

## Corporate Governance

To ensure sound, transparent, and law-abiding corporate management, and for our continued growth and development, Penta-Ocean Construction Group is working to build and enhance our corporate governance system, including management, business execution, internal control, and risk management.

### » Corporate Governance Guidelines

We established the “Penta-Ocean Construction Corporate Governance Guidelines,” as our basic stance for corporate governance and management guidelines.

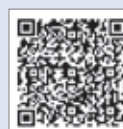
#### Purposes of establishment

POC Group practices a management philosophy that focuses on sustainability. We believe that the “Construction of high-quality social infrastructure and buildings is the greatest contribution to society.” Not only do we provide reliable safety and quality backed by technology but we also earnestly address all sustainability issues from an ESG perspective. We strive to achieve sustainable growth and further enhance our corporate value to grow into an even more attractive corporation in the eyes of our various stakeholders. To achieve this, we established the “Penta-Ocean Construction Corporate Governance Guidelines” and built a system that allows us to make quick and resolute decisions in response to changes in the business environment.

#### Structure of the Guidelines

- Ensuring shareholders' rights and equality
- Proper cooperation with stakeholders other than shareholders
- Appropriate information disclosure and transparency
- Duties of the Board of Directors
- Dialogue with shareholders

Click here for the Penta-Ocean Construction Corporate Governance Guidelines ▶



Only available in Japanese

#### Historical changes in corporate governance system

Year	Content
2002	The number of the Members of the Board was reduced to seven, and the executive officer system was adopted.
2002	An Outside Member of the Board was appointed for the first time.
2002	The HR Committee including Outside Members of the Board was established.
2007	The retirement benefit system for officers was abolished.
2013	Anti-takeover measures were abolished.
2016	The number of Outside Members of the Board was increased to two.
2017	The number of Outside Members of the Board was increased to three.
2017	The performance-based stock compensation system was adopted.
2022	The number of Outside Members of the Board was increased to four including appointment of one female Member of the Board

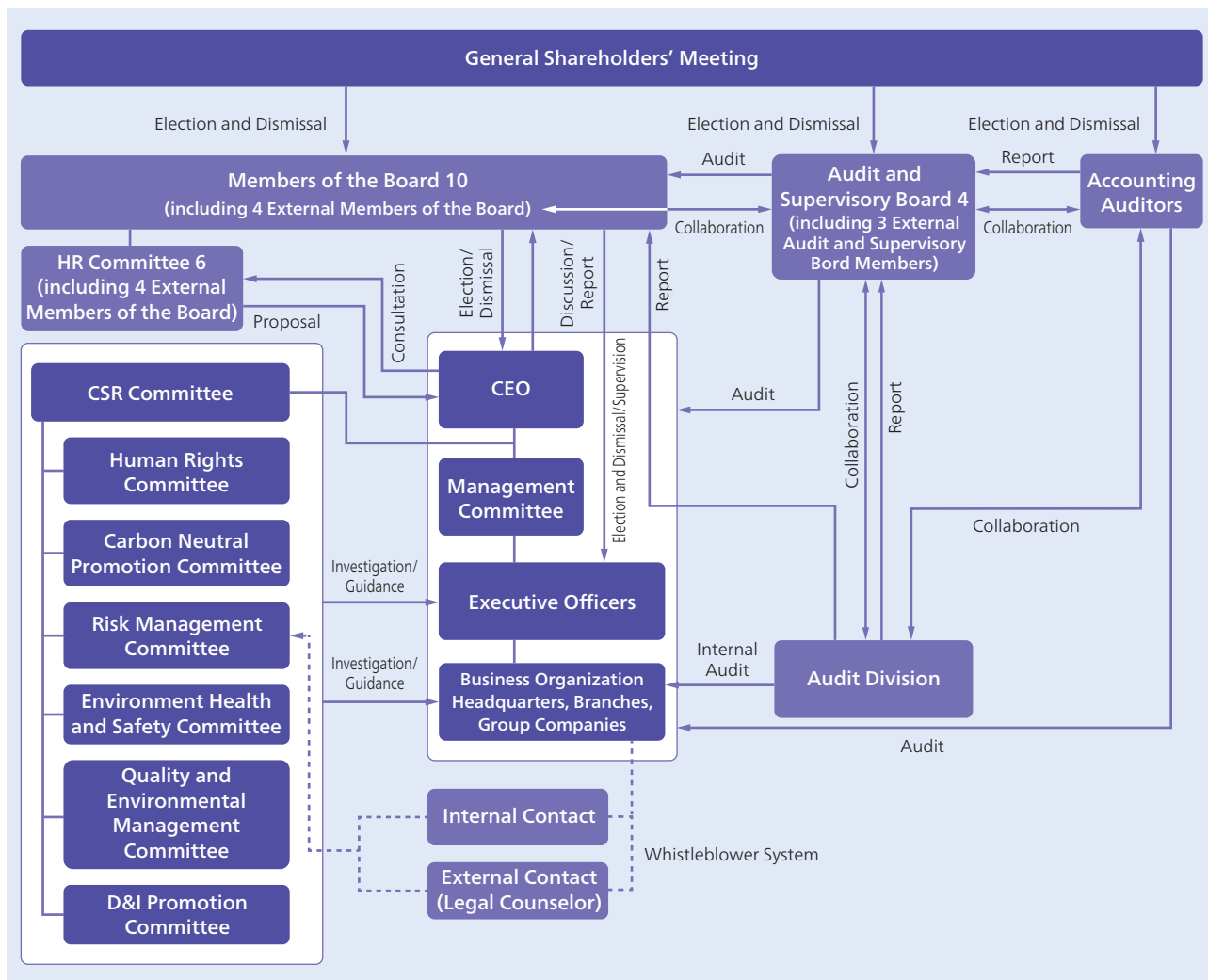
### » Continuous Improvement of Corporate Governance

#### Management and business execution

The Board of Directors is composed of 10 Members of the Board, including four external ones, and operates in accordance with the laws, regulations, articles of incorporation, in-house rules, and the Penta Ocean Construction Corporate Governance Guidelines. In principle, a meeting of the Board of Directors is held twice a month, to make decisions on important management issues and supervise business operation. In addition, we adopted a system of executive officers, in order to clarify the responsibility for business execution. Nomination of candidates for executive positions and proposals for executive compensation are made by the Board of Directors after consultation with the Nominating Committee, which is chaired by an outside Member of the Board. The Nominating Committee is composed of all external Members of the Board and a small number of other Members of the Board, not exceeding a majority. Executive compensation is composed of (1) base salary (fixed monetary compensation), (2) performance based monetary compensation based on individual performance (individual performance-based compensation) and company performance (short-term incentives), and (3) performance-based stock compensation using a stock benefit trust (non-monetary). In light of their role, outside Members of the Board's compensation is based solely on their individually established base salary, and they are not eligible for performance-based compensation (whether monetary or non-monetary). We have the Audit and Supervisory Board serving, which is composed of four Audit and Supervisory Board Members including three external Audit and Supervisory Board Members. In addition to attending the Board of Directors' meetings, the Audit and Supervisory Board Members also actively participate in important meetings in the Company (e.g. Executive Board Meetings, Group Management Meetings) and monitor the execution of duties of Members of the Board.

We believe that the above corporate governance system enables fair and transparent business administration.

## Corporate governance organizational chart



### Internal control system

The Board of Directors establishes the basic internal control policy and develops an internal control system, with the aim of ensuring thorough risk management, compliance with laws and regulations, and the appropriate and efficient operation of business activities. The internal audit department examines the implementation and operation of the overall internal control system, focusing on the continuous improvement and appropriate operation. The assessment results are evaluated by the Board of Directors in May of each year, to confirm whether the internal control system is implemented properly based on the basic internal control policy.

### Strategic shareholdings

The Company holds strategic shareholdings with the premise of long-term participation, subject to a resolution of the Board of Directors, with the aim of maintaining and strengthening business and cooperative relationships with issuing companies. Regarding the stocks we hold, we check the financial condition, business performance, stock price, and dividend status of the investee company for each stock, as well as the past three years' transaction status and future plans for each stock, in June of every year. The Board of Directors specifically examines the suitability of holdings with respect to its objectives, the benefits and risks associated with the investment, and the suitability of an investment with respect to its cost of capital. However, we proceed with gradual reductions based on in-depth dialogue with companies from the perspective of reducing holding risk and capital efficiency.

## » Assessment of Effectiveness of the Board

Every June, all the directors in the Board of Directors conduct self-assessment to improve effectiveness of the Board of Directors based on the "Penta-Ocean Construction Corporate Governance Guidelines." Through the self-assessment for FY 3/24 conducted in June 2024, we confirmed that the effectiveness of our current Board of Directors is ensured under the current circumstances. We will strive to further improve the Board's effectiveness by continuously making the necessary improvements for the issues identified through this assessment.

## Corporate Governance

### 》Executive Remuneration

Fixed salary (monetary), performance-based remuneration (monetary), and performance-based remuneration (non-monetary) account for approximately 65%, 25%, and 10%, respectively, of the remuneration paid to Members of the Board and executive officers (hereinafter “Members of the Board and others”). In consideration of their duties, outside Members of the Board shall receive only base salary (fixed remuneration in cash), which is set for each Member of the Board, and shall not receive performance-based remuneration (monetary and non-monetary).

#### ① Fixed remuneration (monetary)

The amount of remuneration consists of the base salary determined for each executive officer’s position, plus additional remuneration for Members of the Board, which commensurate with the weight of their responsibilities.

#### ② Performance-linked remuneration (monetary)

##### Individual performance-based remuneration (monetary)

Individual performance-based remuneration is a variable amount of  $\pm 10\%$  of the fixed remuneration (monetary), based on an evaluation of each individual based on objective indicators such as the performance of the division or branch to which the individual belongs, as well as a qualitative evaluation of the individual. Individual performance evaluation (five-level evaluation) is determined by evaluation of items such as company-wide performance evaluation (orders received, operating profit, cash flow, quality and safety initiatives, and subsidiary performance) and qualitative evaluation. In qualitative evaluation, initiatives conscious of sustainability management and the Code of Conduct are also considered.

$$\text{Individual performance-based remuneration} = \text{Fixed salary} \times \text{Evaluation coefficient based on individual performance evaluation}$$

#### Short-term incentive compensation (monetary)

The base amount determined for each position is multiplied by the annual incentive coefficient, which is calculated by multiplying the company performance evaluation coefficient, operating profit coefficient, Return on Equity (ROE) coefficient, and dividend payout ratio coefficient. The company performance evaluation coefficient is calculated using the same method as the individual performance-based remuneration and the operating profit coefficient is calculated based on the amount of consolidated operating profit. The short-term incentive compensation is set at zero if ROE falls below 5% or if no dividend is paid.

$$\text{Short-term Incentive Compensation} = \text{Base Amount} \times \text{Annual Incentive Coefficient}$$

$$\text{Annual Incentive Coefficient} = \text{Company Performance Evaluation Coefficient} \times \text{Consolidated Operating Profit Coefficient} \times \text{ROE level coefficient} \times \text{Dividend payout ratio level coefficient}$$

#### ③ Performance-linked remuneration (non-monetary)

This is performance-based stock compensation using a stock benefit trust. Points to be granted to Members of the Board, etc. are determined each fiscal year by multiplying the points determined for each position by a company-wide evaluation coefficient based on an evaluation of the company’s performance, an individual evaluation coefficient based on a qualitative evaluation of the individual, and a standard stock price coefficient for a standard stock price to be reviewed every three years, in the same manner as the individual performance-based compensation in ② above. Each point is converted into one share of common stock of the company at the payment of stock-based compensation. As a general rule, Members of the Board and others receive benefits in the form of shares of our company, etc. when they retire from the Board of Directors.

#### The ratio of remuneration for Members of the Board

Fixed remuneration (monetary)	Performance-linked remuneration (monetary)	Performance-linked remuneration (non-monetary)
Approximately 65%	Approximately 25%	Approximately 10%

#### Details of executive compensation

Type of Compensation	Members of the Board	Outside Members of the Board	Audit and Supervisory Board Members
Fixed remuneration (monetary)	●	●	●
Performance-linked remuneration (monetary)	●	-	-
Performance-linked remuneration (non-monetary)	●	-	-

#### Remuneration for Members of the Board and Corporate Audit and Supervisory Board Members in FY 3/24

Executive category	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)		Number of executive and Corporate Auditors to be paid
		Monetary compensation	Stock compensation	
Members of the Board (excluding outside Members of the Board)	274	237	37	6
Outside Members of the Board	49	49	-	4
Audit and Supervisory Board Members (excluding Outside Members)	27	27	-	1
Outside Audit and Supervisory Board Members	45	45	-	3

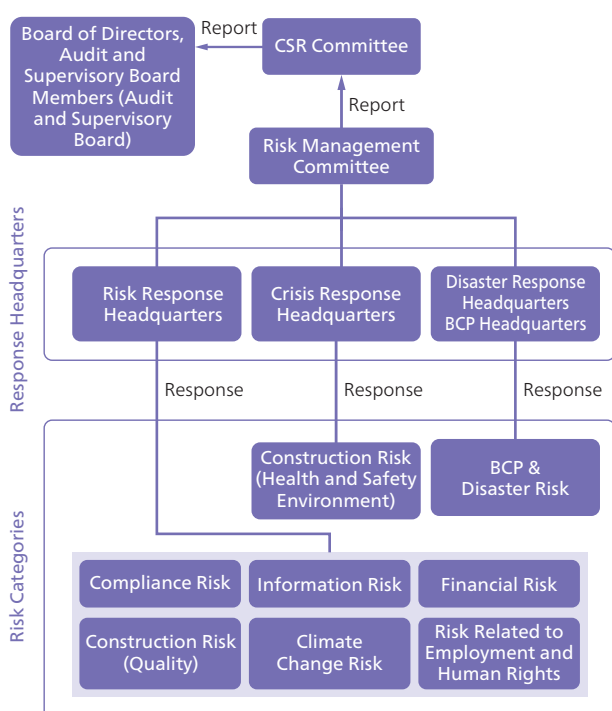
\* Stock compensation represents the amount paid during the fiscal year under review and the amount transferred to the reserve for Members of the Board’s and Audit and Supervisory Board Members’ stock benefits. It is paid at the time of retirement of directors or executive officers, and the amount of payment varies depending on the reason for retirement and the stock price at the time of payment.

# Risk Management

At Penta-Ocean Construction Group, we take appropriate, timely, and continued measures to cope with various risks that may arise in the course of our business operations, and strive to prevent the occurrence of such risks and if such risks do occur, we endeavor to minimize losses that may affect our overall management.

## 》Risk Management Structure

In accordance with the Risk Management Regulations, we established the "Risk Management Committee" under the CSR Committee, chaired by the President, CEO and Representative Director. In addition to discussing matters for building and improvement of risk management systems and providing guidance and supervision to departments in charge according to risk classification, the Committee aims to promote risk management for the entire Group by providing guidance and support to each Group company. The activities of the Risk Management Committee are reported to the Board of Directors through the CSR Committee, and the effectiveness of its activities is monitored by the Board of Directors. By identifying and classifying risks in advance, we are able to promptly respond according to the specific type of risk when they do occur. Reviewing the results of past risk management helps raise our awareness and strengthen our defenses against new risks, so we will be able to respond to minimize the damage even when an unexpected risk occurs. Also, we will establish; (1) the Risk Response Headquarters, headed by the President, CEO and Representative Director in the event of a major risk situation, (2) the BCP Headquarters if a major incident that threatens the continuity of business activities occurs, (3) the Crisis Response Headquarters if a major occupational accident occurs, and (4) the Disaster Response Headquarters if a natural disaster occurs.



## 》Information Security Management

In recent years, there has been a number of incidents and accidents related to leakage of personal and other confidential information. With data leakage becoming a critical issue of modern society, we recognize that it is important social responsibility for corporate citizens to protect retained information. After establishing the Information Management System in 2004, we conducted regular review to enhance the system. We provide security education to all officers and employees by way of e-learning training to raise their awareness about information security. At the same time, by employing multiple-layered systems to ensure cybersecurity and constantly monitoring all devices and networks, we work to comprehensively protect the information infrastructure.

## 》Establishment of the Business Continuity Plan (BCP)

In anticipation of natural disasters, fires, system failures, or other emergency situations that may threaten the continuity of business operations, we established a Business Continuity Plan (BCP) so that critical business functions can be resumed even during a crisis, particularly in the event of an earthquake directly striking the Tokyo metropolitan area. We conduct a large-scale BCP drill every September and a tsunami evacuation drill in November in order to maintain a system that can smoothly implement BCP initiatives in an emergency and continuously improve BCP.

### Specific BCP activities

- Confirmation of the safety of all Group employees and their families through our safety confirmation system, and the assessment of damage to offices
- Backup of information data at the Institute of Technology
- Provision of an alternative business base in the event that the headquarters is damaged



BCP drill conducted in September 2024



## Compliance

POC Group established the Risk Management Committee in each company of the Group in accordance with the “Basic Compliance Policy,” ensuring that all officers and employees of the entire Group comply with laws and regulations, respect social norms and corporate ethics, and act with integrity at all times.

### 》Compliance Policy

All officers and employees of POC Group shall comply with laws and regulations in conducting business activities, respect social norms and ethics, and always act with integrity. In particular, in construction bidding, we shall comply with the Antimonopoly Law and other related laws and regulations, and practice fair and free competition. The Code of Conduct of POC Group includes “anti-bribery and anti-corruption” clauses, which stipulate “development of sound and normal relationships by complying to local laws and regulations” and “non-involvement in any form of act that may constitute corruption including bribery” when working with local third parties including politicians and government officials. We also ensure thorough dissemination of these policies both internally and externally.

### 》Compliance Training

POC Group provides various compliance training sessions, including anti-corruption training, for all officers and employees to ensure that all of them comply with laws and regulations in conducting business activities, respect social norms and corporate ethics, and always act with integrity. In FY 3/24 in Japan, in addition to the “Declaration of Bid Rigging and Declaration of Compliance” based on past scandals, we also conducted training focused on compliance with laws and regulations such as the Construction Industry Act and the Industrial Safety and Health Act. All officers and employees of the domestic Group companies attended the training. At the same time, in all countries where we operate, we provided training handling human rights, anti-bribery, prevention of unfair competition, etc., and all officers and employees in our overseas offices, including non-Japanese employees, received the training. Furthermore, in addition to conducting rank-based training for young employees to learn legal knowledge such as the Antimonopoly Act and risk management, etc., we provided discussion-based training for managers with a focus on cases of alleged internal and external misconduct, and violations of laws, etc.

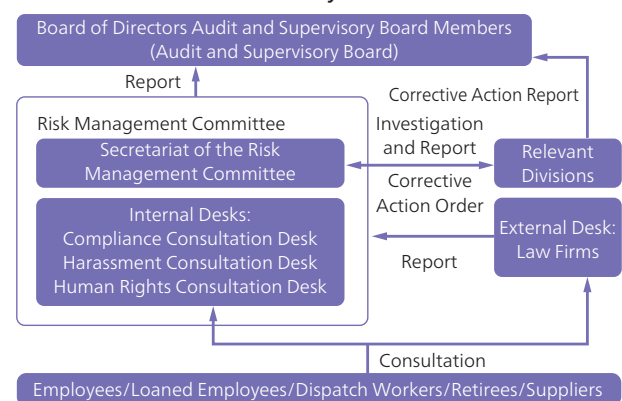
### 》Action Guidelines for Proper Bidding

On March 31, 2009, we issued a “Declaration of Bid Rigging and Declaration of Compliance.” As one of the measures to ensure the implementation of the declaration, we established the “Action Guidelines for Proper Bidding” for all officers and employees of POC Group in June of the same year. The guideline clearly states the Group’s basic stance against illegal activities: “Not to do, not to allow, and not to overlook”. We provide all officers and employees of the Group with the guideline via the intranet. In addition, we provide compliance training to all officers and employees of POC Group every year, and continue to ensure their understanding.

### 》Whistleblower System

As part of measures to further promote thorough compliance, Penta-Ocean Construction Group established an outside office for consulting a lawyer, the Compliance Consultation Desk, apart from an internal contact point. Employees can report incidents that may conflict with laws, regulations, corporate ethics, and internal regulations, or a suspected violation of compliance. The consultation desk is available not only to officers and employees of POC Group, but also to all people affected by the Group’s corporate activities. Anonymous reports are also acceptable, and such reports are handled based on the Whistleblower Protection Act, which clearly prohibits the adverse treatment of whistleblowers. The contact point for whistleblowers is posted on the Company’s intranet and website, and posters related to this service can be found at branch offices and construction offices, and the availability of this service is also announced during compliance training. Additionally, we established the Harassment Consultation Desk and the Human Rights Consultation Desk to receive consultations on various types of harassment such as sexual harassment, power harassment, and maternity harassment, as well as general human rights issues. For received consultations, the Risk Management Committee investigates each case and takes appropriate actions, such as coaching and disciplinary instructions, in accordance with company regulations.

#### Outline of the Whistleblower System



### 》Thorough Elimination of Anti-social Forces

The Risk Management Committee established a framework that completely eliminates relationships with organized crime groups and other anti-social forces. It also manages and coordinates risks on this front, and has a system in place that enables the immediate response to the emergence of these risks. Furthermore, we carry out various initiatives that encompass our Group’s overall business activities, such as providing a wide range of compliance training for officers and employees of POC Group. Regarding relationships with our business partners, our contracts (sales of goods contracts, construction subcontracting agreements, etc.) stipulate provisions for the eradication of anti-social forces.

# Dialogue with Stakeholders

For all our diverse stakeholders – from individual shareholders to institutional investors – to understand our management philosophy, business strategy and business performance, we carry out multifaceted IR (investor relations) activities. In addition to quarterly financial results briefings for our institutional investors, we hold meetings with a total of over 250 domestic and foreign institutional investors throughout the year. Furthermore, we organize work site visits for our individual shareholders every year, so that they can see the results of our construction work and have a tour of a construction site while it's in operation, thereby deepening their understanding of the construction industry. While continuing to provide information to our investors in a timely, appropriate manner, we place great value on direct dialogue with our shareholders, and will continue to conduct proactive IR activities.

## 》Main IR Activities

### Financial Results Briefings

We hold quarterly financial results briefings for analysts and institutional investors. The President and Representative Director attends financial results briefings for interim and full-year financial results to explain in detail financial results, business outlook, and notable topics.

### One-on-One Meetings

Throughout the year, we hold one-on-one meetings with analysts and institutional investors, including foreign investors, to discuss our company's operating and financial condition, as well as non-financial matters such as ESG (Environment, Social and Corporate Governance) initiatives.

### IR Activities Overseas

The President and Representative Director holds face-to-face meetings or one-on-one meetings online with foreign institutional investors to discuss management conditions and business prospects. In July 2024, we had overseas IR meetings in London.

### Work Site Visits

As part of our IR activities, we hold site visits for institutional investors, individual shareholders and analysts, to help them gain a deeper understanding of our business and construction performance.

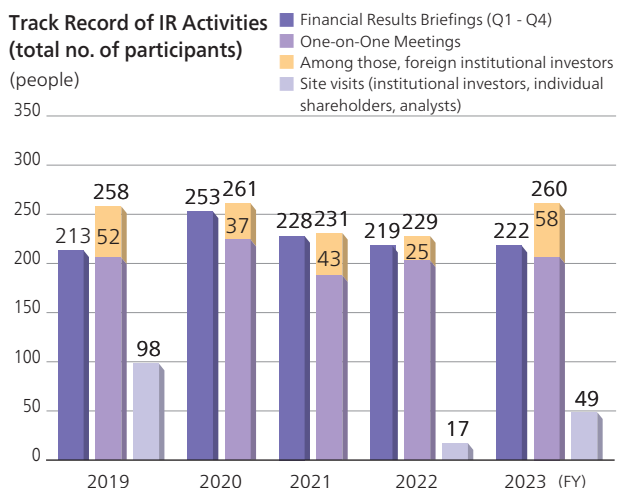
\* In FY 3/21 and FY 3/22 we suspended our in-person IR activities, including IR activities overseas, and work site visits in order to prevent the spread of COVID-19. We continued IR activities through web conferencing systems.



Financial Results Briefing (November 2024)



Work site visit held for individual shareholders (building construction) (September 2024)



Work site visit held for individual shareholders (civil engineering) (September 2024)

## Members of the Board



**Takuzo Shimizu**

President,  
Chief Executive Officer and Representative  
Director  
Appointed as a Member of the Board in  
June 2012



**Kazuya Ueda**

Executive Vice President,  
Representative Director  
In charge of Civil Engineering Business  
Unit, and Head of Civil Engineering Sales  
and Marketing Divisions Group, Civil  
Engineering Business Unit  
Appointed as a Member of the Board in  
June 2014



**Tomoyuki Yamashita**

Executive Vice President,  
Representative Director  
Head of Corporate Administration  
Divisions Group  
Appointed as a Member of the Board in  
June 2018



**Tetsushi Noguchi**

Senior Managing Executive Officer,  
Member of the Board  
Head of Civil Engineering Divisions Group,  
Civil Engineering Business Unit  
Appointed as a Member of the Board in  
June 2014



**Hiroshi Watanabe**

Senior Managing Executive Officer,  
Member of the Board  
Head of Building Construction Sales and  
Marketing Divisions Group, Building  
Construction Business Unit  
Appointed as a Member of the Board in  
June 2017



**Osamu Hidaka**

Managing Executive Officer,  
Member of the Board  
Head of International Civil Engineering  
Divisions Group, International Business  
Unit  
Appointed as a Member of the Board in  
June 2022



**Hidenori  
Takahashi**

Outside Member  
of the Board

Appointed as an Outside Member of the  
Board of POC in June 2017  
Status of concurrent holding of  
important positions  
Outside Audit and Supervisory Board  
Member, VALQUA, LTD.



**Hokuto  
Nakano**

Outside Member  
of the Board

Appointed as an Outside Member of the  
Board of POC in June 2021  
Status of concurrent holding of  
important positions  
Outside Member of the Board, Nippon  
Denko Co., Ltd.  
(Audit & Supervisory Committee  
Member)



**Mina  
Sekiguchi**

Outside  
Member  
of the  
Board

(Ms.)

Appointed as an Outside Member of the  
Board of POC in June 2022  
Status of concurrent holding of important  
positions  
Part-time Auditor, Japan Atomic Energy Agency  
Outside Audit and Supervisory Board Member,  
YKK AP Inc.



**Hiroshi  
Hayashida**

Outside Member  
of the Board

Appointed as an Outside Member of  
the Board of POC in June 2024

## Audit and Supervisory Board Members



**Michio Inatomi**

Appointed as a full-time Audit and Supervisory Board Member in June 2021



**Hisashi Takebayashi**

Outside Audit and Supervisory Board Member

Appointed as an Outside Audit and Supervisory Board Member of POC in June 2022



**Nobuaki Yonezawa**

Outside Audit and Supervisory Board Member

Appointed as an Outside Audit and Supervisory Board Member of POC in June 2024



**Naoto Koga**

Outside Audit and Supervisory Board Member

Appointed as an Outside Audit and Supervisory Board Member of POC in June 2024

\* Members of the Board: Hidenori Takahashi, Hokuto Nakano, Mina Sekiguchi, and Hiroshi Hayashida are Outside Members of the Board prescribed in Article 2, paragraph (15) of the Companies Act.

\* Audit and Supervisory Board Members: Hisashi Takebayashi, Nobuaki Yonezawa, and Naoto Koga are Outside Audit and Supervisory Board Members prescribed in Article 2, paragraph (16) of the Companies Act.

### ● Skill matrix

Name	Title	Skills, experience, knowledge, etc.						
		Corporate Management	Technology/ IT	Sales/ Business Strategy	Financial Affairs/ Accounting	Legal affairs/ Risk management	CSR/ Sustainability	Global
Takuzo Shimizu	President, Chief Executive Officer and Representative Director	●	●	●			●	
Kazuya Ueda	Executive Vice President, Representative Director	●	●	●				
Tomoyuki Yamashita	Executive Vice President, Representative Director				●	●	●	●
Tetsushi Noguchi	Senior Managing Executive Officer, Member of the Board		●	●				
Hiroshi Watanabe	Senior Managing Executive Officer, Member of the Board		●	●				●
Osamu Hidaka	Managing Executive Officer, Member of the Board		●	●				●
Hidenori Takahashi	Outside Member of the Board	●			●	●	●	
Hokuto Nakano	Outside Member of the Board	●		●	●			●
Mina Sekiguchi	Outside Member of the Board	●		●	●		●	●
Hiroshi Hayashida	Outside Member of the Board	●	●					●
Michio Inatomi	Full-time Audit and Supervisory Board Member				●	●	●	●
Hisashi Takebayashi	Outside Audit and Supervisory Board Member (full-time)	●		●			●	
Nobuaki Yonezawa	Outside Audit and Supervisory Board Member (full-time)	●		●	●			
Naoto Koga	Outside Audit and Supervisory Board Member (full-time)	●			●			