG efforts and develop concrete action plans for a sustainable future. Through these tools, our Group seeks to broaden the scope of stakeholder engagement that contributes to achieving the SDGs.



Diagnostic Tool for Small and Medium-sized Enterprises: "KIBOH2030"



Diagnostic Tool for Local Governments: "TSUMUGI@"

2.5 Supply Chain Management

Approach/Policy

To achieve a sustainable society, it is essential for not only our Group but the entire supply chain to work together in addressing environmental conservation, respect for human rights, labour safety, and information security measures. The ID&E Group has established the "Action Guidelines for Promoting Supply Chain Management and CSR Procurement" to share fundamental values with various stakeholders within the supply chain and deepen partnerships.

ID&E Holdings Action Guidelines for Promoting Supply Chain Management and CSR Procurement

The ID&E Holdings Group (the ID&E Group) recognises the importance of building fair and appropriate relationships with stakeholders engaged with the supply chain and procurement in accordance with our Sustainability Foundational Policy, and will work on the following listed matters.

1. Compliance with Laws, Regulations and Equivalent Social Norms, and Respect for International Norms

We will comply with laws and regulations related to our business, build sound business relationships with our business partners, and proactively strive to correct inappropriate transactions and business practices. In addition, we will also respect international norms related to our business and strive to build transparent and sound business relationships in order to appropriately accomplish our responsibilities as a global company.

2. Consideration for the Global Environment

We will aim to work with our business partners to reduce our impact on the global environment and to protect the environment by selecting globally environmentally friendly suppliers and trying hard to give priority to procurement.

3. Respect for Human Rights and Consideration for Working Environments and Workplace Safety

Based on the ID&E Group's Basic Policy on Human Rights and its Action Guidelines, we respect human rights throughout the supply chain and promote procurement that takes into consideration management of Health, Safety and Environment (HSE).

4. Strict Control of Information

(1) Information assets acquired in the procurement process will be strictly managed based on the ID&E Group Basic Policy on Information Security.
(2) We will make every effort to ensure information security and improve the reliability of the entire supply chain.
(3) Every officer and employee will strive to ensure the safety and reliability of information assets and earn the trust of stakeholders.

5. Efforts to Promote CSR Procurement in the Entire Supply Chain

In cooperation with our business partners that constitute our supply chain, we will build a procurement system that raises understanding of our Action Guidelines and promote procurement based on Corporate Social Responsibility (CSR procurement) throughout our supply chain.

Analysis of Business Structure Across the Entire Supply Chain

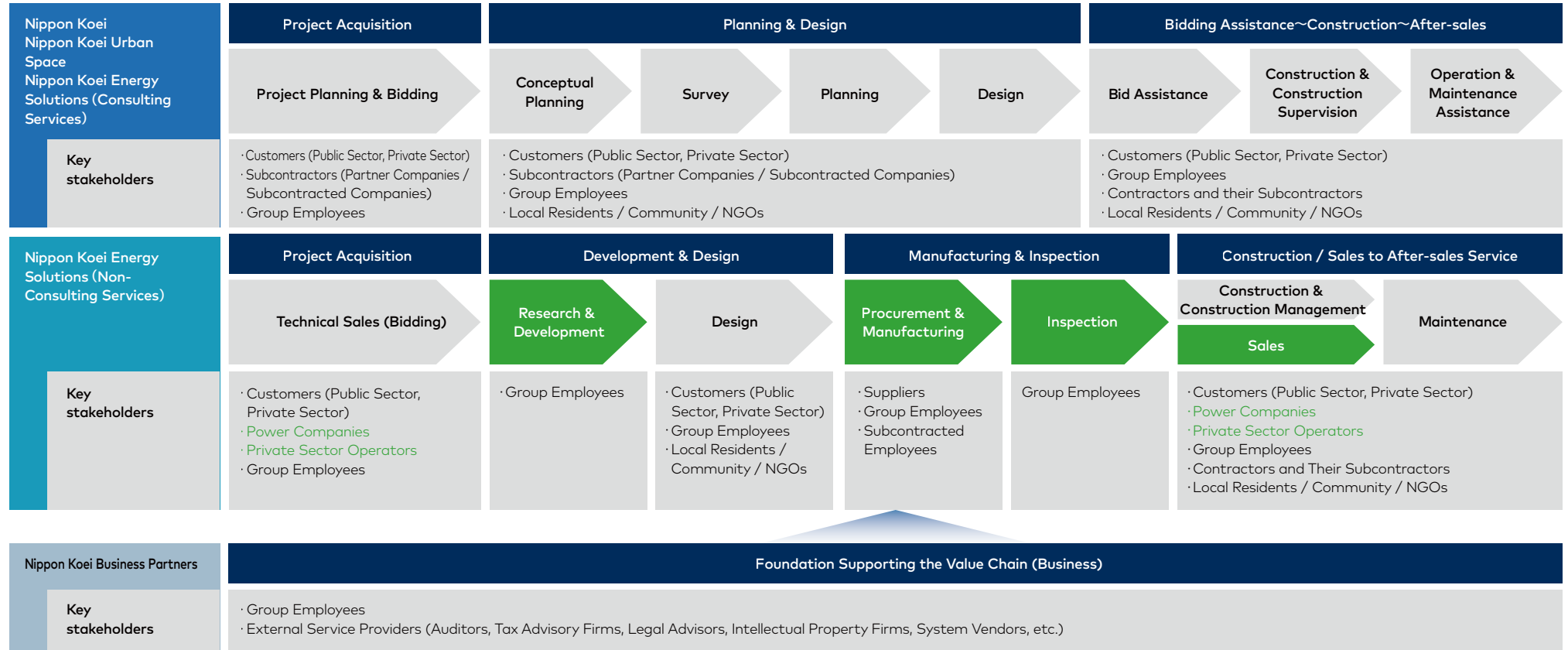
To identify stakeholders within the supply chain, our Group has conducted an analysis of its business structure, which has been organized as shown in the following diagram. In the consulting business, partner companies involved in the early stages of planning and promotion, and contractors and their subcontractors during the implementation stage, serve as key stakeholders.

In the energy business, the operation of hydropower plants, as well as the manufacturing of turbines, generators, and various transformer devices, involves collaboration with power companies, suppliers, and other stakeholders.

Based on this analysis, our Group is committed to working with all stakeholders in our supply chain to strengthen efforts toward environmental protection, respect for human rights, labour safety, and the promotion of CSR in procurement. Particularly regarding human rights within the supply chain, our Group will ensure the steady implementation of human rights due diligence based on our Group's "Human Rights Foundational Policy" and "Action Guidelines for Human Rights." For more information, please refer to section 4.1 on Human Rights.

2.5 Supply Chain Management

The overall structure of the business, including suppliers, was analysed across the Value Chain, organising rights holders and stakeholders.



➡ Energy Sector-specific Processes

Green text: Energy Sector-specific Stakeholders

2.5 Supply Chain Management

Initiatives

Regular Meetings of the "Health and Safety Committee" Including Partner Companies

At Nippon Koei Energy Solutions, the "Health and Safety Promotion Committee" is held monthly, including partner companies as well. During these meetings, "best practices" and "near-miss or close-call incidents" from various sites are shared in detail, using diagrams and photographs. These are then communicated during morning meetings and displayed at the worksites to raise safety risk awareness. Additionally, the committee selects a monthly safety slogan to reinforce safety consciousness.



The "Health and Safety Committee" Including Partner Companies.

Participation in Supply Chain Management Initiatives

1. Global Compact Network Japan's "Supply Chain Working Group"

Since June 2019, the ID&E Group has been a participant in the United Nations Global Compact, and it is also a member of the local network, "Global Compact Network Japan." The Group participates in the "Supply Chain Working Group," where member companies and organisations exchange views, share information, and discuss solutions related to supply chain management, aiming to strengthen their efforts in this area.

2. Partnership Building Declaration

In June 2023, Nippon Koei expressed its agreement with the "Partnership Building Declaration" advocated by the Japanese Government's Cabinet Office and the Small and Medium Enterprise Agency, committing to fostering collaboration and mutual prosperity with its business partners. Nippon Koei declared its intention to build new partnerships from the standpoint of the "procuring party."

The declaration clearly commits to: (1) pricing methods, (2) payment terms, such as promissory notes, (3) intellectual property and know-how, and (4) ensuring that work style

reforms do not place undue burdens on partners. The company places particular emphasis on compliance with the Subcontract Act, promoting thorough awareness within the company and continuing efforts to build strong partnerships with its business partners.



Partnership Building Declaration