Roundtable Discussion of Outside Members of the Board



At the Board of Directors meeting held every June, Penta-Ocean Construction conducts an evaluation of the Board of Directors' effectiveness. Building on the discussions that arose from these evaluations, POC transitioned to a new corporate governance structure following the General Meeting of Shareholders in June 2026. While maintaining its status as a Company with an Audit and Supervisory Board, POC adopted a new governance structure that integrates the advantages of both a Company with a Nomination Committee, etc., and a Company with an Audit and Supervisory Committee. To mark this transition, we held a roundtable discussion with our five Outside Members of the Board—Hokuto Nakano, Mina Sekiguchi, Hiroshi Hayashida, Akiko Kikuchi and Misawa Kishinami. They shared their insights on key themes, including Board operations, the new corporate governance structure, and POC's approach to practising sustainability management.

Prospects for the New Corporate Governance Structure and Key Challenges

——What is your assessment of the new corporate governance structure and the current operation of the Board?

Nakano: Amid growing expectations for stronger corporate governance over the past few years, the atmosphere of the POC Board meetings has noticeably changed. Discussions have become far more collaborative, with Outside Members of the Board actively raising questions and offering opinions. In recent years, a key focus of Board discussions was the International Business Unit (IBU), which continued to face underperformance over the past few years. Some shareholders suggested "POC should consider withdrawing from unprofitable overseas operations to reallocate resources toward the more lucrative domestic civil engineering and building construction segments."
However, through extensive discussions at Board meetings, all members reaffirmed the strategic importance of the IBU as one of the three core business pillars, recognising its crucial role in enhancing the Company's overall corporate value. Consequently, the consensus within the Board has shifted toward how the entire Company, including domestic civil engineering and building construction, can best support the IBU as an essential pillar.
Hayashida: I agree that the POC Board currently serves as a platform for open, candid dialogue, where meetings are structured to ensure all participants can contribute freely. Compared to nearly two years ago when I took office, targeted improvements have been steadily made to both the selection of agenda items and Board operations, thoughtfully incorporating input from Outside Members of the Board. Furthermore, I highly evaluate the timely restructuring of the Board to give Outside Members a majority. This transition allows us to place greater weight on deliberating mid- to long-term business strategies, driving key decisions and overseeing business execution.
Kikuchi: POC's new corporate governance structure, featuring a majority of Outside Members of the Board, is set to significantly enhance the Board's oversight function by incorporating independent and objective perspectives. This transition establishes a clear separation between the roles of the Members of the Board and those of the Corporate Officers. It represents an important step forward, enabling the Board to pivot its focus from reviewing individual operational matters to deliberating on medium- to long-term growth strategies, including overall management policies, major business risks, resource allocation, and the introduction of a performance-based stock compensation programme. Furthermore, increasing female representation on the Board to three marks a crucial advancement. It brings broader experience and more diverse perspectives to the Board's decision-making, ultimately enhancing both the scope and depth of discussions.
Kishinami: The true value of this Board restructuring lies in balancing the "speed of decision-making" with the "rigour of oversight". What I expect from this transition is for POC to utilise the new structure beyond merely as a "reactive" governance framework. I expect the new structure to serve as a dynamic platform to leverage the diverse insights of Outside Members of the Board, thereby enhancing both the speed and quality of strategic decision-making. Transitioning to a majority of Outside Members of the Board is fully aligned with broader social trends.
Sekiguchi: VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) is no longer a transitory phase, but an ongoing reality. It is no longer realistic to assume that the medium- to long-term business environment will remain stable, and operating without effective safeguards against VUCA is inherently risky. POC transitioned to its new corporate governance structure at a timely moment. As I understand it, this transition effectively delegates short- to medium-term operational decisions to the Executive Committee. In turn, it reshapes the Board into a body that truly "thinks" through deliberation in order to ensure sustainable corporate value creation amidst medium- to long-term changes in the business environment.



Hokuto Nakano

Having served as Managing Executive Officer at Mizuho Bank, Ltd., Mizuho Financial Group, Inc., and Mizuho Securities Co., Ltd., as well as Director and Managing Executive Officer at ASICS Corporation, he brings broad experience and deep insight in corporate management.
(Outside Member of the Board since June 2021)

——Looking ahead, what do you see as key management issues, and how do you expect the Company to address them?

Sekiguchi: Naturally, the Board must continue to fulfil its core responsibilities by monitoring executive decision-making from an external stakeholder perspective and ensuring that interests of external stakeholders are fully protected. Beyond this, our essential role is to challenge the *status quo*—the assumption that current conditions will continue—which is inherently difficult for current management to let go of. This requires us to prepare for extreme volatility and dynamic changes, build the necessary organisational frameworks and secure strategic options, while keeping our sights on a future beyond the tenure of the current management team. We are called to engage in thorough discussion on what must be done today to build a structure that enables the next generation of management to sustainably create and deliver value to all stakeholders. Driving management to take concrete action is the paramount function expected of modern boards. It is my sincere hope that, under this new corporate governance framework, we will conduct precisely these kinds of forward-looking discussions.
Hayashida: I concur, and I also expect the Board to serve as a dynamic forum for strategic discussion from a medium- to long-term perspective. Concurrently, we need to ensure the newly established Executive Committee fully executes its mandate, linking its functions with the Board effectively and efficiently.
Kikuchi: For Outside Members of the Board to challenge internal assumptions and long-standing practices while addressing fundamental issues from the broad perspective of stakeholders, including shareholders, clients, and employees, we must continuously foster an environment that encourages open and candid dialogue. At the same time, Outside Members of the Board must avoid falling into superficial or ritualistic discussions without a deep understanding of POC's business operations and on-site challenges. Through the Board effectiveness evaluation, we requested several key initiatives to address this: streamlining Board agendas to secure sufficient time for deliberation, providing timely information and thorough pre-briefings, and deepening direct dialogue with personnel engaged in on-site operations. Personally, I remain committed to asking the right questions from an independent standpoint to bring POC to greater heights. I will strive to maintain a relationship defined by both healthy tension and mutual trust with executive management, contributing to sustainable corporate value creation through rigorous oversight and constructive advice.
Nakano: Following our discussions on the IBU, I believe management's next major strategic focus lies in the Offshore Wind Construction Business Division, which has required massive capital investment. This is a recognition we share with the President and executive management, which will naturally lead to expanded discussions going forward. However, a key challenge is that despite the growing focus on such strategic topics, the sheer volume of Board agendas leaves us with insufficient time for deep deliberation. Fresh, unfiltered observations from Outside Members of the Board—who are, in a sense, non-experts in this industry—can often uncover blind spots that internal experts might otherwise miss or overlook. Drawing out these valuable insights requires sufficient discussion time. Furthermore, former Board members overseeing business execution will now sit in on Board meetings as Corporate Officers. From an outside perspective, I hope these executives—particularly those representing the core divisions, such as Domestic Civil Engineering, Domestic Building Construction and IBU—will actively contribute opinions beyond their own departments. They possess industry experience and operational knowledge that far exceed ours. While Outside Members may offer fresh angles that internal experts miss, I believe input from other internal divisions carries enormous value in its own right.
Kishinami: To ensure that transitioning from the previous governance structure is not a mere formality, and to prevent the Board from becoming a body that simply endorses executive decisions, we must continuously elevate both the quality and function of the Board's oversight. POC's corporate governance is still evolving. Moving forward, I remain committed to driving further Board reform, fulfilling our accountability to all stakeholders, and dedicating myself to sustainable value creation.



Mina Sekiguchi

Through her career at KPMG AZSA LLC and KPMG Japan, she brings a wealth of experience and profound expertise in sustainability and ESG across the energy sector, climate change, and carbon neutrality.
(Outside Member of the Board since June 2022)

Sustainability Initiatives Begin on Site

——What is your assessment of the sustainability management that POC strives for?

Hayashida: Ongoing initiatives such as the "Sustainability Morning Briefings" and "Sustainability Awards" are highly commendable as remarkably progressive efforts. Listening to the feedback from the award recipients, I am convinced that being recognised under this theme itself is directly linked to the evolution of sustainability management within the Company. Furthermore, there is no doubt that promoting the advancement of female employees and international talent as part of the human capital strategy makes a vital contribution to its advancement. I strongly encourage management to accelerate these human capital initiatives even further.

Nakano: Promoting sustainability through the morning briefings and internal awards helps raise ESG awareness among employees, particularly those working on-site. If each employee, alongside the primary goal of successfully delivering an awarded project, can pursue sustainability as a second vital goal, it will become a major strategic strength for POC. Achieving this, however, will take time. The key lies in management's persistent commitment to driving this mindset shift. At this stage, these dual objectives are not yet given equal weight. Even during site visits, briefings from on-site teams remain focused primarily on construction works, with limited attention given to sustainability. While it may be a gradual process, if on-site employees come to treat these dual goals with equal weight—recognising that sustainability is an essential objective for every single project—it will significantly enhance POC's presence in the industry.

Kikuchi: In addition to embedding awareness through the morning briefings and internal awards, POC is addressing a broad range of key issues—including human rights, supply chain management, diversity, climate change, and creating a rich environment. Its commitment to rooting sustainability across project sites is truly exemplary. Because the true effectiveness of sustainability initiatives hinges on the awareness and actions of each individual working on-site, future efforts should go beyond merely implementing and expanding measures. It would be ideal if the Company could clearly demonstrate how the behaviour of employees and subcontractors actually changes, and how those changes directly translate into risk mitigation and enhanced corporate value.

Sekiguchi: Transitioning to this new corporate governance structure holds immense significance for POC's sustainability management, as it establishes a framework designed to deliver continuous value to all stakeholders through sustainable growth. Beyond merely generating short-term profits, I believe that this shift has institutionalised the ability to "think". This new structure is expected to secure ongoing value creation, even amid a rapidly changing business environment. As a general contractor, POC works daily alongside numerous subcontractors to create value. Given the vast scale of this corporate community extending to subcontractors, ensuring that every member understands, embraces, and practises POC's concrete sustainability initiatives is the Company's fundamental social responsibility as a general contractor.



Akiko Kikuchi

As a Solicitor of England & Wales and Hong Kong with practice experience at law firms in the UK and the US, as well as roles as an Officer at Bayer Holding Ltd. and a Member of the Board at Novo Nordisk Pharma Ltd., she possesses comprehensive experience and deep knowledge in legal affairs, compliance, and corporate governance.
(Outside Member of the Board since June 2025)



Hiroshi Hayashida

Having served in key roles such as Director-General of the Ports and Harbours Bureau at the Ministry of Land, Infrastructure, Transport and Tourism, he offers high-level insight and expertise in the construction industry and port construction technologies.
(Outside Member of the Board since June 2024)

——What are your expectations for POC's future strategic direction, and what key initiatives should we focus on going forward?

Kikuchi: Regarding the risk mitigation and corporate value enhancement mentioned earlier, establishing KPIs to visualise these outcomes would be an ideal next step. Moving forward, management must clearly articulate its vision while making continuous efforts to reflect these outcomes in performance evaluations, human capital development, and daily operational processes.

In terms of diversity, alongside quantitative targets, emphasis must be placed on true inclusion by fostering a workplace culture where everyone feels safe and empowered to speak up. On human rights, rigorous compliance concerning foreign national workers is required—an area receiving heightened attention in recent years. Across the supply chain, building even stronger collaborative frameworks with subcontractors, while remaining mindful of geopolitical risks, will be essential. Furthermore, I expect to see POC more actively showcase its excellent climate change initiatives, leveraging them to secure orders and advance R&D, thereby driving its competitive edge and sustainable growth. As an Outside Member of the Board, I will continue to closely monitor whether "speak-up" practices are effectively taking hold on-site and whether critical information, including unfavourable news, is being transparently and appropriately reported to the Board.

Kishinami: From the Social (S) perspective of ESG, POC has established the Sustainable Supply Chain Guidelines and is making highly systematic progress across key areas—including legal compliance, anti-corruption, safety-first initiatives, and respect for the human rights of foreign



national workers. To further enhance the effectiveness of these efforts, I hope to see continued progress through concrete initiatives, such as disclosing human rights due diligence results alongside its subsequent reviews, KPI reassessments, as well as showcasing the framework for a "two-way" feedback mechanism that channels on-site near-miss incident reports and subcontractor input back to the Sustainability Promotion Committee. I will strive to advocate these measures to continuously elevate the quality of POC's practices.

Nakano: While it may not be directly linked to sustainability, I believe that the ultimate strength of POC's project sites lies in its technical excellence and human integrity. The Company's engineering capabilities have long enjoyed a strong market reputation. Beyond that, clients feel a genuine sense of trust and personal warmth when working with POC, which naturally inspires them to return for their next project. This "human touch" is a powerful competitive advantage. Leveraging this core identity to drive its sustainability agenda forward is a key theme that I intend to pursue.

Sekiguchi: POC is deeply focused on developing mechanisms to enhance its sustainability management, and as an Outside Member of the Board, I highly value these proactive efforts. While themes like human rights, sustainable supply chains, and biodiversity can often seem abstract, bringing them down to daily operations is of paramount importance. For both employees and subcontractors, taking ownership of these issues, embedding them in daily work, and transparently sharing outcomes are fundamental to this process. Visualising how these daily actions directly contribute to broader environmental and social sustainability is key to sustaining these efforts over the long term. Just as all project stakeholders take pride in the Company's core civil engineering and building construction operations, its sustainability initiatives deserve to be held in equally high regard by society. I expect to see these efforts further developed and steadily pursued.

Hayashida: POC proactively addresses the challenge of practising sustainability management through concrete actions—such as offshore wind construction, promoting ZEB (Net Zero Energy Building) conversions, supporting blue carbon initiatives, and utilising eco-friendly materials like Calcia-improved soil and the mud-reforming agent "Watoru". Addressing these issues directly within its core business domains is pivotal to ensuring the tangible impact of these initiatives, and I fully support the continued expansion of these efforts. Among these, offshore wind power construction is a large-scale business expected to serve as a vital pillar in addressing global environmental challenges through the achievement of carbon neutrality. I highly value POC's commitment to advancing this field by constructing state-of-the-art work vessels and allocating key talent. Furthermore, POC's efforts to drive the broader adoption of offshore wind energy by proposing cost-reduction measures for construction deserve high praise. This is a concrete manifestation of the Company's commitment to building a sustainable society.

Kishinami: From the Environmental (E) perspective, I expect POC to transform the inherent risks unique to marine contractors into viable business opportunities. Few companies can successfully integrate environmental sustainability with advanced engineering expertise, as demonstrated by the Company's blue carbon initiatives and adoption of bio-friendly structures. By leveraging these core strengths to shift from passive risk mitigation to proactive, value-creating sustainability management and effectively communicating this vision, POC can build a compelling growth narrative that significantly enhances its long-term corporate value.



Misawa Kishinami

She brings a wealth of knowledge and expertise in corporate finance, financial strategy, and capital markets through key roles at Goldman Sachs Japan Co., Ltd. and UBS Securities Japan Co., Ltd.
(Outside Member of the Board since June 2026)

Roundtable Discussion of Outside Audit and Supervisory Board Members



Penta-Ocean Construction transitioned to a new corporate governance structure after the General Meeting of Shareholders in June 2026. We held a roundtable discussion with our three Outside Audit and Supervisory Board Members—Nobuaki Yonezawa, Naoto Koga and Maki Kataoka. They shared their insights on key themes, including prospects and key challenges for the new corporate governance structure, as well as the sustainability management that POC strives for.

Prospects for the New Corporate Governance Structure and Key Challenges

——Based on your attendance at Board meetings and your on-site audits, how do you assess the new corporate governance structure?

Koga: In my view, the transition to this new corporate governance structure represents a shift toward a monitoring-model Board—one where oversight and execution are clearly separated, allowing the Board to focus exclusively on strategic supervision. Adopting this monitoring-model Board might suggest a purely "reactive" stance due to the passive connotations of the word "oversight". However, while maintaining robust "reactive" oversight is an indispensable baseline under this new structure, I believe that it is vital that the Board also function as a forum for "proactive" governance—deliberating on management strategies and overseeing their strategic execution to drive sustainable, medium- to long-term corporate value creation.
Yonezawa: I fully agree with Mr. Koga's views. Under the new corporate governance structure, my expectation is to see the Board actively "exercise healthy skepticism toward internal norms", further sharpening its "capacity to ask fundamental questions". Furthermore, I would like to see effective mechanisms established to bridge the Board and the Executive Committee, eliminating "information asymmetry". While the total number of agenda items brought to the Board may decrease, we will require visibility into the decision-making process itself, rather than just the final outcomes. For instance, we need insight into matters where the President expressed reservations during Executive Committee deliberations, proposals that split opinions among executive officers, what alternative options were considered during discussion and why they were ultimately set aside. I hope management maintains the candor and transparency to share even uncomfortable truths with the Board.
Kataoka: As the business environment in the construction industry grows increasingly challenging, "proactive governance" demands rapid and decisive decision-making on where to strategically allocate resources, generate returns exceeding the cost of capital, and improve capital efficiency to drive profitability, sustainable growth, and long-term corporate value—all while ensuring transparency and fairness. Crucially, executing "proactive governance" safely requires a strong foundation of "reactive governance". In this context, as Audit and Supervisory Board Members, our role is to rigorously verify that these protective mechanisms—including risk avoidance and mitigation, internal control enhancement, and misconduct prevention—function fully, and that oversight of execution remains truly effective.



Nobuaki Yonezawa

Having held key positions at MUFG Bank, Ltd., Mitsubishi Motors Corporation, and Mitsubishi UFJ NICOS Co., Ltd., he offers broad experience and high-level insight in finance, accounting, and labour management.
(Outside Audit and Supervisory Board Member since June 2024)

——What are your candid impressions regarding the discussion culture of the POC Board meetings?

Yonezawa: Compared to other companies where I have served, I feel that the POC Board provides a strong sense of psychological safety. Its open atmosphere encourages all participants to candidly exchange opinions of their own accord. It is my honest belief that this is largely attributable to the exceptional facilitation skills of the POC President in his role of Board Chairman. I am confident that the new corporate governance structure will fully leverage this unique culture to foster even more constructive, open dialogue.
Kataoka: In my evaluation, the POC Board operates with high transparency, serving as a forum for active and open dialogue between executive management and Outside Members with diverse backgrounds. Previously, the heavy volume of agenda items left insufficient time for in-depth discussion, despite the Board convening twice a month.
Under the recent governance reform, the proportion of Outside Members of the Board increased from 40% to 70%, and authority over operational execution was delegated to the newly established Executive Committee. This structural evolution significantly enhances governance by Outside Members of the Board, enabling the Board to focus on deliberating medium- to long-term plans and strategies, as well as overseeing their execution.
Koga: I completely share the views expressed by Mr. Yonezawa and Ms. Kataoka. The POC Board is exceptional for its open atmosphere, which encourages the frank exchange of views and fosters truly substantive deliberations. Looking back, the sheer volume of agenda items often constrained the time available for deeper discussion. Moving forward, streamlining the Board agenda will allow us to engage in deeper, more extensive discussions on key strategic topics. As I understand it, my role as an Audit and Supervisory Board Member under the new corporate governance structure is to verify whether the Board is functioning effectively in delivering both "proactive" and "reactive" governance, while providing timely advice and recommendations as required.



Naoto Koga

He holds a wealth of experience and deep insight in finance and accounting, gained through key roles at companies including Sumitomo Mitsui Banking Corporation, Gracchus & Associates, INC., and Regional Economy Vitalization Corporation of Japan.
(Outside Audit and Supervisory Board Member since June 2024)

Sustainability Initiatives Begin on Site

——Could you share with us your impressions on the sustainability management that POC strives for?

Yonezawa: When conducting on-site audits, I make a point of asking branch managers, heads of general affairs, and presidents of affiliated companies about how they perceive sustainability management. From their responses, I have drawn three core perspectives: "Never seek personal gain at the expense of others", "Never shift the heavy load onto others", and "Never be shortsighted in making decisions". Although each leader articulates it in their own words, they all share the fundamental view that a company is a public entity serving society. It is deeply reassuring to recognise that the leaders spearheading POC's on-site operations hold such firm, authentic "philosophies" and can speak of them in their own words.
Koga: Through our auditing dialogues with managers at branches and subsidiaries, my impression is that POC's motto "Sustainability Initiatives Begin on Site" has taken deep root throughout the organisation over the past year or two. This indicates that POC's sustainability initiatives have achieved tangible results. At the same time, expectations around sustainability are evolving at an unprecedented pace. From the perspective of the Board's oversight function, I believe that the Board needs to continue to deepen its deliberations on how we address sustainability going forward.
Kataoka: POC strives to advance sustainability management with a strong focus on ESG, aiming to increase profitability and mitigate risks by identifying eight Materiality (key issues) and strategically allocating resources toward them. In particular, regarding the Environmental (E) dimension, efforts are underway to reduce GHG emissions across business activities by adopting low-carbon fuels and converting site offices to Net Zero Energy Buildings (ZEB). Furthermore, the Company views environmental challenges as strategic business opportunities to enhance corporate value. For instance, initiatives such as manufacturing and sales of the mud-reforming material "Watoru" and recycling construction sludge are expected to generate steady long-term demand and serve as key drivers of future growth.

——What are your expectations for POC's future initiatives?

Kataoka: The offshore wind business requires massive capital investment, such as building work vessels, yet it remains a vital initiative contributing to Japan's energy self-sufficiency. I expect POC to continue pursuing this venture while carefully controlling risks. Furthermore, regarding the G (Governance) in ESG, compliance is of paramount importance. Major misconduct or compliance breaches could severely damage corporate value and potentially jeopardise the Company's sustainability. Moving forward, we will conduct on-site visits to regional branches and subsidiaries to verify that compliance-related regulations are strictly observed, and that educational programmes and whistleblower systems permeate all operational sites and function effectively.



Maki Kataoka

As a Certified Public Accountant, she possesses specialized knowledge and broad insight in finance, accounting, and internal control gained at KPMG AZSA LLC and the Tokyo Metropolitan Police Department.
(Outside Audit and Supervisory Board Member since June 2025)

Yonezawa: While sustainability management is a broad concept open to diverse interpretations, at its core, being truly sustainable requires both the Company and its supply chain to survive and thrive across generations. Having marked 130 years since its founding, cultivating human capital becomes all the more critical if POC is to remain in business for another 150 or 200 years. The "philosophies" of the on-site leaders that I mentioned earlier must be proactively communicated, with every employee embracing these ideas "as their own" and reflecting them in their daily actions. It is precisely this ripple effect and expansion that will form the robust and resilient foundation of POC's sustainability management.
Koga: Human capital is the ultimate foundation of sustainability management. To achieve the sustainable enhancement of corporate value, the business model, management strategy, and human resource strategy must be closely aligned. In this regard, POC maintains relatively high engagement scores in external surveys, demonstrating that its management and human capital strategies have functioned effectively to date. Going forward, as an Audit and Supervisory Board Member, I will continue visiting sites and listening directly to employees' voices to monitor whether the Board of Directors is exercising effective oversight.

Corporate Governance

Materiality
Promotion of Effective Governance

To ensure sound, transparent, and law-abiding corporate management and to achieve our continued growth and development, the 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

The POC Group practises a management philosophy that focuses on sustainability. We believe that "Our greatest contribution to society is the construction of high-quality infrastructure." 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 enhance our corporate value over the medium to long term 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

web Corporate Governance Guidelines (Japanese)

Enhancement of the Corporate Governance System

To strengthen the governance and effectiveness of the Board of Directors, we made enhancements to our corporate governance system, effective June 24, 2026.

1. Strengthening the Governance of the Board of Directors —Structuring the Board of Directors with a Majority of Outside Members of the Board

While retaining our structure as a Company with an Audit and Supervisory Board, we have incorporated the strengths of the Company with a Nominating Committee, etc. and Company with an Audit and Supervisory Committee models, thereby strengthening the Board of Directors' governance and its oversight of business execution. The Personnel Committee, which deliberates on officer nominations, compensation, and other matters, will continue to be chaired by an Outside Member of the Board, with Outside Members of the Board holding a majority of the Committee seats. Likewise, Outside Audit and Supervisory Board Members continue to constitute a majority of the Audit and Supervisory Board.

	2025	**2026**
Members of the Board	10	**7**
Of which, Outside Members of the Board (ratio)	4 (40.0%)	**5 (71.4%)**

2. Strengthening the Effectiveness of the Board of Directors —Delegating Business Execution to the Executive Committee

- The Board of Directors focuses on deliberation and decision-making regarding the Company's direction, management strategies and other matters from a medium- to long-term perspective, and oversees the execution of business by the Representative Directors and Executive Officers.
- The Executive Committee (newly established), composed of the Representative Directors and Corporate Officers (Executive Officers representing the Company's core divisions), makes decisions on business execution. Corporate Officers also sit in on meetings of the Board of Directors.

Historical Changes in the Corporate Governance System

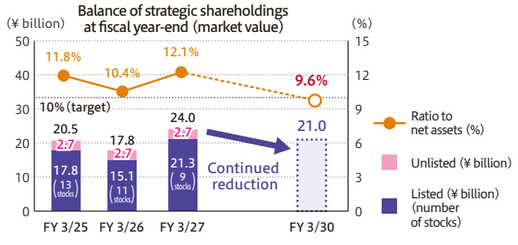
Year	Details
2002	The number of Members of the Board was reduced to seven, and the executive officer system was adopted.
	An Outside Member of the Board was appointed for the first time.
	The Personnel Committee including Outside Members of the Board was established.
	The performance-based executive compensation system (monetary) was adopted.
2007	The retirement benefit system for officers was 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.
	The performance-based stock compensation system (non-monetary) was adopted.
2021	The performance-based executive compensation system (monetary) was revised. (Introduction of short-term incentive compensation, etc.)
2022	The number of Outside Members of the Board was increased to four, including the appointment of one female Member of the Board.
2025	Appointed two female Members of the Board.
2026	The number of Outside Members of the Board was increased to five (a majority of the seven Members of the Board), including the appointment of three female Members of the Board.

Internal Control System

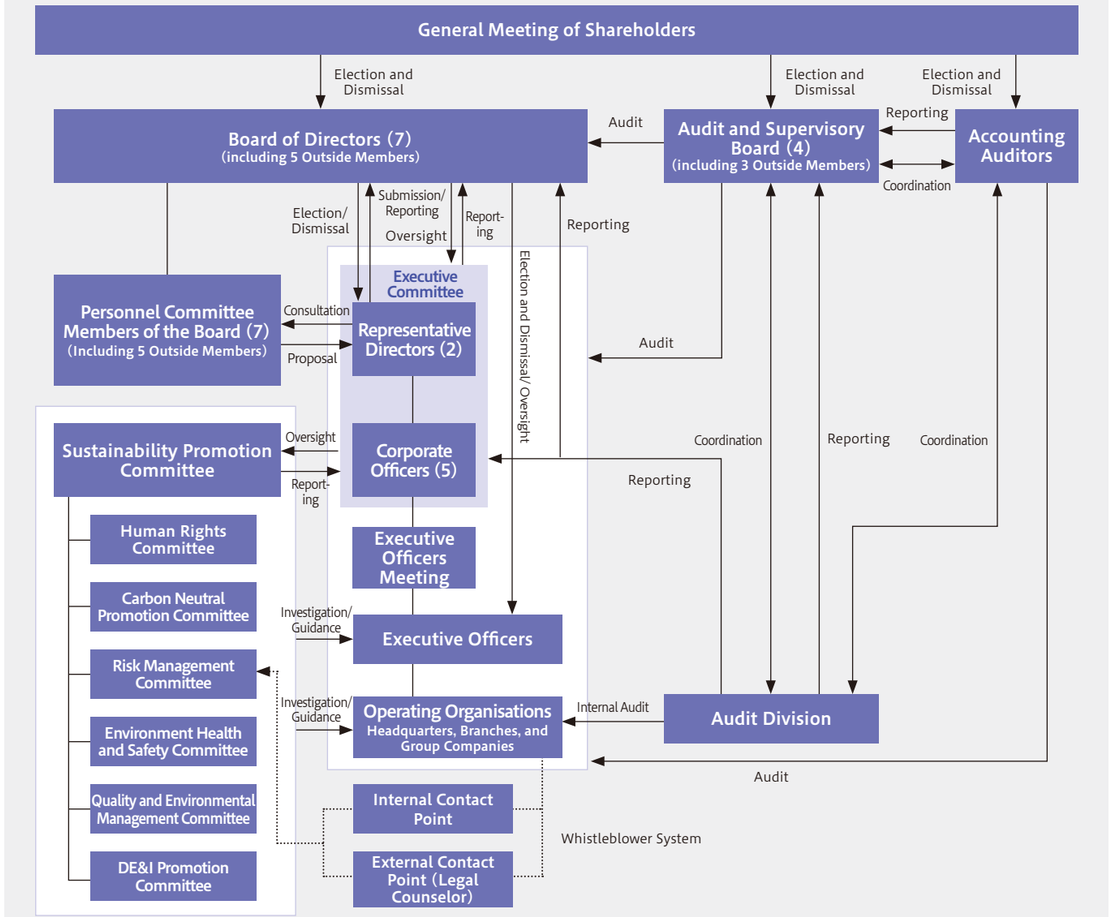
The Board of Directors establishes the basic internal control policy and develops an internal control system to ensure thorough risk management, compliance with laws and regulations, and the sound and efficient operation of business activities. The internal audit department conducts audits of the implementation and operation of the entire internal control system, working to ensure its continuous improvement and verify that operations are conducted appropriately. The results are evaluated by the Board of Directors annually between May and June to confirm that the internal control system is being operated effectively in accordance with the basic internal control policy.

Strategic Shareholdings

We hold strategic shareholdings with the primary intent of long-term ownership, subject to a resolution of the Board of Directors, with the aim of maintaining and strengthening business and cooperative relationships with investee companies. For each stock held, annually between May and June, we evaluate the financial condition, business performance, stock price, dividend status, the transaction status over the past three years, and future plans. The Board of Directors specifically examines the rationale of each holding from the perspective of its objectives, the benefits and risks, and its capital efficiency relative to the cost of capital. On that basis, to reduce holding risk and improve capital efficiency, we are proceeding with gradual reductions after sufficient dialogue with investee companies, aiming to bring strategic shareholdings to less than 10% of net assets by the end of FY 3/29.



Corporate Governance System Diagram



Evaluation of Effectiveness of the Board

Based on the Penta-Ocean Construction Corporate Governance Guidelines, we conduct an evaluation of the effectiveness of the Board of Directors annually in June. The method and results of the effectiveness evaluation are as follows. Each year, we identify key issues through discussions on the effectiveness evaluation and work to further improve the effectiveness of the Board of Directors, strengthen corporate governance, and ensure the proper operation of the internal control system.

Method of Assessing Effectiveness

- A self-assessment questionnaire on the effectiveness of the Board of Directors was administered to all Members of the Board.
- At the Board of Directors meeting held on June 5, 2026, all Members of the Board discussed the questionnaire results and assessed the effectiveness of the Board.

Assessment Results

The Board of Directors concluded that it is functioning appropriately and effectively.
(Key issues for further improving effectiveness)

1) Operation of the Board of Directors
   - Topic selection must be reviewed to secure opportunities and adequate time for deliberation
   - Sufficient time must be allocated to discussing medium- to long-term management strategy, changes in the external and business environment, risk management, human resource development, and the promotion of DX, AI, etc.

2) Building an Effective Risk Management Structure
   - In addition to risk management for business activities through the establishment and operation of an effective internal control system, a structure is needed to systematically evaluate and monitor risks arising from changes in the external and business environment, such as geopolitical risks
   - Establishment and operation of a company-wide, integrated risk management structure that includes Group companies

web Corporate Governance

Corporate Governance

Materiality
Promotion of Effective Governance

Executive Compensation

Revision of the Performance-based Stock Compensation Programme for Members of the Board and Others

At the Board of Directors meeting held on May 8, 2026, we revised the executive compensation programme to link it more closely to Company performance by increasing the proportion of stock compensation in the compensation of Members of the Board and Executive Officers (“Members of the Board, etc.”), thereby contributing to the sustainable enhancement of corporate value as well as to increases in share price. Short-term incentive compensation, which is linked to the Company’s performance in the previous fiscal year, was previously paid entirely in cash. Going forward, an amount equivalent to 50% will be paid in the form of stock, thereby increasing the proportion of performance-based stock compensation (non-monetary). Accordingly, beginning with compensation for FY 3/28, the proportions of fixed compensation (monetary), performance-based compensation (monetary), and performance-based stock compensation (non-monetary) will change from approximately 65%, 25%, and 10% to approximately 55%, 15%, and 30%, respectively. In consideration of their duties, Outside Members of the Board receive only base salary (fixed compensation in cash), which is set for each individual, and are not eligible for performance-based compensation (monetary and non-monetary).

1. Fixed Compensation (Monetary)

The amount of compensation consists of the base salary determined for each Executive Officer’s position, plus additional compensation for Members of the Board that is commensurate with the weight of their responsibilities.

2. Performance-based Compensation (Monetary)

・Individual Performance-based Compensation (Monetary)

Individual performance-based compensation is a variable amount of ±10% of the fixed compensation (monetary), based on an individual evaluation determined using 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 based on items such as company-wide performance (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.

Individual performance-based compensation = Fixed compensation × Evaluation coefficient based on individual performance evaluation

・Short-term Incentive Compensation (Monetary)

The short-term incentive compensation is calculated by multiplying the base amount determined for each position 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 for the individual performance-based compensation, 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 is 5% or lower or if no dividend is paid.

Short-term incentive compensation = Base amount × Annual incentive coefficient

Annual incentive coefficient = Company performance evaluation coefficient × Consolidated operating profit coefficient × ROE level coefficient × Dividend payout ratio level coefficient

3. Performance-based Compensation (Non-Monetary)

For performance-based stock compensation through the Board Benefit Trust (BBT), the points to be granted to Members of the Board, etc. are determined each fiscal year, in the same manner as individual performance-based compensation in 2. above, 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 relative to a standard stock price that is reviewed every three years. Each point is converted into one share of the Company’s common stock upon delivery of the stock-based compensation. As a general rule, Members of the Board, etc. receive benefits in the form of shares of the Company, etc. upon retirement from their respective positions.

Compensation Breakdown for Members of the Board, etc. (from FY 3/28)

Fixed compensation (monetary)	Performance-based compensation (monetary)	Performance-based compensation (non-monetary)
Approx. 55%	Approx. 15%	Approx. 30%

Details of Executive Compensation

Type of compensation	Members of the Board, etc.	Outside Members of the Board	Audit and Supervisory Board Members
Fixed compensation (monetary)	●	●	●
Performance-based compensation (monetary)	●	—	—
Performance-based compensation (non-monetary)	●	—	—

Compensation for Members of the Board and Audit and Supervisory Board Members in FY 3/26

Executive category	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)		Number of eligible officers (persons)
		Monetary compensation	Stock compensation	
Members of the Board (excluding Outside Members)	323	298	25	6
Outside Members of the Board	59	59	—	5
Audit and Supervisory Board Members (excluding Outside Members)	27	27	—	2
Outside Audit and Supervisory Board Members	45	45	—	4

* Stock compensation represents, for the fiscal year under review, the amount paid and the amount added to the provision for share awards for directors (and other officers). It is provided upon the retirement of Members of the Board or Executive Officers, and the amount of the benefit varies depending on the reason for retirement and the stock price at the time the benefit is provided.

web Corporate Governance

Risk Management

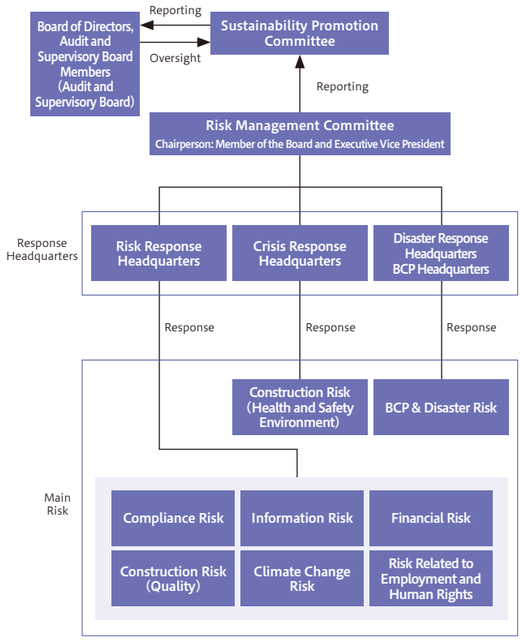
Materiality
Promotion of Effective Governance

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 endeavour to minimise 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 establishment and enhancement of the risk 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. In addition, independently appointed Audit and Supervisory Board Members attend meetings of the Board of Directors and offer opinions as necessary.

By identifying anticipated risks in advance and preparing for them, we are able to respond promptly according to the specific type of risk when it occurs. Additionally, by reviewing actions taken following risk responses, we strive to prevent the occurrence of new risks. Also, we will establish the Risk Response Headquarters in the event of a major risk; the Crisis Response Headquarters if a major occupational accident occurs; the Disaster Response Headquarters if a natural disaster occurs; and the BCP Headquarters if a major incident that threatens the continuity of business activities occurs, and we will respond accordingly. The head of each response headquarters is the President, CEO and Representative Director, a Head of relevant Divisions Group, or a branch head, depending on the risk level. In FY 3/26, no material risks, including serious legal violations, have occurred.



Information Security Management

The Penta-Ocean Construction Group recognises that it is the Company’s social responsibility to respond to the trust of customers and society by appropriately protecting, managing, and effectively utilising all information assets held and used in its business activities. Recognising information security as one of our material business issues, we have established the necessary information management framework, and based on the Information Security Policy, promote the following initiatives and strive for the continuous strengthening of our information security system.

- Identification and assessment of risks to information assets, and implementation of measures and continuous improvement based on the latest security threats, attack cases, etc.
- Appropriate protection and management of personal information, intellectual property, etc., and implementation of preventive measures
- Advancement of the security infrastructure and monitoring system, and organisational, personnel, physical, and technical safety management measures
- Development of the usage environment and rules for new technologies such as generative AI, and prevention of human rights and other rights infringements
- Implementation of regular education and training for all executives and employees, and requests to subcontractors, business partners, etc. for understanding of and cooperation with the policy
- Establishment of a system for prompt reporting, response, and recovery

There were zero major information incidents in FY 3/26.

web Information Security, Personal Information, and Intellectual Properties

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 Initiatives

- Confirmation of the safety of all Group executives and employees (including those working overseas), temporary 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 2025

web Risk Management

Compliance, Anti-corruption

Materiality
Promotion of Effective Governance

All executives and employees of the Penta-Ocean Construction 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 Act and other related laws and regulations, and practise fair and free competition.

Policy and Structure

The 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. 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 behaviour based on high ethical standards and sound judgment in line with social norms and ethics. Furthermore, we formulate key policies such as "Fair Competition and Appropriate Transactions" and "Anti-bribery and Anti-corruption", and strive to disseminate them across organisations, both at home and abroad. The Board of Directors establishes corporate ethics and ensures its strict compliance. There were no significant legal violations in FY 3/26.

Action Guidelines for Proper Bidding

In January 2006, POC resolved at a meeting of the Board of Directors a basic policy on compliance, including compliance with the Antimonopoly Act, and notified all executives and employees, and in July of the same year, published the Declaration of Eradication of Illegal Activities. The Declaration clearly states the Penta-Ocean Construction Group's basic stance against illegal activities: "Not to do, not to allow, and not to overlook". To ensure the implementation of this declaration, the "Action Guidelines for Proper Bidding", together with the Antimonopoly Act Compliance Manual and other materials, were established as guidelines to be observed by all executives and employees of the Penta-Ocean Construction Group, and are revised as necessary. In addition, we provide compliance training to all executives and employees of POC Group every year, and continue to ensure their understanding.

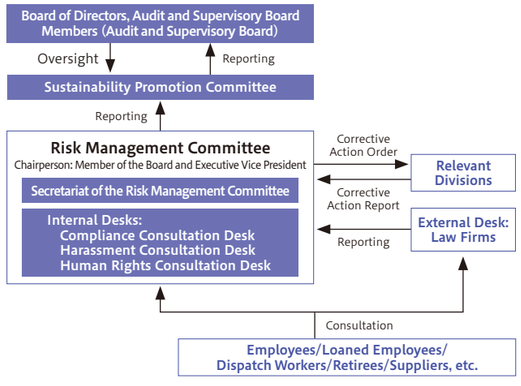
Compliance Training

POC Group provides various compliance training sessions aligned with the Code of Conduct, 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 FY 3/26 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 Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators, the Act on Elimination and Prevention of Involvement in Bid Rigging and Punishments for Acts by Employees that Harm Fairness of Bidding, etc., as well as the "Action Guidelines for Proper Bidding" established in the wake of 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 labour management, Competition Laws, anti-bribery, harassment prevention, and information asset management, with all executives and employees in each country participating. In addition, we conducted grade-specific training for younger employees to acquire essential legal knowledge such as the Antimonopoly Act and risk management. For managers, we held discussion-based training sessions focused on cases suspected of misconduct or violations of laws and regulations.

Compliance Consultation Desk

To further promote thorough compliance, the Penta-Ocean Construction Group established an outside point of contact 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 to executives and employees of POC Group as well as 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, workplace 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 action 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 organised 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.

web Compliance, Anti-corruption

Communication with Stakeholders

Materiality
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, subcontractors and other business partners, local communities, external organisations, and employees, by disclosing information in a timely and appropriate manner and engaging in proactive dialogue. We will draw on the feedback we receive from our stakeholders to further evolve our management and build trust.

Customers

- Dialogue through sales activities and construction projects…Ongoing
- Periodic inspections after handover……Ongoing
- Customer satisfaction surveys……Ongoing ▶P46
- Penta-Ocean Museum……Ongoing


Penta-Ocean Museum

Shareholders and Other Investors

- General Meeting of Shareholders……Once a year
- Financial results briefings……4 times a year
- One-on-one meetings……Ongoing
  (individual dialogue with domestic and overseas investors)
- Site tours……Ongoing
  (for investors, etc., and for individual shareholders)

FY 3/26 Results

Item		Results
Financial results briefings	Number held (of which attended by the President)	4 (3)
	Number of participants	295
One-on-one meetings	Number of companies (cumulative total)	440
	Number of participants (of which foreign institutional investors)	551 (147)
Number of site tour participants	For institutional investors and analysts	31
	For individual shareholders	54


Financial Results Briefing (May 2026)


Site Tour for Individual Shareholders

Subcontractors / Business Partners

- Questionnaire survey on fair transaction practices……Once a year ▶P53
- Collaboration with the Penta-Ocean Construction Labour Safety Council……Ongoing
- Sustainable Supply Chain (SSC) Policy and Guidelines briefing sessions, monitoring using self-assessment questionnaires (SAQs), and on-site interviews ▶P54

FY 3/26 Results

Item	Domestic	Overseas	Total
Number of SSC briefing sessions held	10	7	17
Number of companies surveyed via SAQ	995	80	1,075
Number of companies responding to SAQ	837	61	898
Number of companies interviewed on-site	12	16	28



Briefing for Subcontractors at General Safety Meeting

Local Communities

- Construction site tours……Ongoing
- Participation in events, volunteer activities……Ongoing
- Support for disaster-affected areas……As needed
- Social contribution activities……Ongoing


Local Cleanup Activities

External Organisations, etc.

- Dialogue with experts……Ongoing
- Collaboration with external organisations, etc……Ongoing


Cooperation in Seagrass Bed Creation Activities in the Port of Tokyo

Employees

- Labour-management council meetings and collective bargaining with the labour union……4 or more times a year
- Internal information sharing, various training programmes, opinion exchange meetings……Ongoing
- Engagement survey, stress check……Once a year ▶P50


Opinion Exchange Meeting for Employees Returning from Childcare Leave

All Stakeholders

- Establishment of compliance, harassment, and human rights consultation desks

web Communication with Stakeholders

Board Members

Members of the Board



Takuzo Shimizu

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



Tomoyuki Yamashita

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



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.



Mina Sekiguchi

Outside Member of the Board
Female

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
Female

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



Misawa Kishinami

Outside Member of the Board
Female

Appointed as an Outside Member of the Board of POC in June 2026
Status of concurrent holding of important positions
Outside Director, Daiwabo Holdings Co., Ltd.
Outside Member of the Board of Directors (Audit and Supervisory Committee Member), NIDEC CORPORATION
External Director, Sanken Electric Co., 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 Full-Time Audit and Supervisory Board Member of POC in June 2024



Naoto Koga

Outside Audit and Supervisory Board Member

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



Maki Kataoka

Outside Audit and Supervisory Board Member
Female

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

* Members of the Board: Hokuto Nakano, Mina Sekiguchi, Hiroshi Hayashida, Akiko Kikuchi, and Misawa Kishinami are Outside Members of the Board as prescribed in Article 2, Paragraph 15 of the Companies Act.
* Audit and Supervisory Board Members: Nobuaki Yonezawa, Naoto Koga, and Maki Kataoka are Outside Audit and Supervisory Board Members as prescribed in Article 2, Paragraph 16 of the Companies Act.

Skill Matrix

	Name		Corporate Management	Technology/IT	Sales/Business Strategy	Financial Affairs/ Accounting	Legal Affairs/Risk Management	Sustainability/ CSR	Global
			Expertise and Experience of Members of the Board and Audit and Supervisory Board Members						
Members of the Board	Takuzo Shimizu		●	●	●			●	
	Tomoyuki Yamashita		●			●	●	●	●
	Hokuto Nakano	Outside	●		●	●			●
	Mina Sekiguchi	Outside Female	●		●	●		●	●
	Hiroshi Hayashida	Outside	●	●					●
	Akiko Kikuchi	Outside Female	●				●	●	●
	Misawa Kishinami	Outside Female	●			●		●	●
Audit and Supervisory Board Members	Shunji Kitahashi					●	●		
	Nobuaki Yonezawa	Outside	●		●	●			
	Naoto Koga	Outside	●			●			
	Maki Kataoka	Outside Female				●	●	●	●

* Sustainability/CSR: Includes ESG, IR/public relations, DE&I, respect for human rights, global environmental issues, etc.

(Applicable criteria)

Corporate Management	Those with experience as CEO, member of the board of other companies, or chairperson/director of audit firms, foundations, etc.
Technology/IT	Those with specialised knowledge in construction technology, IT, etc. / those with experience as executive officer or general manager in charge, etc.
Sales/Business Strategy	Those with experience as officer or general manager in charge of sales or business strategy
Financial Affairs/Accounting	Those with specialised knowledge in finance and accounting / those with experience as executive officer or general manager in charge, etc.
Legal Affairs/Risk Management	Those with specialised knowledge in legal affairs and risk management / those with experience as executive officer or general manager in charge
Sustainability/CSR	Those with specialised knowledge in sustainability and CSR / those with experience as executive officer or general manager in charge
Global	Those with specialised knowledge in global business / those with experience as executive officer or general manager in charge / those with overseas work experience