

Materiality

Under the Medium-Term Management Plan (FY 3/24 - FY 3/26) announced in May 2023, Penta-Ocean Construction Group set a goal to aim for: A genuine global general contractor who practices sustainability management and contributes to sustainable social development through sustainable construction business activities. To work towards the above goal, we promote our core business growth strategies and sustainability management with focus on ESG (Environment, social and governance), as two inseparable elements of our corporate management.

In promoting sustainability management, we will pursue two distinctive goals of medium- to long-term corporate growth and sustainable development of society. To this end, we have identified materiality, or material business issues, to be addressed as important management issues.

More specifically, we have identified the followings as our eight materiality issues;

1. Responding to climate change issues
2. Creation of a rich environment
3. Construction of high-quality social infrastructure and buildings
4. Enhancing technology development and technical capabilities
5. Promotion of diversity and inclusion
6. Respecting human rights and building sustainable supply chain
7. Ensuring occupational health and safety
8. Promotion of effective governance

For each of the issues above, we established specific policies, structures and metrics to assess the implementation progress.

POC Group's Materiality (material business issues)

Environmental

- (1) Responding to Climate Change Issues
- (2) Creation of a Rich Environment

Social

- (3) Construction of High-quality Social Infrastructure and Buildings
- (4) Enhancing Technology Development and Technical Capabilities
- (5) Promotion of Diversity & Inclusion
- (6) Respecting Human Rights and Building Sustainable Supply Chain
- (7) Ensuring Occupational Health and Safety

Governance

- (8) Promotion of Effective Governance

The Goal to Aim for (Vision)

Practicing sustainability management

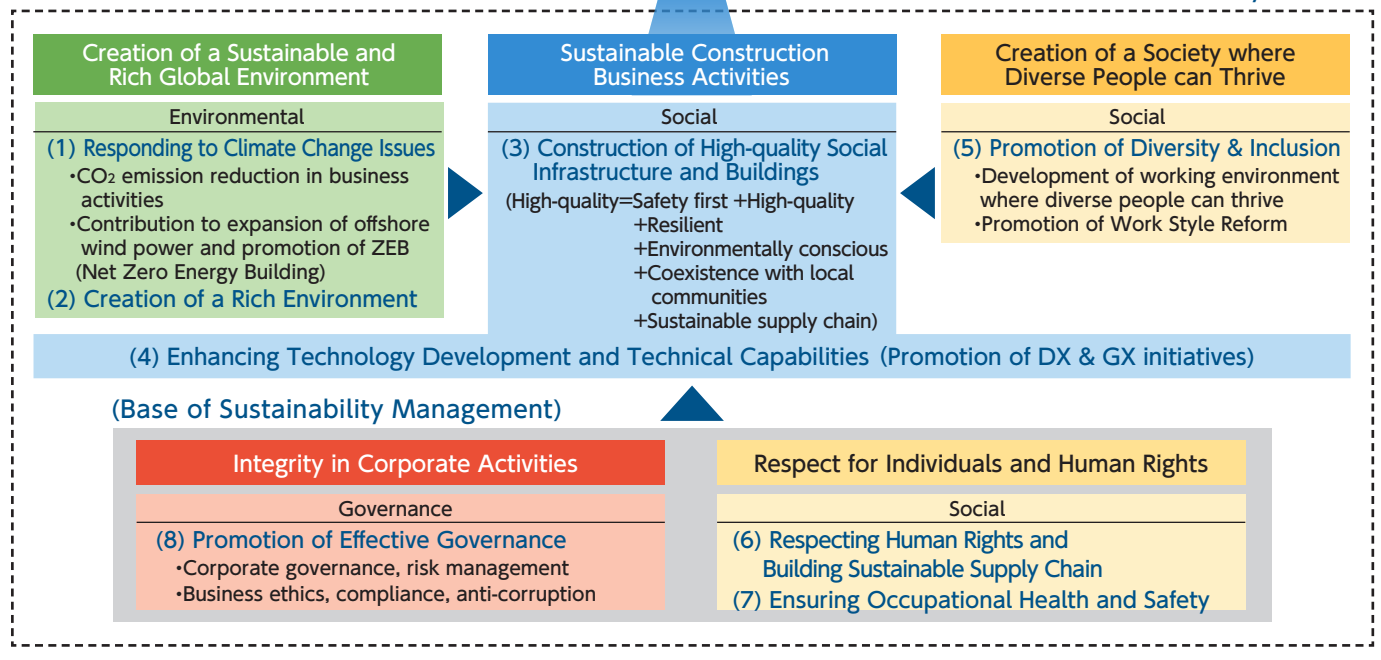
A Genuine Global Contractor

- Contributes to the sustainable development of society through sustainable construction business activities

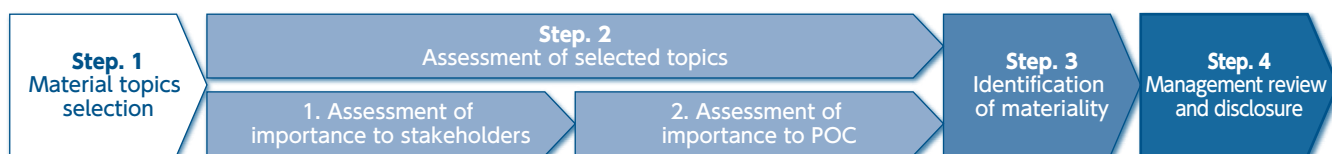
POC Group conducts construction business activities based on the belief that "Our greatest contribution to society is the construction of superior infrastructure." As a genuine global contractor with strengths in port, coastal and waterfront areas and overseas, not only do we strive to provide reliable safety and quality backed by technology, but we will also contribute to sustainable development of society by sincerely addressing all sustainability issues from an ESG perspective.

(Practicing sustainability management)

※Materiality (1)~(8)



Materiality identification process



Step1 Material topics selection (October - November 2022)

We selected 23 social and environmental issues to be considered through the analysis of various international ESG frameworks including SASB and GRI standards, and the assessment of items identified as material by our construction industry peers at home and abroad, while receiving feedback from outside experts.

Step2 Assessment of selected topics (November 2022 – March 2023)

1. Assessment of importance to stakeholders

Based on various types of information including questionnaires received from clients, ESG surveys and reports from international organizations and NGOs, we analyzed the level of interest of our stakeholders in each issue and conducted a comprehensive evaluation of their importance to stakeholders.

2. Assessment of importance to POC

We established a team consisting of members selected from the Civil Engineering Divisions Group, the Building Construction Divisions Group, the International Business Unit, as well as administrative staff, branch office staff, and staff from other departments related to each issue, to study their material impact on our business. By involving outside experts to provide us insights through dialogue meetings, we deepened our understanding of the 23 issues identified in step1, and discussed risks and opportunities that we shall focus on from medium- to long-term perspectives, as well as their importance to our businesses.



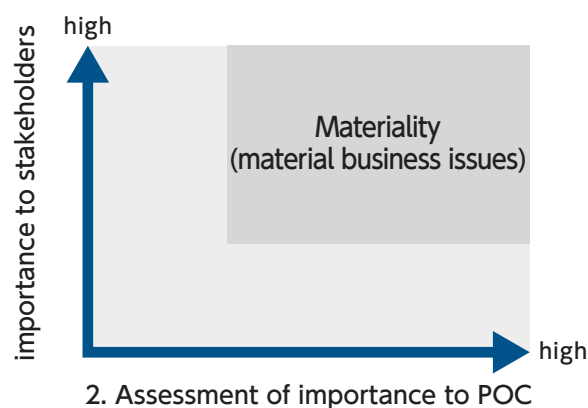
Dialogue meeting with outside experts

Step3 Identification of materiality (March 2023 – April 2023)

In accordance with the results of Step 2, materiality issues were plotted based on the two axes assessment: importance to stakeholders and importance to POC.

Step4 Management review and disclosure (May 2023)

- After review by the management, the eight materiality issues and their characterization were presented and discussed at the CSR Committee in May 2023.
- Upon the approval by the Board of Directors, the above materiality issues were announced in the Mid-term Management Plan (FY 3/24 - FY 3/26).










Materiality (KPI)

The Penta-Ocean Construction Group's materiality and related issues, examples of initiatives, main results, please refer to the ESG Data in the Data Section on p.54.

	Vision	Materiality	Examples of initiatives
Environmental	Creation of a Sustainable and Rich Global Environment	(1) Responding to Climate Change Issues	<ul style="list-style-type: none"> •GHG reduction in construction activities Scope1:Use of low-carbon fuel (efficiency improvement), construction efficiency improvement Scope2:ZEB construction offices (energy-saving, use of renewable energies) Scope3:Use of low-carbon concrete, promotion of ZEB, CO₂ absorption by blue carbon in coastal areas etc. •Promotion of ZEB (energy saving, use of renewable energies) •Contribution to the expansion of renewable energy supply through offshore wind construction
		(2) Creation of a Rich Environment <ul style="list-style-type: none"> •Creation of aquatic environment •Prevention of environmental pollution •Promotion of resource recycling •Conservation of biodiversity •Effective use of water resources 	<ul style="list-style-type: none"> •Promotion of resource recycling Recycling of construction generated soil and construction sludge Improvement of soft dredged soil using "Calcia" (made from steel slag) and "Watoru" (made from paper sludge ashes), Food recycling business (composting of food waste) •Absorption of CO₂ by blue carbon and Calcia reformed soil in coastal areas Creation and conservation of seaweed beds and tidal flats, use of Calcia modified soil (dredged soft soil)
	Sustainable Construction Business Activities	(3) Construction of High-quality Social Infrastructure and Buildings <ul style="list-style-type: none"> •Ensuring quality •Coexistence with local communities 	<ul style="list-style-type: none"> •Gaining trust of clients through reliable safety and quality backed by technology 1. Demonstrating collective strengths by inter-departmental collaboration and front-loading initiatives 2. Sharpening competitive edge by originating third-party alliance at home and abroad 3. Sustainable construction (safety first, high-quality, resilient, environmentally conscious, coexistence with local communities, sustainable supply chain)
		(4) Enhancing Technology Development and Technical Capabilities (Promotion of DX &GX initiatives)	<ul style="list-style-type: none"> •Sources of competitiveness, three areas of focus (DX, GX, Resilience) •Promotion of DX initiatives (streamlining design, construction and management, information sharing with clients and subcontractors) •Promotion of GX initiatives (development and implementation of technologies that contribute to achieve Carbon Neutrality) •Technology development eyeing diversifying needs and large-scale projects
Social	Creation of a Society where Diverse People can Thrive	(5) Promotion of Diversity & Inclusion <ul style="list-style-type: none"> •Human resources development •Work Style Reform, securing future workforce 	<ul style="list-style-type: none"> •Securing, developing and empowering diverse human resources (women, non-Japanese, etc.) Development and management of inclusive workplace environment Improving employee education and training Promotion of Work Style Reform (conforming to overtime hour cap) Preparing for life events of employees (flexible work style and career plans) •Providing support to subcontractors for promoting Work Style Reform and securing future workers •Development of a Harassment Helpline (domestic and overseas, in-house and external)
		Respect for Individuals and Human Rights	(6) Respecting Human Rights and Building Sustainable Supply Chain
	(7) Ensuring Occupational Health and Safety		<ul style="list-style-type: none"> •Undertaking activities of occupational accidents prevention in cooperation with subcontractors •Spreading POC Standard (Safety and quality first) across offices at home and abroad •One-on-one training by senior employees of the Safety and Quality Control Education Office
Governance	Integrity in Corporate Activities	(8) Promotion of Effective Governance <ul style="list-style-type: none"> •Corporate governance •Risk management •Business ethics and compliance, anti-corruption •Information security and personal information protection •Tax governance •Transparent information disclosure 	<ul style="list-style-type: none"> •Providing education on sustainability to raise employees' awareness •Continuous improvement of corporate governance (Directors' assessment of the internal control system and the effectiveness of the Board of Directors) •Providing compliance training (domestic and overseas) •Development of a Compliance Helpline (domestic and overseas, in-house and external) •Formulation of Business Continuity Plan (BCP) and implementation of disaster drills (major earthquakes, tsunamis) •Providing information security training (domestic and overseas) •Conducting timely and appropriate information disclosure, IR activities for institutional investors, site tours for individual shareholders, etc.

indicators and targets (KPIs), as well as relationship with SDGs are shown below. For actual

KPI	Related SDGs
<ul style="list-style-type: none"> CO₂ emission (SCOPE1,2) CO₂ emission (SCOPE3) Percentage of vehicles using additive to improve fuel economy Percentage of eco-friendly construction machinery Number of orders for ZEB buildings Output from constructed offshore wind farms 	
<ul style="list-style-type: none"> Sales from resource recycling businesses Construction waste recycling rate Number of violation of environmental laws and regulations Development of blue-carbon related technologies 	
<ul style="list-style-type: none"> Number of commendations (Commendations from the Minister, the Director of regional development bureaus, Nikkenren and JSCE awards) Score of projects awarded by the government Private clients satisfaction survey "Satisfied" or better* Numbers of cases of non-conforming product handling* * Quality management system 	
<ul style="list-style-type: none"> R&D expenditures and number of external publications (papers, press releases) Overall number and by focused areas (DX, GX, Resilience) Number of patents and utility models held 	
<ul style="list-style-type: none"> Ratio of new female career-track employees Ratio of female employees in managerial positions Turn over rate within 3 years of joining Ratio of employees with disabilities Progress of Work Style Reform (8 site closures per 4 weeks, 8 days off per 4 weeks, strict adherence to overtime hour regulations) Childcare leave acquisition rate (male) Number of certified excellent foremen Construction Career Up System registration rate of subcontractors and skilled workers: Primary subcontractors:100%, second-tier subcontractors :90% (FY 3/2026) Number of consultations received by the Harassment Helpline 	
<ul style="list-style-type: none"> Human rights training participation rate (from FY 3/2024~) :100% Progress of Human Rights DD:From FY 3/2024:POC Group (domestic and overseas) From FY 3/2025:POC group and subcontractors SSC training participation rate (from FY 3/2025) :100% SSC conformity of clients (from FY 3/2025) Number of consultation received by Human Rights Helpline 	
<ul style="list-style-type: none"> Domestic (frequency, severity) Overseas (frequency, severity) Number of fatal accidents (domestic and overseas) 	
<ul style="list-style-type: none"> Sustainability training participation rate :100% Number of serious violations of laws and regulations :Zero Compliance training participation rate :100% Number of consultation received by the compliance helpline Information security training participation rate :100% Number of serious information-related incidents :Zero Percentage of executives and employees participating in BCP training :100% IR events (results meetings, One on One Meetings, site tours) 	