



May 8, 2026

Listed company name: Penta-Ocean Construction Co., Ltd.

Code number: 1893

Stock exchange: Tokyo Prime, Nagoya Premier

Notice of Partial Revision of Performance-Based Stock Compensation Program
Pursuant to the Amendment of the Remuneration System for
the Members of the Board, etc.

Penta-Ocean Construction Co., Ltd. (hereinafter, the “Company”) hereby announces that at the Board of Directors Meeting held on May 8, 2026, the Company resolved to submit a proposal regarding the partial revision of the Performance-Based Stock Compensation Program, pursuant to the amendment of the Remuneration System for the Member of the Board, etc., to the 76th Ordinary General Shareholders Meeting scheduled for June 24, 2026.

1. Outline of the Revision of the Remuneration System for the Members of the Board, etc. Pursuant to the Companies Act of Japan, the Board of Directors is required to establish a policy regarding the determination of individual remuneration for Directors. With a view to ensuring that remuneration for the Members of the Board and executive officers (hereinafter, the “Members of the Board, etc.”) serves as an effective incentive for the sustainable enhancement of corporate value, the Company has revised the Remuneration System for the Members of the Board, etc. as described below.

(1) Outline of the Remuneration System for the Members of the Board, etc.

The remuneration for the Members of the Board, etc. shall consist of the following: (i) basic remuneration (Fixed Salary in Cash), (ii) performance-linked remuneration based on individual performance (Individual Performance-Based Remuneration), (iii) performance-linked remuneration based on corporate performance (Short-Term Incentive Remuneration), and (iv) Performance-Based Stock Compensation through a Board Benefit Trust (non-monetary). Monetary remuneration shall be set at a level commensurate with peer companies of a similar market capitalization, based on survey data from external specialized organizations.

By allocating 50% of (iii) Short-Term Incentive Remuneration to stock-based compensation, thereby reducing the Short-Term Incentive Remuneration (monetary) and increasing (iv) Performance-Based Stock Compensation (non-monetary), the Company aims to foster a stronger commitment among Members of the Board, etc. toward the enhancement of medium- to long-term corporate value. Accordingly, the proportions of (i) basic remuneration (Fixed Salary in Cash), the combined performance-linked compensation of (ii) and (iii) (monetary), and (iv) Performance-Based Stock Compensation through a Board Benefit Trust (non-monetary), shall be adjusted from the current 65%, 25%, and 10% to 55%, 15%, and 30%, respectively.

Regarding the determination of remuneration for the Members of the Board, etc., the Representative Directors shall consult with the Personnel Committee (chaired by an Outside Member of the Board), which consists of all Outside Members of the Board and a few Members of the Board, on compensation proposals. The Board of Directors shall make decisions based on the results of the Personnel Committee's deliberations and reviews.

In consideration of their duties, the Outside Members of the Board shall be paid only the basic salary (Fixed Remuneration in Cash) set for each individual person and shall not be eligible for performance-linked remuneration (monetary nor non-monetary).

(2) Policy for Determining Each Type of Remuneration

(i) Fixed Salary (monetary)

The amount of remuneration shall consist of a basic salary determined based on the duties of executive officers, plus additional remuneration for the Members of the Board commensurate with their responsibilities.

(ii) Individual Performance-Based Compensation (Monetary)

Individual Performance-Based Remuneration shall be determined through a combination of objective indicators, such as the performance of the individual's division or branch to which they belong, and a qualitative assessment of their individual performance, resulting in a fluctuation of $\pm 10\%$ relative to the fixed salary (monetary).

Evaluations based on objective indicators shall be determined by the degree of achievement of construction orders received (an indicator of future sales), as well as operating profit and operating profit ratio (indicators of current earnings) evaluated against the targets of each division or branch. In addition, the collection rate of construction payments, quality and safety control initiatives in construction projects (points added for commendations or creative improvements in productivity, and points deducted for accidents or disasters, including the achievement of targets for the frequency and severity of occupational accidents), and the performance (operating profit) of subsidiaries will be considered. Qualitative evaluations shall be conducted by the Members of the Board, who evaluate and determine the individual performance of each person.

(iii) Short-Term Incentive Compensation (Monetary)

Short-Term Incentive Compensation shall be based on the base amount determined for each rank, multiplied by the Annual Incentive Coefficient. The Coefficient is calculated by multiplying the following factors: the Company Performance Evaluation Coefficient, Operating Profit Coefficient, ROE Coefficient, and Dividend Payout Ratio Coefficient.

The Annual Incentive Coefficient will be determined based on coefficients calculated from consolidated business results for FY ended March 31, 2019. The Company Performance Evaluation Coefficient will be determined in the same manner as the individual performance-based remuneration. It is based on an objective evaluation of the achievement level of the Company's performance targets, etc., the average qualitative evaluation of each Member of the Board, and a stock price evaluation. The stock price evaluation is determined by comparing the change in the Company's stock price between the beginning and the end of the subject fiscal year with the Nikkei 225 average, and the stock prices of other peer companies in the same industry. The Operating Profit Coefficient is the ratio of the consolidated operating profit for the subject fiscal year to that of the base year (FY ended March 31, 2019), the ROE (return on equity) Coefficient is 1.0 if the target of 10% or more is achieved, and 0 if it falls below 5%. Similarly, the Dividend Payout Ratio Coefficient is 1.0 if a dividend payout ratio of 40% or more is achieved, and 0 if no dividend is paid. If the ROE and dividend payout ratio exceed the threshold values set in accordance with the Medium-term Management Plan, their respective coefficients will be 1.0. Conversely, if the ROE falls below 5% or no dividend is paid, the coefficient score will be zero, resulting in the total Short-Term Incentive Compensation being zero.

(iv) Performance-Based Stock Compensation (Non-Monetary)

Performance-Based Stock Compensation shall be provided through the Board Benefit Trust. The points to be granted to the Members of the Board, etc. for each fiscal year shall be determined by multiplying the points determined for each rank by: the overall company evaluation coefficient based on the Company's performance; the individual evaluation coefficient based on qualitative individual evaluations, determined in the same manner as the individual performance-based compensation in (ii) above; and the standard stock price coefficient based on a standard stock price that is reviewed every three years.

2. Partial Revision of the Performance-Based Stock Compensation Program (Board Benefit Trust)

(1) Reasons for the Revision

The Company introduced the "Board Benefit Trust," a performance-based stock compensation program (hereinafter, the "Program") for the Members of the Board, etc. This Program was approved separately from monetary compensation at the 67th Ordinary General Meeting of Shareholders held on June 27, 2017, with subsequent revisions approved at the 71st Ordinary General Meeting of Shareholders on June 25, 2021. In response to the recent rise in the Company's stock price and to further strengthen the link between business performance and remuneration for the Members of the Board, etc., by increasing the weighting of stock-based compensation, the

Company hereby proposes the following revisions to the Program: (1) increasing the maximum number of shares to be delivered to the Members of the Board, etc., from the current 550,000 to 1,800,000 shares per applicable period (three fiscal years); (2) increasing the maximum points to be granted from the current 550,000 to 1,800,000 points (of which 250,000 points are for the Members of the Board); and (3) increasing the maximum financial contribution per applicable period from the current 550 million yen to 3.0 billion yen (of which 400 million yen are for the Members of the Board).

(2) Outline of the Performance-Based Stock Compensation Program

after the revision

1) Outline of the Program

The Program is a performance-based stock compensation scheme referred to as the "Board Benefit Trust." Under this Program, the Company establishes a trust (the trust established under the Program is hereinafter referred to as the "Trust") using contributed cash as the source of funds to acquire its shares. In accordance with the Rules of Stock Benefit Trust for the Members of the Board, etc. the Trust distributes the Company's shares and their market-value cash equivalents (hereinafter, the "Company's Shares, etc.") to the Members of the Board, etc. In principle, these benefits are provided upon the recipient's retirement.

2) Beneficiaries of the Program

The Members of the Board and executive officers of the Company (the Outside Members of the Board shall not be eligible for the Program)

3) Trust Period

From August 2017 to the termination of the Trust (no specific expiration date is set for the Trust, as it shall remain in effect for as long as the Program continues. The Program will be terminated upon events such as the delisting of the Company's shares or the abolition of the Rules of Stock Benefit Trust for the Members of the Board, etc.)

4) Trust Amount (The Amount of Remuneration, etc.)

The Company introduced the Program for the three fiscal years from FY 3/18 through FY 3/20 (the relevant three fiscal years and each subsequent three-fiscal-year period are hereinafter collectively referred to as the "Applicable Period") and each subsequent Applicable Period. As funds for the acquisition of shares to provide benefits to the Company's Members of the Board, etc. under the Program, the Company contributed a cumulative total of 859 million yen, to provide benefits to the Members of the Board, etc. who satisfy the beneficiary requirements (most recently, the Company contributed 330 million yen in cash for the Applicable Period from FY ended March 31, 2024 through FY ended March 31, 2026) .

The Trust has acquired a cumulative total of 1,176,900 shares of the Company's stock using the money entrusted by the Company as the source of funds (most recently, the Company acquired 365,000 shares of the Company for the Applicable Period from FY ended March 31, 2024 through FY ended March 31, 2026).

For the purpose of enhancing incentives to improve business performance and increase corporate value, the maximum amount of money that the Company may additionally contribute to the Trust for each Applicable Period will be revised to 3.0 billion yen (including 400 million yen for the Members of the Board).

However, in cases where such additional contribution is made, if there are money and the Company's shares remaining in the Trust at the end of the Applicable Period immediately preceding the Applicable Period for which such additional contribution is to be made (excluding shares equivalent to the number of points granted to the Members of the Board, etc. but not yet delivered to them; hereinafter collectively referred to as the "Remaining Shares, etc."), the total value of the Remaining Shares, etc. and the additional money to be contributed shall not exceed 3.0 billion yen. The Company will disclose such additional contributions in a timely and appropriate manner upon determination.

5) Method of Acquisition of the Company's Shares and Number of Shares to be Acquired

The acquisition of the Company's shares by the Trust will be carried out through the stock exchange market or by subscribing to the Company's disposal of treasury shares, using the funds contributed in accordance with 4) above as the source of funds, and no new shares will be issued. Therefore, upon the acquisition of the Company's shares by the Trust, the total number of issued shares of the Company will not increase, and no dilution will occur. Since the maximum number of points to be granted to the Members of the Board, etc. is 1,800,000 points per Applicable Period, the maximum number of the Company shares to be acquired by the Trust for each Applicable Period will be 1,800,000 shares.

6) Maximum Number of the Company Shares, etc. to be Granted to the Members of the Board, etc.

The Members of the Board, etc. will be granted a number of points for each fiscal year based on the following formula, taking into consideration their rank and the degree of target achievement.

(Formula) Rank points x Performance-based coefficient (*1)

(*1) The performance-based coefficient is determined based on the degree of achievement of the Company's performance targets (amount of orders received, operating income, cash flow, stock price, etc.) and individual performance indicators of the Members of the Board, etc. for each fiscal year, in accordance with a conversion table determined in advance by the Board of Directors.

The total number of points to be granted to the Members of the Board, etc. per Applicable Period shall be limited to 1,800,000 points (including 250,000 points for the Members of the Board). This has been determined by comprehensively taking account the level of remuneration paid to the Members of the Board, etc., changes in the number of the Members of the Board, etc. and future business prospects, etc., and is deemed to be appropriate.

The points granted to the Members of the Board, etc. will be converted into one share of the Company's common stock per one point, upon the delivery of the Company's shares, etc. as described in 7) below; provided, however, that in the event of a stock split, gratis allotment of shares or reverse stock split of the Company's shares, the maximum number of points, the number of points granted and the conversion ratio shall be reasonably adjusted in proportion to the ratio resulting from such events.

In addition, the number of shares corresponding to the maximum number of points per fiscal year to be granted to the Members of the Board, etc. (600 thousand shares) represents approximately 0.22% of the total number of issued shares (as of March 31, 2026; excluding treasury shares).

The number of points for the Members of the Board, etc. to be used as the basis for the delivery of the Company's shares, etc. as described in 7) below shall be, in principle, the number of points granted to the relevant Members of the Board, etc. by the time of their retirement (the points calculated in this manner are hereinafter referred to as the "Final Number of Points").

7) Delivery of the Company's Shares, etc.

If the Members of the Board, etc. retire from office and satisfy the beneficiary requirements set forth in the Rules of Stock Benefit Trust for the Members of the Board, etc., they will receive, in principle, the number of the Company's shares corresponding to the "Final Number of Points" determined as described in 6) above from the Trust after retirement, by completing the prescribed procedures for determining beneficiaries. However, if the requirements set forth in the Rules of Stock Benefit Trust for the Members of the Board, etc. are met, the Members of the Board, etc. will receive a cash payment, equivalent to the market value of the Company's shares for a certain portion of the points in lieu of the Company's shares. In addition, the Trust may sell the Company's shares held in the Trust in order to provide the cash benefits.

Even if points have been granted, in the event that a Member of the Board, etc. is dismissed by a resolution of the General Meeting of Shareholders or a Board of Directors or if the Member of the Board resigns from office due to certain misconduct during their term of office, or commits inappropriate acts that cause

damage to the Company, such Member of the Board, etc. may lose all or part of their right to receive benefits.

The amount of remuneration, etc. to be received by the Members of the Board, etc. shall be the amount obtained by multiplying the total number of points to be granted to the Members of the Board, etc. at the time of the granting of points by the book value per share of the Company's shares held by the Trust (provided, however, that in the event of a stock split, gratis allotment of shares, or reverse stock split, etc. of the Company's shares, a reasonable adjustment shall be made in accordance with the ratio resulting from such events). In addition, in cases where cash is provided as an exception in accordance with the provisions of the Rules of Stock Benefit Trust for the Members of the Board, etc., if deemed appropriate, such amount shall be added to the remuneration amount.

8) Exercise of Voting Rights

The voting rights for the Company's shares in the Trust shall not be exercised at all in a uniform manner, pursuant to the instructions of the Trust Administrator. This method is intended to ensure neutrality in the Company's management with respect to the exercise of voting rights for the Company's shares in the Trust.

9) Handling of Dividends

Dividends paid on the Company's shares held in the Trust shall be received by the Trust and utilized to fund the acquisition of the Company's shares and to pay trust fees, etc. related to the Trust. Upon termination of the Trust, any residual dividends, etc. remaining in the Trust shall be delivered to the Members of the Board etc. then in office, pro rata in proportion to the number of points held by each, pursuant to the Rules of Stock Benefit Trust for the Members of the Board, etc.

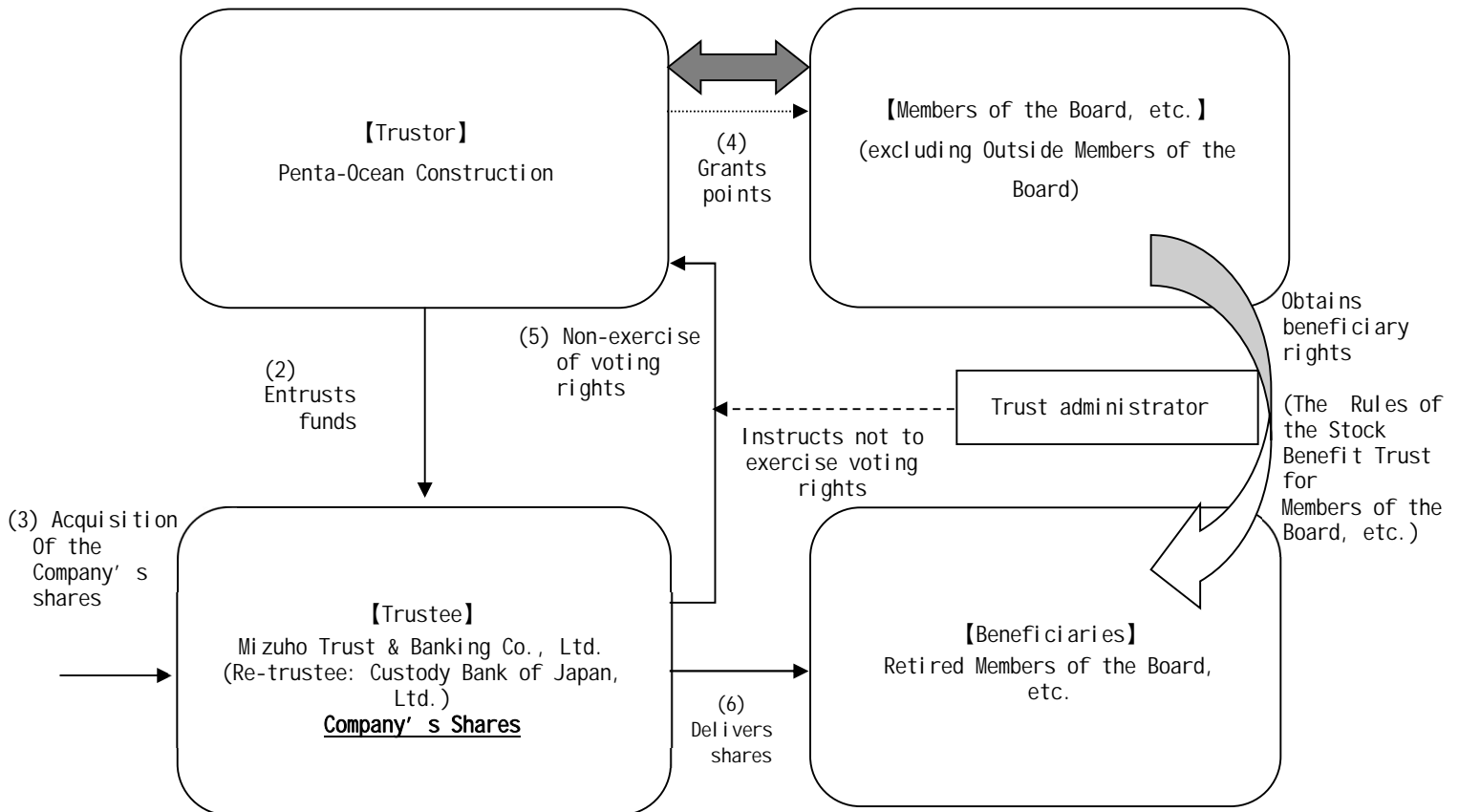
10) Termination of the Trust

The Trust will terminate upon the occurrence of certain events, such as the delisting of the Company's shares, the abolition of the Rules of Stock Benefit Trust for the Members of the Board, etc.

Of the residual assets in the Trust at the time of termination, the Company shall acquire all of the Company's shares at no cost, which shall then be cancelled by resolution of the Board of Directors. Any remaining cash, after deducting the amounts to be provided to the Members of the Board, etc. in accordance with item 9) above, shall be transferred to the Company.

End of document

(1) Establishment of the Rules of the Stock Benefit Trust for Members of the Board, etc.



- (1) The Company establishes the “Rules of the Stock Benefit Trust for Members of the Board, etc.” within the framework approved at General Meeting of Shareholders.
- (2) The Company entrusts money to the trustee within the limit approved by the resolution at General Meeting of Shareholders.
- (3) The Trust acquires the Company's shares from the stock market or by subscribing for the Company's disposal of treasury stock, using the money entrusted in (2) as the source of funds.
- (4) The Company grants points to the Members of the Board, etc. in accordance with the “Rules of the Stock Benefit Trust for Members of the Board, etc.”
- (5) The Trust follows the instructions from the trust administrator, who is independent from the Company, and shall not exercise the voting rights for the Company's shares held within the trust account.
- (6) The Trust delivers the Company's shares to the Members of the Board, etc. at the time of their retirement in accordance with the “Rules of the Stock Benefit Trust for Members of the Board, etc.”, based on the number of points assigned to such Member of the Board; provided, however, that, with regard to a certain portion of the points, the Trust may pay an amount of money corresponding to the prevailing market price of the Company's shares in lieu of the shares, in accordance with the “Rules of the Stock Benefit Trust for Members of the Board, etc.”