

Disclaimer

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Securities Code: 1893
June 4, 2021

To Those Shareholders with Voting Rights

Takuzo Shimizu
President, Chief Executive Officer and
Representative Director
Penta-Ocean Construction Co., Ltd.
2-8 Koraku 2-chome, Bunkyo-ku, Tokyo, Japan

**NOTICE OF CONVOCAION OF THE 71ST ORDINARY GENERAL MEETING OF
SHAREHOLDERS**

Dear Shareholders:

We are pleased to inform that the 71st Ordinary General Meeting of Shareholders of the Penta-Ocean Construction Co., Ltd. (hereinafter referred to as “Company”) will be held as described below.

Please note that you can exercise your voting rights either in writing (by mail) or electronic media (via the Internet, etc.). Please review the Reference Documents for the Ordinary General Meeting of Shareholders contained herein and exercise your voting rights in the manner described hereinafter no later than 6:00 p.m., Japan Standard Time (JST) on Thursday, June 24, 2021.

- 1. Date and Time:** Friday, June 25, 2021 at 10:00 a.m., JST
(The reception will begin at 9:00 a.m.)
- 2. Venue:** Conference Room, 11th Floor at the Head Office of the Company
2-8 Koraku 2-chome, Bunkyo-ku, Tokyo, Japan
- 3. Agenda of the Meeting:**
 - Matters to be reported:**
 1. The Business Report, the Consolidated Financial Statements, and the audit results of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 71st Fiscal Year (from April 1, 2020 to March 31, 2021).
 2. The Non-consolidated Financial Statements for the 71st Fiscal Year (from April 1, 2020 to March 31, 2021).
 - Proposals to be resolved:**
 - Proposal No. 1:** Appropriation of Retained Earnings
 - Proposal No. 2:** Election of the Nine (9) Members of the Board
 - Proposal No. 3:** Election of the One (1) Audit & Supervisory Board Member
 - Proposal No. 4:** Revision of Amounts of Monetary Compensation for Members of the Board
 - Proposal No. 5:** Revision of a Performance-Based Stock Compensation Program for Members of the Board

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- ◎ Any subsequent amendments to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements (if any) will be listed on the Company’s website (<http://www.penta-ocean.co.jp/>).
 - ◎ Of the documents to be included with this notice, hereinafter referred to as “Notes to the Consolidated Financial Statements” and the “Notes to the Non-consolidated Financial Statements” are listed on the Company’s website

(<http://www.penta-ocean.co.jp/>) pursuant to laws and regulations and the Articles of Incorporation, and are not included in the attached documents of this notice. Furthermore, the attached documents of this notice and the documents listed on the website above are the documents that were audited by the audit & supervisory board member and the accounting auditor during preparation of the audit report and the accounting auditor's report, respectively.

Guidance for Exercise of Voting Rights

Voting rights for the Ordinary General Meeting of Shareholders may be exercised by either of the following methods.

If exercising Voting Rights by attending the General Meeting of Shareholders

Please bring the enclosed Voting Rights Exercise Form with you and submit it to the reception desk.

If exercising Voting Rights in writing (Voting Rights Exercise Form)

Please indicate your vote for or against each proposal on the enclosed Voting Rights Exercise Form and return it so that it will reach us by Thursday, June 24, 2021 at 6:00 p.m., JST.

Please note that if there was no indication of your vote for or against on each proposal, we will handle it as if it was presented as vote for.

If exercising Voting Rights via the Internet

Please access the Company's designated Voting Rights Exercise Website (<https://soukai.mizuho-tb.co.jp/>), and enter your vote for or against the proposals by Thursday, June 24, 2021 at 6:00 p.m., JST.

Contact Information

If you have any inquiries, please contact the Company's Shareholder Registry Administrator, "Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd" (below).

(1) Inquiries regarding operation of the Voting Rights Exercise Website:

Toll-free in Japan **0120-768-524**
(Operating hours: 9:00 a.m. to 9:00 p.m., JST, weekdays)

(2) For other inquiries relating to share administration:

Toll-free in Japan **0120-288-324**
(Operating hours: 9:00 a.m. to 5:00 p.m., JST, weekdays)

[For institutional investors]

We participate in the online voting platform for "institutional investors" operated by ICJ, Inc.

Guidance for Exercise of Voting Rights via the Internet

1. Via “Smart Exercise”

- (1) Please scan the QR code printed on the lower right of the enclosed Voting Rights Exercise Form using your smartphone etc. to access “Smart Exercise,” then follow the instructions on the screen to input your vote. (You do not need to enter an ID/Password.)
- (2) You may only exercise your voting rights once via “Smart Exercise.” To change your vote after exercising your voting rights via “Smart Exercise,” please follow the instruction 2 below.

2. Via ID and Password

- (1) Please access the “Voting Rights Exercise Website” (URL below), log in to the system using the “Voting Rights Exercise Code” and “Password” printed on the enclosed Voting Rights Exercise Form, and follow the instructions on the screen to input your vote. In order to maintain security, users will be prompted to change the Password when logging in to the system for the first time.

Voting Rights Exercise Website	https://soukai.mizuho-tb.co.jp/
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- (2) The Password (including the Password you changed) is valid only for this Ordinary General Meeting of Shareholders. A new Password will be issued at the time of the next meeting.
- (3) The Password is the method to verify whether the person voting is a legitimate shareholder, so please handle with care. The Company will never ask shareholders to provide their Passwords.
- (4) The Password will be locked and suspended when entered incorrectly for a certain number of times. Please follow the instruction on the screen when the Password is locked.

3. Important Notice

- (1) You will need to exercise your voting rights by completing the process by 6:00 p.m., JST on Thursday, June 24, 2021. Your exercise at the earliest opportunity is advised.
- (2) If you exercise your voting rights both by mailing the Voting Rights Exercise Form and via the Internet, the voting right exercised through the Internet shall be deemed to be effective. If you exercise your voting rights more than once through the Internet, the Company will regard the content of the last exercise as valid.
- (3) Fees for connecting and using the Internet would be your own expense.
- (4) Although the Voting Rights Exercise Website has been tested of operation with general internet connecting devices, the system may not be available depending on the device you use and its condition.

Note: “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

[About “Smart Exercise”]

By scanning “Voting Rights Exercise Website Log-in QR Code for Smartphones” which is printed on the enclosed Voting Rights Exercise Form, you can access the Website without entering the “Voting Rights Exercise Code” and “Password.” You can exercise the voting rights only once by this method.

Reference Documents for the Ordinary General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Retained Earnings

The Company's basic policy of dividend of surplus is to increase its corporate value, in order to pay stable dividends to the shareholders on a continuing basis, by enhancing its profitability through cutting-edge technological developments and appropriate capital investments.

The Company proposes appropriation of retained earnings as follows in comprehensive consideration of business results for the fiscal year under review, capital adequacy, and future business expansion, etc.

1. Year-end Dividend

(1) Type of dividend property

Cash

(2) Allocation of dividend property and total amount thereof

¥28 per common stock of the Company (ordinary dividend of ¥23 and commemorative dividend of ¥5 for the 125th anniversary of the Company)

¥8,002,492,400 in total

(3) Effective date of dividend payment

June 28, 2021

2. Other Appropriation of Retained Earnings

(1) Item of retained earnings to be increased and the amount thereof

General reserve: ¥10,000,000,000

(2) Item of retained earnings to be decreased and the amount thereof

Retained earnings carried forward: ¥10,000,000,000

Proposal No. 2: Election of the Nine (9) Members of the Board

The term of office of all ten (10) members of the board will expire at the close of this Ordinary General Meeting of Shareholders. Accordingly, the Company proposes the election of a total of nine (9) members of the board.

The candidates are as follows:

Candidate No.		Name	Current positions and titles at the Company	Attendance at the board meetings during the fiscal year
1	<u>Reappointment</u>	Takuzo Shimizu	President, Chief Executive Officer and Representative Director	100% (23 meetings out of 23 meetings)
2	<u>Reappointment</u>	Kazuya Ueda	Executive Vice President, Representative Director	100% (23 meetings out of 23 meetings)
3	<u>Reappointment</u>	Tetsushi Noguchi	Senior Managing Executive Officer, Member of the Board	100% (23 meetings out of 23 meetings)
4	<u>Reappointment</u>	Hiroshi Watanabe	Senior Managing Executive Officer, Member of the Board	96% (22 meetings out of 23 meetings)
5	<u>Reappointment</u>	Junji Katsumura	Senior Managing Executive Officer, Member of the Board	100% (23 meetings out of 23 meetings)
6	<u>Reappointment</u>	Tomoyuki Yamashita	Senior Managing Executive Officer, Member of the Board	100% (23 meetings out of 23 meetings)
7	<u>Reappointment</u>	Yasuhiro Kawashima	<u>Candidate for Outside Board Member</u> <u>Candidate for Independent Member of the Board</u>	100% (23 meetings out of 23 meetings)
8	<u>Reappointment</u>	Hidenori Takahashi	<u>Candidate for Outside Board Member</u> <u>Candidate for Independent Member of the Board</u>	100% (23 meetings out of 23 meetings)
9	<u>New appointment</u>	Hokuto Nakano	<u>Candidate for Outside Board Member</u> <u>Candidate for Independent Member of the Board</u>	—

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
1	Takuzo Shimizu (June 8, 1958) <u>Reappointment</u>	<p>April 1983 Joined the Company</p> <p>April 2009 Appointed as Executive Officer, Head of Nagoya Branch</p> <p>April 2012 Appointed as Managing Executive Officer, Head of Civil Engineering Sales and Marketing Divisions Group, Civil Engineering Business Unit</p> <p>June 2012 Appointed as Managing Executive Officer, Member of the Board, same as above</p> <p>April 2013 Appointed as Senior Managing Executive Officer, Member of the Board, same as above</p> <p>April 2014 Appointed as Executive Vice President, Representative Director</p> <p>June 2014 Appointed as President, Chief Executive Officer and Representative Director (to the present)</p> <p>May 2016 Appointed as Chairman, Japan Dredging and Reclamation Engineering Association (to the present)</p> <p>■ Status of important concurrent positions Chairman, Japan Dredging and Reclamation Engineering Association</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Takuzo Shimizu has a wealth of operational experience mainly regarding civil engineering business and corporate planning of the Company. After being appointed President in June 2014, he has promoted corporate strategy with the aim of improving corporate value as top management. The Company believes that he can continue to draw on his wealth of experience and knowledge of duties in management.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p>	67,700 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
2	Kazuya Ueda (August 2, 1958) <u>Reappointment</u>	<p>April 1983 Joined the Company</p> <p>April 2011 Appointed as Executive Officer, Executive General Manager, Deputy Head of Civil Engineering Sales and Marketing Divisions Group, Civil Engineering Business Unit</p> <p>April 2013 Appointed as Managing Executive Officer, same as above</p> <p>April 2014 Appointed as Managing Executive Officer, Head of Civil Engineering Sales and Marketing Divisions Group, Civil Engineering Business Unit</p> <p>June 2014 Appointed as Managing Executive Officer, Member of the Board, same as above</p> <p>April 2015 Appointed as Senior Managing Executive Officer, Member of the Board, same as above</p> <p>April 2017 Appointed as Executive Vice President, Representative Director Executive of Civil Engineering Business Unit Head of Civil Engineering Sales and Marketing Divisions Group, Civil Engineering Business Unit (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Kazuya Ueda has a wealth of operational experience regarding civil engineering business, etc., of the Company. The Company believes that he can continue to draw on his ample experience and knowledge of duties in management as member of the board.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p>	24,900 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
3	Tetsushi Noguchi (September 11, 1960) <u>Reappointment</u>	<p>April 1983 Joined the Company</p> <p>April 2012 Appointed as Executive Officer, Head of Nagoya Branch</p> <p>April 2014 Appointed as Executive Officer, Executive General Manager, Deputy Head of Civil Engineering Divisions Group, Civil Engineering Business Unit</p> <p>June 2014 Appointed as Executive Officer, Member of the Board, same as above</p> <p>April 2016 Appointed as Managing Executive Officer, Member of the Board, Head of Civil Engineering Divisions Group, Civil Engineering Business Unit</p> <p>April 2018 Appointed as Senior Managing Executive Officer, Member of the Board, same as above (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Tetsushi Noguchi has a wealth of operational experience regarding civil engineering business, etc., of the Company. The Company believes that he can continue to draw on his ample experience and knowledge of duties in management as member of the board.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p>	22,400 shares
4	Hiroshi Watanabe (March 16, 1960) <u>Reappointment</u>	<p>April 1984 Joined the Company</p> <p>April 2015 Appointed as Executive Officer, Executive General Manager, Deputy Head of Building Construction Sales and Marketing Divisions Group, Building Construction Business Unit</p> <p>April 2017 Appointed as Managing Executive Officer, Head of Building Construction Sales and Marketing Divisions Group, Building Construction Business Unit</p> <p>June 2017 Appointed as Managing Executive Officer, Member of the Board, same as above</p> <p>April 2019 Appointed as Senior Managing Executive Officer, Member of the Board, same as above (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Hiroshi Watanabe has a wealth of operational experience regarding the building construction business, etc., of the Company. The Company believes that he can continue to draw on his ample experience and knowledge of duties in management as member of the board.</p> <p>■ Attendance at the board meetings during the fiscal year 96% (22 meetings out of 23 meetings)</p>	18,900 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
5	Junji Katsumura (February 25, 1958) <u>Reappointment</u>	<p>April 1983 Joined the Company</p> <p>April 2015 Appointed as Executive Officer, Head of International Administration Divisions Group, International Business Unit, General Manager, Head of International Administration Division</p> <p>April 2016 Appointed as Executive Officer, Head of International Administration Divisions Group, International Business Unit</p> <p>April 2017 Appointed as Managing Executive Officer, same as above</p> <p>April 2019 Appointed as Managing Executive Officer, Head of International Civil Engineering Divisions Group, International Business Unit, Head of International Administration Divisions Group</p> <p>June 2019 Appointed as Managing Executive Officer, Member of the Board, same as above</p> <p>April 2020 Appointed as Managing Executive Officer, Member of the Board, Head of International Administration Divisions Group, International Business Unit</p> <p>April 2021 Appointed as Senior Managing Executive Officer, Member of the Board, same as above (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Junji Katsumura has a wealth of operational experience regarding overseas business, etc., of the Company. The Company believes that he can continue to draw on his ample experience and knowledge of duties in management as member of the board.</p> <p>■ Attendance at the board meetings during the fiscal year (after assumption of office) 100% (23 meetings out of 23 meetings)</p>	12,000 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
6	Tomoyuki Yamashita (December 4, 1962) <u>Reappointment</u>	<p>April 1986 Joined the Company</p> <p>April 2017 Appointed as Executive Officer, General Manager, Head of Human Resources Division, Corporate Administration Divisions Group General Manager, Head of General Affairs Division</p> <p>April 2018 Appointed as Executive Officer, Head of Corporate Administration Divisions Group General Manager, Head of General Affairs Division Head of CSR Planning Office</p> <p>June 2018 Appointed as Executive Officer, Member of the Board, same as above</p> <p>April 2019 Appointed as Managing Executive Officer, Member of the Board, same as above</p> <p>April 2021 Appointed as Senior Managing Executive Officer, Member of the Board, Head of Corporate Administration Divisions Group, General Manager, Head of CSR Planning Office (to the present)</p> <p>■ Reasons for selection as a candidate for Member of the Board Mr. Tomoyuki Yamashita has a wealth of operational experience regarding the human resources and general affairs etc., of the Company. The Company believes that he can continue to draw on his ample experience and knowledge of duties in management as member of the board.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p>	18,700 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
7	Yasuhiro Kawashima (August 18, 1944) <u>Reappointment</u> <u>Outside</u> <u>Independent</u>	<p>April 1969 Joined Ministry of Transport (currently Ministry of Land, Infrastructure, Transport and Tourism)</p> <p>June 1998 Appointed as Bureau Manager, Ports and Harbours Bureau</p> <p>June 2000 Appointed as Minister's Secretariat, Deputy Minister for Technical Affairs</p> <p>January 2001 Appointed as Minister's Secretariat, Deputy Minister for Technical Affairs, Ministry of Land, Infrastructure, Transport and Tourism</p> <p>July 2001 Appointed as President, Service Center of Port Construction Engineering (currently Specialists Center of Port and Airport Engineering)</p> <p>March 2004 Appointed as Adviser, Nippon Steel Corporation (currently NIPPON STEEL CORPORATION)</p> <p>May 2005 Appointed as Chairman, FEDERATION OF JAPAN PORTS AND AIRPORTS CONSTRUCTION ASSOCIATION</p> <p>May 2006 Appointed as Chairman, Japan Marine Surveys Association (to the present)</p> <p>July 2006 Appointed as Adviser, Nippon Steel Engineering Co., Ltd. (currently NIPPON STEEL ENGINEERING CO., LTD.)</p> <p>June 2016 Appointed as Outside Board Member, the Company (to the present)</p> <p>■ Status of important concurrent position Chairman, Japan Marine Surveys Association</p> <p>■ Reasons for selection as a candidate for Outside Board Member and overview of expected roles Mr. Yasuhiro Kawashima has a wealth of experience at the top of organizations such as the Bureau Manager of the Ports and Harbours Bureau, and has advanced insight and specialized knowledge regarding the construction industry and port and harbor construction technology. Based on his ample experience and knowledge, the Company selected him as a candidate for Outside Board Member, expecting him to contribute to supervising the determination of important matters of the Company and business execution, etc.</p> <p>■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings)</p> <p>■ Years served as Member of the Board at the close of this General Meeting of Shareholders Five years</p>	4,300 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
8	Hidenori Takahashi (August 26, 1951) <u>Reappointment</u> <u>Outside</u> <u>Independent</u>	<p>November 1977 Joined Musashi Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>August 1982 Registered as a certified public accountant</p> <p>August 1991 Representative Partner, Century Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>June 2006 Appointed as Executive Director, Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>August 2008 Appointed as Senior Executive Board Member, Ernst & Young ShinNihon LLC</p> <p>July 2010 Appointed as Chief Executive, The Japanese Institute of Certified Public Accountants</p> <p>August 2010 Appointed as Senior Adviser, Senior Partner, Ernst & Young ShinNihon LLC</p> <p>June 2014 Resigned from Ernst & Young ShinNihon LLC</p> <p>September 2014 Appointed as Executive Director, Professional Standards and Services, The Japanese Institute of Certified Public Accountants</p> <p>June 2017 Appointed as Outside Board Member, the Company (to the present)</p> <p>June 2018 Appointed as Outside Auditor, NIPPON VALQUA INDUSTRIES, LTD. (currently VALQUA, LTD.) (to the present)</p> <ul style="list-style-type: none"> ■ Status of important concurrent position Outside Auditor, VALQUA, LTD. ■ Reasons for selection as a candidate for Outside Board Member and overview of expected roles Mr. Hidenori Takahashi has a wealth of experience and knowledge as a certified public accountant and as he served as a managing executive at audit corporations. Based on his ample experience and knowledge, the Company selected him as a candidate for Outside Board Member, expecting him to contribute to supervising the determination of important matters of the Company and business execution, etc. ■ Special notes on a candidate for Outside Board Member Although Mr. Hidenori Takahashi has been engaged in the business execution of Ernst & Young ShinNihon LLC, the Accounting Auditor of the Company, it has been approximately seven years since he retired from the said auditing firm in June 2014, and the Company has judged that there will be no effect on his independence. ■ Attendance at the board meetings during the fiscal year 100% (23 meetings out of 23 meetings) ■ Years served as Member of the Board at the close of this General Meeting of Shareholders Four years 	4,100 shares

Candidate No.	Name (Date of birth)	Career summary, positions, and assignments	Number of shares of the Company held
9	Hokuto Nakano (December 22, 1959) New appointment Outside Independent	<p>April 1983 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)</p> <p>April 2010 Appointed as Executive Officer, General Manager of Forex Division, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>October 2015 Appointed as Managing Executive Officer, Head of East Asia, Mizuho Financial Group, Inc.</p> <p>April 2016 Appointed as Managing Executive Officer, Joint Head of Global Markets Division, Mizuho Securities Co., Ltd.</p> <p>March 2018 Appointed as Director, ASICS Corporation</p> <p>March 2020 Appointed as Managing Executive Officer, same as above</p> <p>March 2021 Appointed as Outside Director, Nippon Denko Co., Ltd. (to the present)</p> <p>■ Status of important concurrent position Outside Director, Nippon Denko Co., Ltd.</p> <p>■ Reasons for selection as a candidate for Outside Board Member and overview of expected roles Mr. Hokuto Nakano has a wealth of experience and knowledge regarding corporate management acquired in Mizuho Securities Co., Ltd. and ASICS Corporation. Based on his ample experience and knowledge, the Company selected him as a candidate for Outside Board Member, expecting him to contribute to supervising the determination of important matters of the Company and business execution, etc.</p> <p>■ Special notes on a candidate for Outside Board Member Although Mr. Hokuto Nakano served until March 2016 at Mizuho Bank, Ltd., one of the Company's major lenders, and at its parent company, Mizuho Financial Group, Inc., it has been more than 5 years since his retirement, and he satisfies the standards of determining independence defined by the Company. In addition, there is no transaction between the Company and ASICS Corporation at which he served until March 2020. Due to the above, the Company has judged that there will be no effect on his independence.</p>	0 shares

- Notes: 1. No special interest exists between the Company and the above candidates for member of the board.
2. Mr. Yasuhiro Kawashima, Mr. Hidenori Takahashi and Mr. Hokuto Nakano are candidates for outside members of the board as defined by the Companies Act. Furthermore, if Proposal No. 2 is approved, the Company plans to conclude agreements to limit liability for damages with Mr. Yasuhiro Kawashima, Mr. Hidenori Takahashi and Mr. Hokuto Nakano based on Article 29, Paragraph 2 of the Articles of Incorporation of the Company. However, the amount of the limit for liability for damages under this agreement shall be the minimum amount for liability as defined by Article 425, Paragraph 1 of the Companies Act.
3. Mr. Yasuhiro Kawashima and Mr. Hidenori Takahashi are independent officers according to the standards defined by securities exchanges, and should their election be approved as proposed, the Company plans for them to continue being independent officers. In addition, if the election of Mr. Hokuto Nakano be approved as proposed, the Company plans for him to be an independent officer. In addition to the standards defined by securities exchanges, each person satisfies the standards of independence defined by the Company. The standards of determining independence for outside officers defined by the Company are provided on page 17.

4. The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The said insurance agreement compensates for damages including legal damages, litigation expenses, and other costs to be borne by the insureds.
The candidates will be included in the insureds under the said insurance agreement. The overview of the directors and officers liability insurance agreement is provided on page 41.

Proposal No. 3: Election of the One (1) Audit & Supervisory Board Member

Audit & supervisory board member Takeshi Miyazono will resign at the close of this Ordinary General Meeting of Shareholders. Accordingly, the Company proposes the election of one (1) audit & supervisory member. The Audit & Supervisory Board has consented to this proposal.

The candidate is as follows:

Name (Date of birth)	Career summary and positions	Number of shares of the Company held
<p>Michio Inatomi (July 16, 1961) <u>New appointment</u></p>	April 1984	
	April 2014	
	June 2014	
	April 2016	
	April 2017	
	April 2018	
	June 2019	
	April 2021	
	<p>■ Reasons for selection as a candidate for Audit & Supervisory Board Member Mr. Michio Inatomi has a wealth of operational experience regarding finance, corporate planning, etc. of the Company. The Company believes that he can draw on his ample experience and knowledge of duties in auditing.</p>	19,100 shares

Notes: 1. No special interest exists between the Company and the above candidate for audit & supervisory board member.

2. The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The said insurance agreement compensates for damages including legal damages, litigation expenses, and other costs to be borne by the insureds.

The candidate will be included in the insureds under the said insurance agreement. The overview of the directors and officers liability insurance agreement is provided on page 41.

(Reference)

Standards of Determining Independence for Outside Board Members

Independent outside Board Member and independent outside audit & supervisory board member of the Company (hereinafter referred to as “Outside Board Members”) are defined as persons to whom none of the following apply.

- 1) Those who are a business executive (*1) or was a business executive of the Company or an affiliate of the Company (hereinafter referred to as “Group”)
- 2) Those who are or was within the past five (5) years a major shareholder (*2) of the Company or a member of the board, audit & supervisory board member, accounting Adviser, or business executive of the parent company or significant subsidiary thereof
- 3) Those who are a member of the board, audit & supervisory board member, accounting advisor, or business executive of a company of which the Company is currently a major shareholder
- 4) Those who are or were within the past three (3) fiscal years an entity that holds or held the Group as a major transaction partner (*3) or a business executive of the parent company or significant subsidiary thereof
- 5) Those who are or were within the past three (3) fiscal years a major transaction partner of the Company (*4) or a business executive of the parent company or significant subsidiary thereof
- 6) Those who are a business executive of an organization that receives a significant amount (*5) of donations from the Group
- 7) Those who are a company that receives member of the board (regardless of employment patterns) from the Group or a member of the board, audit & supervisory board member, accounting advisor, or business executive of the parent company or significant subsidiary thereof
- 8) Those who are or was within the past three (3) years a significant creditor, etc., (*6) of the Company or a member of the board, audit & supervisory board member, accounting advisor, or business executive of the parent company or significant subsidiary thereof
- 9) Those who are a full-time employee, partner, or employee of the accounting firm that is the accounting auditor of the Company
- 10) Those who are a specialist such as a consultant, accountant, tax accountant, attorney, judicial scrivener, or patent attorney, etc., that receives a significant amount (*5) of cash or other property from the Group
- 11) Those who are a spouse, relative within the second degree of kinship, or shares living accommodations with an entity to which 1) to 10) above apply
- 12) Those who pose a constant and essential risk of conflict of interest with general shareholders of the Company for reasons other than the factors accounted for in each of the items above
- 13) Those who have served for a cumulative total of over eight (8) years in office as an outside board member of the Company

*1 An executive director, executive, executive officer, manager, or other employee of a corporation or other organization

*2 A shareholder holding a ratio of 10% or more of voting rights

*3 An entity that receives payment from the Group of 2% or more of its annual consolidated net sales in the most recent fiscal year

*4 An entity that makes payment to the Group of 2% or more of annual consolidated net sales of the Company for the most recent fiscal year

*5 An average of ¥10 million or more over the past three (3) fiscal years

*6 A financial institution or other large-scale creditor which the Company requires for fund procurement and is dependent upon to the extent that it is irreplaceable

(Enacted November 11, 2015)

Proposal No. 4: Revision of Amounts of Monetary Compensation for Members of the Board

The amounts of monetary compensation for Members of the Board of the Company was approved to be up to ¥40 million per month at the 52nd Ordinary General Meeting of Shareholders held on June 27, 2002.

The Company changed its compensation system for Members of the Board, etc. to an officer compensation system, which is more linked to the Company's performance, so as to help increase its corporate value consistently. As performance-based monetary compensation, the Company will introduce short-term incentive compensation to be paid once a year in July. In the meantime, the Company will set the level of monetary compensation amount, which is the sum of fixed compensation and performance-based compensation, to the same level as that of other companies of the same market capitalization as that of the Company, with reference to research data on officer compensation amount levels obtained from an external professional organization. An overview of the new compensation system for Members of the Board, etc. is provided on pages 21 and 22.

Accordingly, the Company will change the monetary compensation amount for Members of the Board from a monthly amount to an annual amount, and provide monetary fixed compensation and performance-based compensation to Members of the Board (excluding Outside Members of the Board) within a range of the compensation amount. The Company proposes to set the annual amount of up to ¥600 million, based on the comprehensive consideration of standards for payment of compensation for officers, current and anticipated developments with respect to the number of Members of the Board, etc., and other factors.

At the Board meeting held on May 11, 2021, the Company decided on a policy for determining the content of compensation, etc. for individual Members of the Board. As this revision aligns with the policy, the Company deems the content appropriate.

Article 17 of the Articles of Incorporation of the Company stipulates that the number of Members of the Board is fifteen (15) or less. The number of currently serving Members of the Board is ten (10) (including three (3) Outside Members of the Board). If Proposal No. 2 is approved as originally proposed, there will be nine (9) Members of the Board (including three (3) Outside Members of the Board).

Proposal No. 5: Revision of a Performance-Based Stock Compensation Program for Members of the Board

1. Reasons for proposal

At the 67th Ordinary General Meeting of Shareholders held on June 27, 2017, the Company gained approval for and introduced a Performance-Based Stock Compensation Program “Board Benefit Trust” (hereinafter referred to as the “Program”) for Members of the Board, etc., apart from monetary compensation. However, in line with the enforcement of the Act Partially Amending the Companies Act (Act No. 70 of 2019) on March 1, 2021, the Company seeks approval of shareholders to i) set the maximum numbers of shares of the Company and points to be delivered to Members of the Board, etc., for each applicable period of three fiscal years as 550,000 shares and 550,000 points (of which, 170,000 points for Members of the Board), respectively, and ii) change the maximum amount of money to be contributed by the Company for each applicable period from ¥300 million to ¥550 million, given increases in the stock price of the Company. Please note that Outside Members of the Board will be no longer subject to the Program from the fiscal year ending March 31, 2022.

At the Board meeting held on May 11, 2021, the Company decided on a policy for determining the content of compensation, etc., for individual Members of the Board. As this revision aligns with the policy, the Company deems the content appropriate.

Article 17 of the Articles of Incorporation of the Company stipulates that the number of Members of the Board is fifteen (15) or less. Currently, there are ten (10) Members of the Board (of which three (3) are Outside Members of the Board) who are subject to the Program, and if Proposal No. 2 and this proposal are approved and resolved as originally proposed, there will be six (6) Members of the Board who will be subject to the Program (Outside Members of the Board will be no longer subject to the Program).

2. Amount of compensation, etc. and other specifics of the Program

(1) Outline of the Program

The Program is a performance-based stock compensation program under which the Company’s shares will be acquired through a trust (the trust established under the Program is hereinafter referred to as the “Trust”) using money contributed by the Company as the source and the Company’s shares and the money equivalent to the market value of the Company’s shares (the “Company Shares, etc.”) will be delivered to the Members of the Board, etc. through the Trust in accordance with the Rules of the Stock Benefit Trust for Members of the Board, etc. established by the Company. The Members of the Board, etc., will receive the Company Shares, etc., in principle, upon their retirement from office.

(2) Individuals subject to the Program

Members of the Board and Executive Officers of the Company (the Program does not apply to Outside Members of the Board or Audit & Supervisory Board Members)

(3) Trust period

The period from August 2017 until the end of the Trust. (The Trust shall continue without determining a specific timeline as long as the Program exists. The Program shall be terminated when the Company is delisted or the Rules of the Stock Benefit Trust for Members of the Board, etc. are abolished, etc.)

(4) Amount of trust money (amount of compensation etc.)

The Company introduced the Program to cover the three fiscal years from the fiscal year ended March 31, 2018 to that ended March 31, 2020 (hereinafter, the covered three-fiscal-year period and the subsequent three-fiscal-year period that starts following the covered three-fiscal-year period each shall be referred to as the “Applicable Period”), and for each following Applicable Period. The Company established the Trust, designating Members of the Board, etc. who satisfy the beneficiary requirements as its beneficiaries and contributing to the Trust money of ¥300 million for the Applicable Period of the three fiscal years from the fiscal year ended March 31, 2018 to that ended March 31, 2020, and ¥229 million for the current Applicable Period that started on April 1, 2020, as a fund to acquire shares for the purpose of delivering the Company Shares, etc. to the Members of the Board, etc. under the Program. The Trust has acquired 456,100 shares of the Company for the Applicable Period of the three fiscal years from the

fiscal year ended March 31, 2018 to that ended March 31, 2020, and 355,800 shares of the Company for the current Applicable Period, using the money entrusted by the Company.

The Company will set the maximum amount of money that it can make an additional contribution to the Trust as ¥550 million (of which, ¥170 million for Members of the Board) for each Applicable Period for the purpose of enhancing the incentive to improve the Company's performance and increase corporate value.

Provided, however, that in cases where such additional contribution is made and the Company's shares (excluding any undelivered portion of the Company's shares corresponding to the number of points granted to the Members of the Board, etc.) and money (hereinafter referred to as the "Remaining Stock, etc.") remain within the trust assets as of the last day of the Applicable Period immediately preceding the Applicable Period for which the Company is planning to make such additional contribution, the total amounts of the Remaining Stock, etc. (for the Company's shares, the amount of the Remaining Stock, etc. shall be the market value of the Company's shares as of the last day of the preceding Applicable Period) and the additional contribution to the Trust shall not exceed ¥550 million. The Company will disclose in a timely and appropriate manner whenever it decides to make additional contributions.

- (5) Method of acquiring the Company's shares by the Trust and the number of shares to be acquired
The Trust will acquire the Company's shares through the stock exchange markets or disposal of treasury stock, using the funds contributed in accordance with (4) above. New shares shall not be issued. Accordingly, in the event that the Company's shares are acquired by the Trust, the Company's total number of outstanding shares will not increase and there will be no dilution. The number of the Company's shares to be acquired by the Trust will not exceed 550,000 shares for each Applicable Period because the upper limit of the number of points to be awarded to Members of the Board, etc. is 550,000 points per Applicable Period.

- (6) Maximum number of the Company's Shares, etc. to be granted to the Members of the Board, etc.
For each fiscal year, the Company will award points to each Member of the Board, etc., which will be calculated based on the following formula, by taking into consideration the position and level of performance, etc.

Formula: position points x performance based coefficient (*1)

(*1) The performance based coefficient will be in accordance with a conversion table determined in advance by the Board of Directors, and will be decided based on evaluations of the Company's performance in each fiscal year (order volume, operating income, percentage of payment collection for construction contracts, stock price, etc.) and progress of the Members of the Board, etc. achieving individual performance indicators.

The total number of points to be awarded to the Members of the Board, etc. per Applicable Period shall not exceed 550,000 points (of which, 170,000 points for Members of the Board). The Company deems this appropriate upon having made its decision comprehensively taking into consideration standards for payment of compensation for officers, current and anticipated developments with respect to the number of Members of the Board, etc., and other factors.

One point awarded to the Members of the Board, etc., as described in (7) below, equates to one share of the Company's common stock on the granting of Company Shares, etc. (Note that when the number of outstanding shares changes due to stock split, gratis allotment or reserve stock split, the Company shall reasonably adjust the upper limit of the number of points, number of points granted or exchange ratio, reflecting the change.)

The ratio of the number of shares (183,000 shares) equivalent to the maximum number of points to be awarded to the Members of the Board, etc. per fiscal year to the total number of outstanding shares (as of March 31, 2021, less the number of treasury shares) is approximately 0.06%.

For the award of Company Shares etc. in (7) below, the standard points for the Members of the Board, etc. shall in principle be the number of points awarded to eligible Members of the Board, etc. up until retirement (Points calculated based on this method are described as "fixed points" hereafter)

- (7) Delivery of the Company Shares, etc.

In the event that a Member of the Board, etc. retires and satisfies the beneficiary requirements prescribed in the Rules of the Stock Benefit Trust for Members of the Board, etc., the eligible Member of the Board, etc. shall receive from the Trust the Company's shares corresponding to "fixed points" as determined based on (6) above after retirement, by completing the prescribed procedure for determining

beneficiaries. Provided, however, that if the eligible Member of the Board, etc. also satisfies other requirements prescribed in the Rules of the Stock Benefit Trust for Members of the Board, etc., he or she shall receive money equivalent to the market value of the Company's shares in lieu of the Company's shares for a certain percentage of the Company's shares which are supposed to be delivered. Please note that the Trust may sell the Company's shares to pay such money.

Even if an eligible Member of the Board, etc. has been awarded points, he or she may not acquire all or part of the rights to receive the Company's Shares, etc. in the event that a resolution for the dismissal of the eligible Member of the Board, etc. is made at the General Meeting of Shareholders or board meeting, he or she has resigned for the reason of engaging in certain wrongdoing conduct while in office, or he or she engages in improper conduct or any other violations, causing damages to the Company.

The amount of compensation, etc. to be received by Members of the Board, etc. shall be based on the amount calculated, at the time of awarding points, by multiplying the sum of the number of points to be awarded to the Members of the Board, etc. by the book value per share of the Company's shares held by the Trust. (Note that when the number of outstanding shares changes due to stock split, gratis allotment or reserve stock split, the Company shall reasonably adjust the amount, reflecting the change.) In the case where money is paid exceptionally in accordance with the Rules of the Stock Benefit Trust for Members of the Board, etc., the amount of such money shall be added to the calculated amount, if deemed reasonable.

(8) Exercise of voting rights

Voting rights related to the Company's shares held by the Trust shall not be exercised pursuant to the instructions of the trust administrator. In this way, the Trust will be able to ensure its neutrality in the Company's management.

(9) Dividends

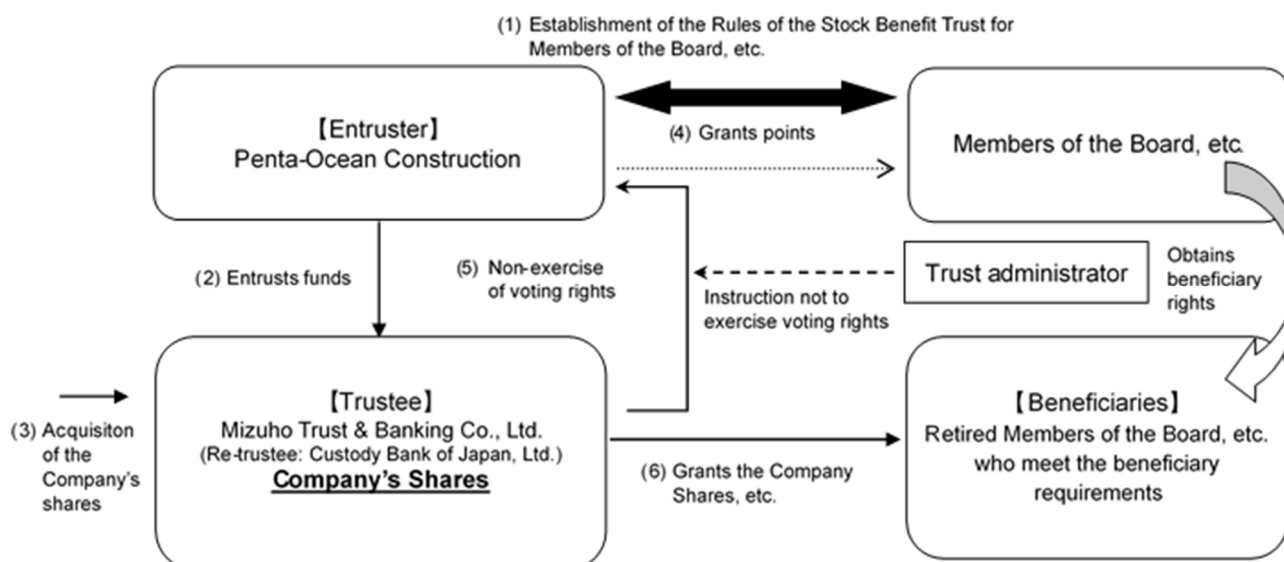
Dividends related to the Company's shares held by the Trust shall be received by the Trust and used to acquire the Company's shares or pay for the trustee's compensation, etc. Any remaining dividends upon termination of the Trust will be paid to the Members of the Board, etc. in office at that time in accordance with the Rules of the Stock Benefit Trust for Members of the Board, etc. and prorated based on the number of points held by each Member of the Board, etc.

(10) Termination of the Trust

The Trust shall be terminated when the Company's stock is delisted or the Rules of the Stock Benefit Trust for Members of the Board, etc. are abolished, etc.

Of the residual assets in the Trust upon its termination, the Company's shares will be entirely acquired by the Company with no charge and be canceled pursuant to the resolution of the Board of Directors; and money excluding the portion paid to the Members of the Board, etc. as described in (9) above will be received by the Company.

<For Reference, Structure of the Program>



- 1) The Company shall establish the Rules of the Stock Benefit Trust for Members of the Board, etc. within the framework approved at a general meeting of shareholders.
- 2) The Company entrusts funds in the range of the amount approved at the general meeting of shareholders.
- 3) The Trust uses the entrusted amount of funds as outlined in 2) above to acquire the Company's shares through the stock markets or disposals of treasury stock.
- 4) The Company awards points to Members of the Board, etc. based on the Rules of the Stock Benefit Trust for Members of the Board, etc.
- 5) Voting rights for the Company's shares held by the Trust account will not be exercised based on direction from the trust administrator, who is independent from the Company.
- 6) The Trust grants the Company's shares to retired Members of the Board, etc. in accordance with the Rules of the Stock Benefit Trust for Members of the Board, etc. based on the number of points they have been awarded. However, based on the Rules of the Stock Benefit Trust for Members of the Board, etc., the Company will pay him/her money equivalent to the market value of such shares to a certain percentage of the points awarded.

(Reference)

Outline of the Revision of Officer Compensation System

The Board of Directors of the Company, at its meeting held on May 11, 2021, resolved to revise its officer compensation system proposed in Proposals No. 4 and 5 as follows.

The Act Partially Amending the Companies Act (Act No. 70 of 2019), which requires boards of directors to set a policy for determining the content of compensation, etc. for individual directors, came into force on March 1, 2021. In response, the Company has revised its officer compensation system, considering that compensation for members of the board and executive officers (hereinafter referred to as “Members of the Board, etc.”) is required to function as a sufficient incentive for them to work for sustainable improvement of corporate value. The details of the revision are as follows.

(1) Outline of the officer compensation system

Compensation for Members of the Board, etc. shall be comprised of 1) basic compensation (fixed monetary compensation); performance-based monetary compensation, which consists of 2) individual performance-based compensation (performance-based compensation linked to individual performance) and 3) short-term incentives (performance-based compensation linked to the Company’s results of operations); and 4) performance-based stock compensation (other than money) under the Board Benefit Trust (BBT). The levels of monetary compensation shall be set at the same levels as comparable companies with similar market capitalization to the Company with reference to survey data provided by external specialized institutions.

The composition ratio of fixed compensation (money), performance-based compensation (money) and performance-based compensation (other than money) shall be approximately 65%, 25% and 10%.

The Representative Director shall seek opinions of the HR Committee (chaired by an independent outside member of the board), composed of all outside members of the board and a few members of the board, about a compensation proposal. After that, compensation for Members of the Board, etc. shall be determined by the Board of Directors based on the results of deliberations and review by the HR Committee.

In light of their duties, outside members of board shall receive only basic compensation (fixed monetary compensation) set for each individual and shall not be eligible for performance-based compensation (money and other than money).

(2) Policy for determining each compensation

1) Basic compensation (money)

The compensation amount shall be the sum of the amounts of predetermined basic compensation for each position of executive officers and additional compensation commensurate with the responsibility of members of the board.

2) Individual performance-based compensation (money)

The evaluation of individual performance shall be determined through an evaluation based on objective indicators such as performance of division or branch to which the individual belongs and the individual’s qualitative evaluation. Then, the amount of individual performance-based compensation shall be determined at a variable amount between $\pm 10\%$ of fixed compensation (money) according to the evaluation.

The evaluation based on objective indicators shall be determined based on the level of achievement of orders received in the construction business, which is a measure of future net sales; and an evaluation of the achievement of operating income and operating income ratio, which are measures of the current income, against the targets of each division or branch, taking also into account the construction fee collection rate, initiatives to ensure quality and safety in the construction business (point addition based on awards received and creativity and originality of efforts to improve productivity and other business objectives, point deduction based on accidents and disasters, and the levels of target achievement for industrial accident frequency and severity rates) and the performance of subsidiaries (operating income). Meanwhile, the qualitative evaluation shall be determined by assessing individual performance of each Member of the Board, etc.

3) Short-term incentives (money)

The evaluation for short-term incentives shall be performed by multiplying the predetermined base amount for each position by the annual incentive coefficient, which is calculated by multiplying the

following four coefficients together: the Company's performance evaluation coefficient, operating income coefficient, ROE coefficient, and dividend payout ratio coefficient. The annual incentive coefficient shall be evaluated with reference to the coefficients based on the consolidated results of operations for FY3/20.

The Company's performance evaluation coefficient shall be determined in the same manner as the evaluation for individual performance-based compensation — i.e., based on the objective evaluation according to the target achievement level of the Company's results of operations and other criteria, and the average of the qualitative evaluation results of individual members of the board, as well as a stock price evaluation, in which the Company's stock price movement between the beginning and end of the relevant fiscal year is evaluated by being compared with the movement of the Nikkei Stock Average and those of stock prices of major companies in the same industry. The operating income coefficient is the ratio of consolidated operating income for the relevant fiscal year to that for the base fiscal year (FY3/20). The ROE (return on equity) coefficient shall be evaluated by scoring 1.0 for 10% and above and 0 for 5% or less, while the dividend payout ratio coefficient shall be evaluated by scoring 1.0 for 30% and above and 0 for non-dividend payment. The evaluation system is set up to score 1.0 when ROE and dividend payout ratio surpass the thresholds set in accordance with targets set out in a medium-term management plan, while scoring 0 when ROE is 5% or less or no dividend is paid, in which case no short-term incentives shall be paid.

4) Performance-based stock compensation (other than money)

Performance-based stock compensation shall be paid under the Board Benefit Trust (BBT). The number of points to be awarded to the Members of the Boards, etc. for each fiscal year shall be determined in the same manner as the evaluation for individual performance-based compensation described in 2) — i.e., by multiplying the predetermined number of points for each position by the company-wide evaluation coefficient determined by evaluating the Company's results of operations; individual evaluation coefficient determined according to the individual's qualitative evaluation; and reference stock price coefficient determined based on the reference stock price, which is reviewed every three years.