

Corporate Governance

Materiality 8. Promotion of Effective 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

Scan the QR code for the Corporate Governance Guidelines (Japanese)



Historical Changes in Corporate Governance System

Year	Contents	Year	Contents
2002	The number of the Members of the Board was reduced to seven, and the executive officer system was adopted.	2017	The number of Outside Members of the Board was increased to three.
	An Outside Member of the Board was appointed for the first time.		The performance-based stock compensation system (non-monetary) was adopted.
	The HR Committee including Outside Members of the Board was established.	2021	The performance-based stock compensation system (monetary) was revised (introduction of short-term incentive compensation, etc.)
	The performance-based stock compensation system (monetary) was adopted.		
2007	The retirement benefit system for officers was abolished.	2022	The number of Outside Members of the Board was increased to four including appointment of one female Member of the Board.
2016	The number of Outside Members of the Board was increased to two.	2025	Appointed two female Members of the Board.

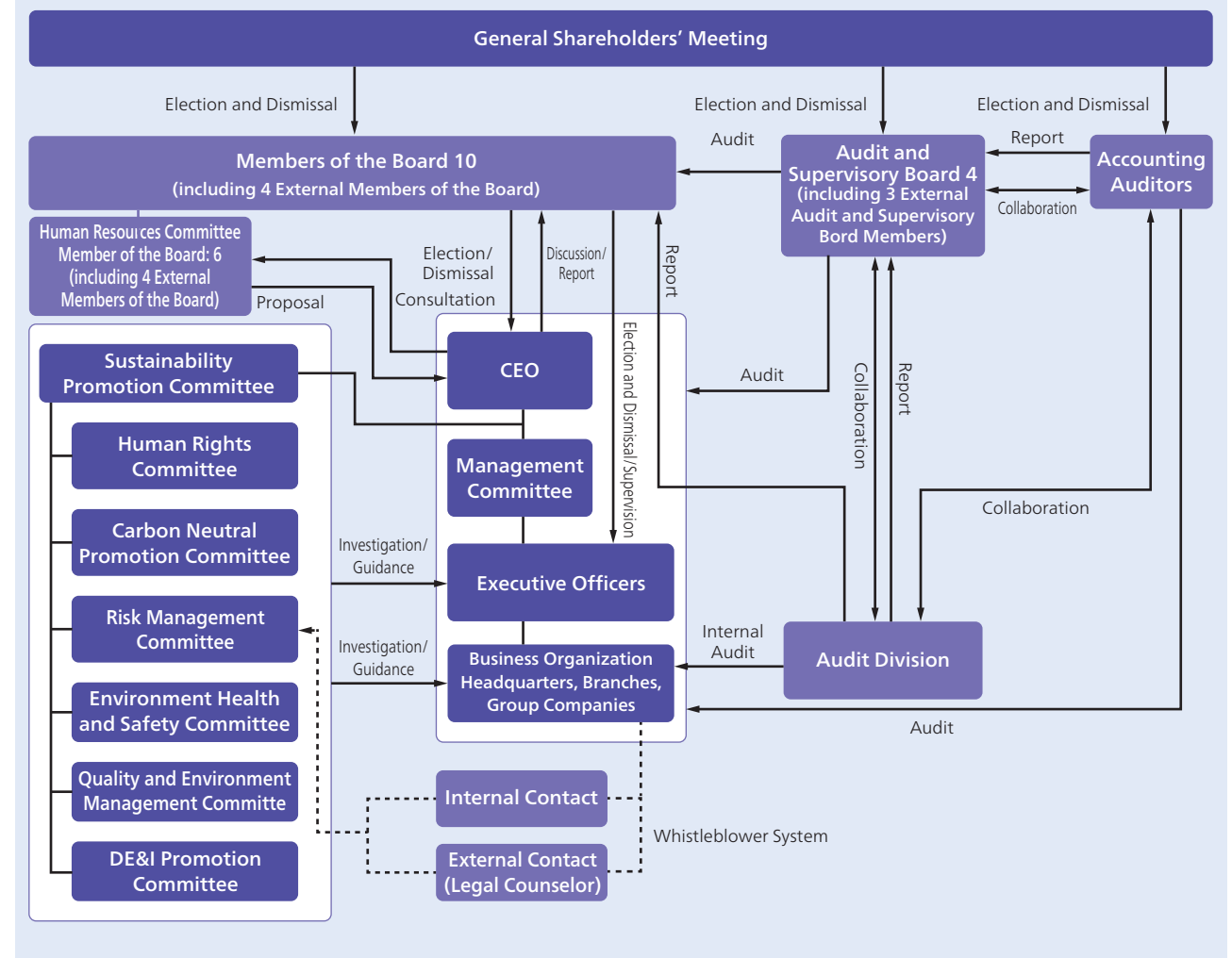
Continuous Improvement of Corporate Governance

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 Human Resources Committee, which 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 roles, 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 System Diagram



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 or June of each year, to confirm whether the internal control system is implemented properly based on the basic internal control policy.

Strategic Shareholdings

We hold strategic shareholdings with the premise to hold long-term, subject to a resolution of the Board of Directors, with the aim of maintaining and strengthening business and cooperative relationships with investee companies. Regarding the stocks we hold, every year from May to June, we check the financial condition, business performance, stock price and dividend status of each investee company, as well as the transaction status over the past three years and future plans for each stock. The Board of Directors specifically examines the suitability of holdings with respect to their objectives, the benefits and risks associated with the investment, and whether the investment matches the cost of capital. However, from the perspective of reducing holding risk and improving capital efficiency, we proceed with gradual reductions after sufficient dialogue with investee companies.

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 3/25 conducted in June 2025, 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.

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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 ±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 and others

Fixed Salary (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 and others	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 Audit and Supervisory Board Members in FY 3/25

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)	368	347	21	6
Outside Member of the Board	56	56	-	5
Audit and Supervisory Board Members (excluding outside Members of the Board)	29	29	-	1
Outside Audit and Supervisory Board Members	45	45	-	5

* 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.

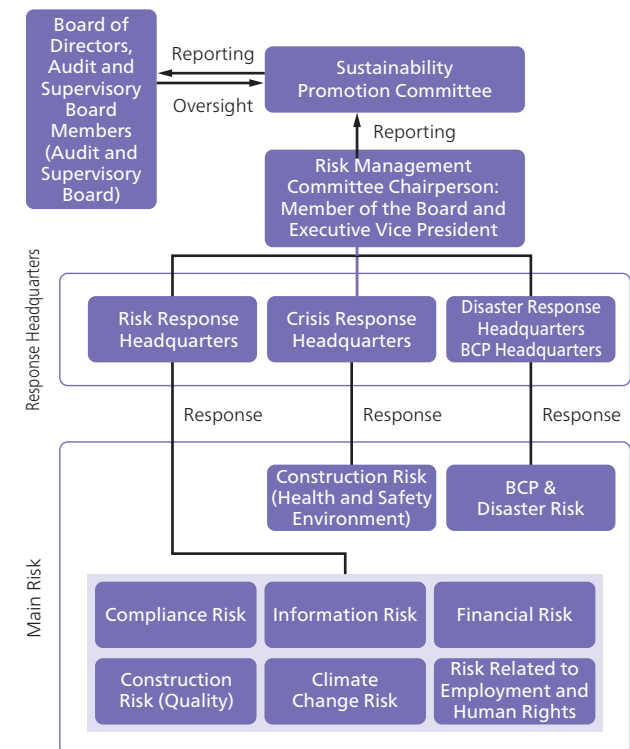
Risk Management

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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 have established the “Risk Management Committee” under the Sustainability Promotion Committee, chaired by the President, CEO and Representative Director. The committee deliberates on the construction and improvement of the management system, provides guidance and supervision to departments designated according to risk classification, and offers guidance and support to each group company, thereby promoting Risk Management throughout the entire group. The activities of the Risk Management Committee are reported to the Board of Directors through the Sustainability Promotion 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. Additionally, by reviewing actions taken after risk responses, we strive to prevent the occurrence of new risks. 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. In FY 3/25, no significant risks, including serious legal violations, have occurred.



Information Security Management

In recent years, cyber attacks have become increasingly sophisticated and malicious, and the risk of leakage of personal and confidential information has become a major management issue in corporate activities. Protecting all information held, including information assets entrusted by customers and business partners, is an extremely important social responsibility that companies must fulfill. Our company promotes the following initiatives and strives for the continuous enhancement of our information security framework.

- Establishment of a dedicated monitoring body to ensure rapid reporting system
 - Raising Employees’ awareness and practical training: Regular implementation of security education through e-learning for all executives and employees, as well as phishing email response drills based on targeted attack scenarios.
 - Adoption of advanced multi-layered defense technology and establishment of a round-the-clock monitoring system
- There were zero major information incidents in FY 3/25.

Formulation of Business Continuity Plan (BCP)

In anticipation of natural disasters/calamities, fires, system failures, or other emergency situations that may affect business continuity, we have formulated a Business Continuity Plan (BCP) to ensure that critical operations can continue even under crisis conditions, with countermeasures targeting events such as earthquakes directly beneath the capital and Nankai Trough earthquakes. We conduct a large-scale BCP disaster drill every September and a tsunami evacuation drill at our headquarters and all branches in November, aiming to maintain a system that enables smooth activation of the BCP in emergencies and to continuously improve the BCP.

Specific BCP Activities

- Confirmation of the safety of all group executives and employees and their families, as well as assessment of damage to business sites, through the safety confirmation system
- Information resource backup measures at the Institute of Technology (Nasushiobara City, Tochigi Prefecture)
- Provision of an alternative business base in the event that the headquarters is damaged



BCP drill conducted in September 2024

Compliance, Anti-corruption

Materiality

8. Promotion of Effective Governance

Penta-Ocean Construction Group established the Risk Management Committee in each company of the Group in accordance with the Basic Compliance Policy, ensuring that all executives and employees of the entire Group comply with laws and regulations, respect social norms and corporate ethics, and act with integrity at all times.

Policy

All executives 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. In the "Penta-Ocean Construction Group Code of Conduct," we stipulate "Compliance with Laws and Regulations," ensuring strict compliance with laws and international rules in all countries and regions where we conduct business. In addition, we promote corporate behavior based on high ethical standards and sound judgment in line with social norms and ethics. Furthermore we define key policies such as "Fair Competition and Proper Transactions" and "Prevention of Bribery and Corruption", and strive to disseminate them across organizations, both at home and abroad. Promoting corporate behavior based on high ethical standards and sound judgment in accordance with social norms and ethics. We also specify and communicate both internally and externally matters such as "Fair Competition and Proper Transactions" and "Prevention of Bribery and Corruption." There were no significant legal violations in FY 3/25.

Compliance Training

POC Group provides various compliance training sessions, including anti-corruption training for all executives 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 FY3/25 in Japan, in accordance with our Group's "Code of Conduct," we conducted training focused on compliance with laws and regulations such as the Construction Industry Act, the Subcontract Act, and the Antimonopoly Act, as well as the "Declaration of No Bid Rigging and Declaration of Compliance" based on past scandals. All executives and employees of the domestic Group companies attended the training. Meanwhile, overseas, in every country where we operate, we conducted training covering labor management, Competition Laws, anti-bribery, harassment, and information asset management, with all executives and employees in each country participating. In addition, we conducted rank-based training for younger employees to learn about legal knowledge such as the Antimonopoly Act and Risk Management, and for managers, we held discussion-based training sessions focused on cases suspected of misconduct or violations of laws and regulations.

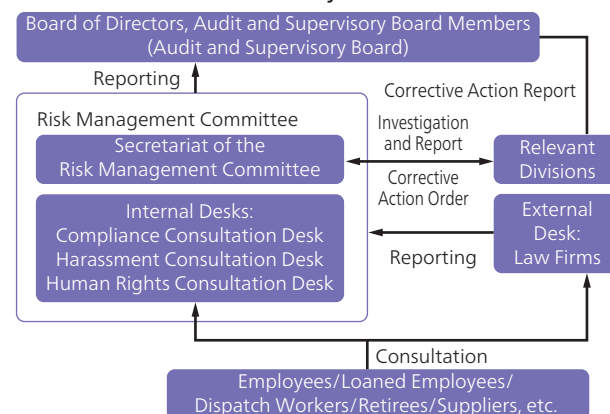
Action Guidelines for Proper Bidding

On March 31, 2009, we issued a "Declaration of No Bid Rigging and Declaration of Compliance." As one of the measures to ensure the implementation of this declaration, in June of the same year, the "Action Guidelines for Proper Bidding" were established as guidelines to be observed by all executives and employees of Penta-Ocean Construction Group, and are revised as necessary. 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 executives and employees of the Group with the guideline via the intranet. In addition, we provide compliance training to all executives and employees of POC Group every year, and continue to ensure their understanding.

Compliance Consultation Desk

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 executives and employees of POC Group, but also to all people affected by the Group's corporate activities. Anonymous reports are also accepted, and under the Whistleblower Protection Act, it is clearly stipulated that any disadvantageous treatment of whistleblowers is prohibited. The methods for using this contact point are posted on the intranet and website, posters are displayed at business offices and site offices, and this information is also communicated during compliance training. Additionally, we have 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, after investigating the facts, we take appropriate actions such as guidance and disciplinary disposal in accordance with work rules and 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 executives and employees of POC Group. In relationships with business partners, our contract terms (such as "Construction Subcontract Agreement Terms" and "Sales of Goods Agreement Terms") include provisions for the exclusion of anti-social forces.

Communication with Stakeholders

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8. Promotion of Effective Governance

Our company strives to enhance management transparency and foster understanding of our corporate stance and direction among a wide range of stakeholders, including shareholders and other investors, customers, business partners and subcontractors, local communities, external organizations, as well as employees, by disclosing information in a timely and appropriate manner and engaging in proactive dialogue.

Communication with Shareholders and Other Investors (Main IR Activities)

We proactively disclose management-related information that is deemed beneficial to shareholders and other investors, even if it is not required by stock exchange regulations.

Financial Results Briefing and General Meeting of Shareholders

We hold quarterly financial results briefings for analysts and institutional investors, and in June, we hold the General Meeting of Shareholders. The President, CEO 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 financial results, as well as non-financial matters such as ESG (Environment, Social and Corporate Governance) initiatives.

IR Activities Overseas

The President, CEO and Representative Director holds face-to-face meetings or one-on-one meetings online with foreign institutional investors to discuss financial results and business prospects. In July 2025, we conducted IR meetings in Paris, Zurich and London.

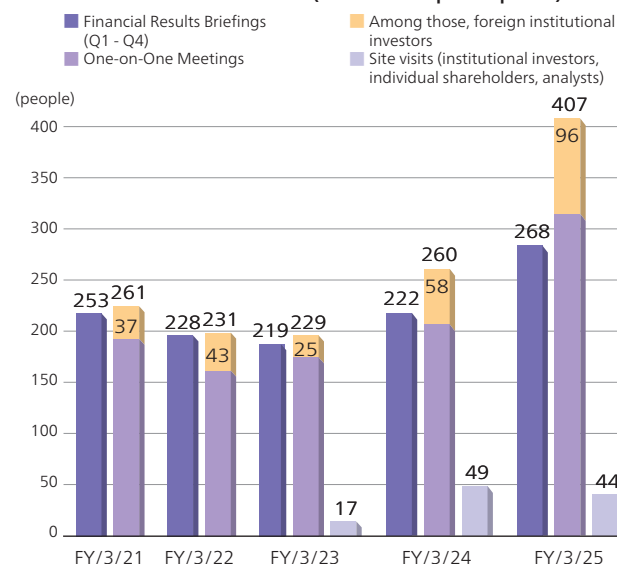
Work Site Visits

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



Financial Results Briefing (May 2025)

Track Record of IR Activities (total no. of participants)



Communication with Various Stakeholders

Stakeholders	Main Activities and Dialogue
Shareholders and Other Investors	General Meeting of Shareholders, financial results briefings, one-on-one meetings, site tours
Customers	Understanding needs through sales activities and construction, providing value that ensures satisfaction, satisfaction surveys
Business Partners / Subcontractors	Fair transactions, building partnerships, briefings on Sustainable Supply Chain policies and guidelines, implementation of self-assessment questionnaires
Local Communities	Construction site tours, participation in events, volunteer activities
External Organizations, etc.	Dialogue with experts, social contribution through collaboration
Employees	Labor-management council with labor unions, information sharing via intranet

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



Hokuto Nakano

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

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



Akiko Kikuchi

Outside Member of the Board (Ms.)

Appointed as an Outside Member of the Board of POC in June 2025
Status of important concurrent positions
Director, Novo Nordisk Pharma Ltd.

Audit and Supervisory Board Members



Shunji Kitahashi

Appointed as full-time Audit and Supervisory Board Member in June 2025



Nobuaki Yonezawa

Outside Audit and Supervisory Board Member

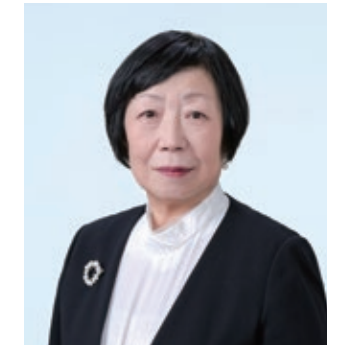
Appointed as an Outside Audit and Supervisory Board Member of POC in June 2024



Naoto Koga

Outside Audit and Supervisory Board Member

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



Maki Kataoka

Outside Audit and Supervisory Board Member (Ms.)

Appointed as an Outside Audit and Supervisory Board Member of POC in June 2025
Status of concurrent holding of important positions
Auditor, Shibaura Electronics Co., Ltd.
Auditor, Rakuten Group, Inc.
Director, Kataoka Certified Public Accountant Office

* Members of the Board: Hokuto Nakano, Mina Sekiguchi, Hiroshi Hayashida, and Akiko Kikuchi are Outside Members of the Board as prescribed in Article 2, Paragraph 15 of the Companies Act.

* Auditors and Supervisory Board Members: Nobuaki Yonezawa, Naoto Koga, and Maki Kataoka are Outside Audit and Supervisory Board Members as defined 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		●	●				●
Hokuto Nakano	Outside Member of the Board	●		●	●			●
Mina Sekiguchi	Outside Member of the Board	●		●	●		●	●
Hiroshi Hayashida	Outside Member of the Board	●	●					●
Akiko Kikuchi	Outside Member of the Board	●				●	●	●
Shunji Kitahashi	Full-time Audit and Supervisory Board Member				●	●		
Nobuaki Yonezawa	Outside Audit and Supervisory Board Member (full-time)	●		●	●			
Naoto Koga	Outside Audit and Supervisory Board Member (full-time)	●			●			
Maki Kataoka	Outside Audit and Supervisory Board Members				●	●	●	●