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Corporate Governance Report

CORPORATE GOVERNANCE

MODEC, INC.

Last Update: August 13, 2024

MODEC, Inc.

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Securities code: 6269

<https://www.modec.com/>

The corporate governance of MODEC, Inc. (the “Company” or “MODEC”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

Basic views on corporate governance

The Company establishes its corporate governance system in accordance with the fundamental principles of strict compliance, a focus on shareholder returns and securing business transparency. In particular, with regard to securing transparency, the Company proactively strives to ensure prompt and accurate information disclosure.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

This report is based on the Corporate Governance Code revised in June 2021.

The Company complies with all principles of the Corporate Governance Code.

Disclosure Based on each Principle of the Corporate Governance Code

The Company has established the MODEC, Inc. Corporate Governance Guidelines (hereinafter, the “MODEC Guidelines”). The implementation status of each principle of the Corporate Governance Code is disclosed on the Company’s website.

https://www.modec.com/sustainability/pdf/governanceguideline_en.pdf

Please refer to the following items for the Company’s policies regarding matters that the Corporate Governance Code states should be disclosed.

< Principle 1-4>

MODEC Guidelines [Article 7. Basic Policy for Cross-Shareholdings and Exercising Voting Rights Associated with Cross-Shareholdings]

The Company does not currently cross-hold any shares.

< Principle 1-7>

MODEC Guidelines [Article 5. Procedures Concerning Transactions that may Harm the Common Interests of Shareholders]

<Supplementary Principle 2-4-1>

Based on the concept that “human resources are a source of competitive strength,” we will bring together the strengths of employees throughout the MODEC Group with the aim of realizing “a world where the ocean and humanity co-exist in harmony,” as stated in our vision. The environment surrounding the Company is changing in a dynamic manner as evidenced by the global trend toward “decarbonization.” However, in order for the Company to be needed by society in the future and achieve sustainable growth, we must respond flexibly and quickly to such changes in the environment. Based on this recognition, in our Mid-term Business Plan 2024-2026, we have stated that we will decarbonize our FPSOs and develop new business opportunities, as well as actively invest in human capital, which will be the foundation for growth and transformation. We will promote the development and acquisition of human resources who will contribute to these efforts and create an environment in which such human resources can thrive.

1) Ratio of Women

Based on the above concepts, we are strengthening the recruitment of females at our head office in Japan so that the ratio of females, excluding engineers dispatched offshore, etc., is on a par with levels of other companies in the same industry. In addition, in order to create an environment in which female employees can play an active role in the Company over the medium to long term, we are promoting initiatives to “support the balance between childcare and work,” based on relevant laws.

Target item	Target	FY2023 results
Ratio of female employees*	Greater than maintaining the status quo	47%
Ratio of female managers*	30% by the end of FY2040	16%

* Excluding engineers dispatched offshore

2) Foreign nationals

As a company operating globally, we train and promote employees at each location based on each individual employee's abilities and achievements, regardless of their nationality, and we do not set numerical targets for "Foreign national managers." (Reference) Ratio of foreign national employees: 94.8% (including at overseas bases (FY2023))

3) Mid-career hires

The Company trains and promotes employees based on each individual employee's abilities and achievements, regardless of whether they joined the Company as a new graduate or as a mid-career hire, and we do not set numerical targets for "Mid-career managers."

(Reference) Ratio of mid-career hires: 67.2%; Ratio of mid-career hires in managerial positions: 87.2% (Japan head office (2023))

<Principle 2-6>

The Company does not have a corporate pension fund system.

<Principle 3-1>

MODEC Guidelines [Article 2. Management Philosophy], [Article 3. Basic Policy for Establishment and Enhancement of Corporate Governance System], [Article 12. Roles and Responsibilities of the Board of Directors], [Article 13. Composition of the Board of Directors], [Article 14. Procedures for Nomination of Candidates and Election/Dismissal for Officers], and [Article 15. The Company's Approach to Executive Remuneration and Decision Procedures]

The election/dismissal of Directors and Directors who are Audit and Supervisory Committee Members is determined in accordance with the policies outlined in the MODEC Guidelines [Article 13. Composition of the Board of Directors] and [Article 14. Procedures for Nomination of Candidates and Election/Dismissal for Officers], based on each individual's work experience and knowledge. Individual career summaries are disclosed in the Annual Securities Report.

Please refer to the Company's website for the Mid-term Business Plan.

<https://www.modec.com/ir/strategy/midterm.html>

<Supplementary Principle 3-1-3>

Please refer to the Company's website for information on its approach to sustainability and its sustainability policy and initiatives. In FY2023, we established the Sustainability Committee to strengthen our sustainability initiatives.

<https://www.modec.com/sustainability/>

The Company endorses the TCFD Recommendations. Please refer to the Company's website for information on its climate change initiatives.

<https://www.modec.com/sustainability/tcf.html>

<Supplementary Principle 4-1-1>

MODEC Guidelines [Article 12. Roles and Responsibilities of the Board of Directors]

<Principle 4-9>

MODEC Guidelines [Article 13. Composition of the Board of Directors]

<Principle 4-10-1>

MODEC Guidelines [Article 13. Composition of the Board of Directors]

<Supplementary Principle 4-11-1>

MODEC Guidelines [Article 13. Composition of the Board of Directors]

Please refer to the Notice of Convocation of the 38th Annual General Meeting of Shareholders (page 25) "(Reference) Skill Matrix" for information on the skills that are required of the Board of Directors and the balance of knowledge, experience, and abilities.

https://www.modec.com/ir/stock/pdf/2023_agm_notice_en.pdf

<Supplementary Principle 4-11-2>

MODEC Guidelines [Article 18. Limitation of Interlocking Directorates of Independent Officers]

<Supplementary Principle 4-11-3>

MODEC Guidelines [Article 16. Evaluation of the Board of Directors]

Please refer to the Company's website for a summary of the Board of Directors' effectiveness evaluation.

Summary of the Board of Directors' Effectiveness Evaluation

<https://www.modec.com/sustainability/governance.html>

<Supplementary Principle 4-14-2>

MODEC Guidelines [Article 24. Support System for Officers]

<Principle 5-1>

MODEC Guidelines [Article 25. Basic Policy] and [Article 26. System for Promoting Dialogue]

The Company's website includes content for individual investors.

<https://www.modec.com/jp/ir/individuals/> (Japanese Only)

<Implementation status of dialogue with shareholders>

In accordance with our basic views on corporate governance, we implement the following systems and measures.

- Establish the Budget and Planning Group under the CFO, a unit responsible for IR.
- Actively hold individual interviews with domestic and overseas institutional investors, small meetings with the President or CFO (meetings where the President or CFO exchanges opinions with investors and analysts), and financial results briefings
- Prepare and publish a wide range of IR information in Japanese and English, including financial results, financial statements, and timely disclosure, as well as materials for financial results briefings and mid-term business plans, and strive to enhance fair and timely disclosure by posting IR information on the Company's website.
- Report opinions obtained through dialogue with shareholders and investors to the Board of Directors every six months
- Conduct surveys to identify genuine shareholders twice a year to ascertain shareholder composition
- Thoroughly comply with internal rules concerning the prevention of insider trading, including by giving due consideration to fair disclosure when engaging in IR activities

<Measures for achieving management that is conscious of capital cost and the stock price>

The Company formulated the Mid-term Business Plan 2024-2026 and disclosed it in February 2024. In order to strengthen the Company's profitability, the Plan identifies the foundational projects and their prospects, and sets financial KPIs (including return on equity (ROE) and Price-Book value Ratio (PBR)) as targets.

Please refer to the Company's website for the Mid-term Business Plan 2024-2026, "Explore a Sustainable Future with Innovation."

<https://www.modec.com/ir/strategy/midterm.html>

	FY2023 (Actual)	FY2026 (Target)
Net Profit ^(*1)	96 million USD	175 million USD
ROE	10.70%	12.0%
PBR	1.12	> 1.0
Adjusted EBITDA ^(*2)	248 million USD	300 million USD

* 1 Profit attributable to owners of parent

* 2 Adjusted EBITDA represents EBITDA before adjustments of non-recurring extraordinary items

2. Capital Structure Updated

Foreign Shareholding Ratio	20% or more but less than 30%
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Status of Major Shareholders Updated

Name or Company Name	Number of Shares Owned	Percentage (%)
MITSUI & Co., Ltd	10,162,300	14.86
Mitsui O.S.K. Lines, Ltd.	10,162,300	14.86
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,443,800	6.50
MITSUI E&S Co., Ltd.	2,502,400	3.66
Custody Bank of Japan, Ltd. (Trust Account)	2,008,327	2.93
MSIP CLIENT SECURITIES	1,391,255	2.03
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,178,426	1.72
JP MORGAN CHASE BANK 385632	1,115,880	1.63
BNYM AS AGT/CLTS 10 PERCENT	999,400	1.46
JP JPMSE LUX RE UBS AG LONDON BRANCH EQ CO	845,866	1.23

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	-
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Name of Parent Company, if applicable	N/A
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Supplementary Explanation

As of June 30, 2024

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange (Prime)
Fiscal Year-End	December
Business Sector	Machinery
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

N/A

5. Other Special Circumstances which may have a Material Impact on Corporate Governance Updated

N/A

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1year
Chairperson of the Board	Chairperson (excluding those concurrently serving as President)
Number of Directors Updated	12
Election of External Directors	Elected
Number of External Directors Updated	8
Number of Independent Directors	6

External Directors' Relationship with the Company (1) Updated

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Koichi Wakana	From another company					○						
Yasuchika Noma	From another company					○						
Kazuko Shiraishi	Other											
Kazuhisa Nishigai	From another company											
Masato Kobayashi	Lawyer											
Hiroko Noda	CPA											
Toshihiko Fujita	Tax Accountant											
Masaaki Amma	From another company					△						

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- Other

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Koichi Wakana			<p><Status of concurrent positions></p> <ul style="list-style-type: none"> - Management Officer, Mitsui & Co., Ltd. - Director, Mitsui & Co. Plan Systems, Ltd. 	Mr. Koichi Wakana has been elected as an External Director in the expectation that he will provide advice on the overall management of the Company and monitor business execution of the Company from an outsider's point of view based on his wide range of business experience at a major general trading company as well as practical knowledge related to the Company's business.
Yasuchika Noma			<p><Status of concurrent positions></p> <ul style="list-style-type: none"> - Executive Officer, Mitsui O.S.K. Lines, Ltd. 	Mr. Yasuchika Noma has been elected as an External Director in the expectation that he will provide advice on the overall management of the Company and monitor business execution of the Company from an outsider's point of view based on his wide range of business experience at a major shipping company as well as practical knowledge related to the Company's business.
Kazuko Shiraishi		○	<p>< Status of concurrent positions></p> <ul style="list-style-type: none"> - External Director (Audit and Supervisory Committee Members), SCSK Corporation 	<p>Ms. Kazuko Shiraishi has been elected as an External Director in the expectation that she will provide advice on the overall management of the Company and monitor business execution of the Company from an outsider's point of view based on her extensive knowledge and wealth of experience in international affairs she gained through her career at government and public offices.</p> <p>Ms. Kazuko Shiraishi satisfies the standards for Independent Directors established by the Tokyo Stock Exchange and the Regulations Regarding Criteria for the Independence of External Directors established by the Company.</p>
Kazuhisa Nishigai		○	<p><Status of concurrent positions></p> <ul style="list-style-type: none"> - Outside Director, Okabe Co., Ltd. - Member of the management Council, Yamagata University 	<p>Mr. Kazuhisa Nishigai has been elected as an External Director in the expectation that he will provide advice on the overall management of the Company and monitor business execution of the Company from an outsider's point of view based on his extensive knowledge and management ability gained through his involvement in the management of a major listed manufacturing company, as well as wide range of business experience related to production engineering, plant management and sales, etc.</p> <p>Mr. Kazuhisa Nishigai satisfies the standards for Independent Directors established by the Tokyo Stock Exchange and the Regulations Regarding Criteria for the Independence of External Directors established by the Company.</p>

Masato Kobayashi		○	<p><Status of concurrent positions></p> <ul style="list-style-type: none"> - Partner, City-Yuwa Partners - External Audit & Supervisory Board Member, Japan Platform of Industrial Transformation, Inc. - Director, Misaki Engagement Master Fund - Director, Misaki Engagement Master Fund II Ltd. 	<p>Mr. Masato Kobayashi has been elected as an External Director in the expectation that he will provide advice on the overall management of the Company and monitor business execution of the Company from an outsider's point of view based on a wealth of experience and professional insight on overall legal affairs as an attorney.</p> <p>Mr. Masato Kobayashi satisfies the standards for Independent Directors established by the Tokyo Stock Exchange and the Regulations Regarding Criteria for the Independence of External Directors established by the Company.</p>
Hiroko Noda	○	○	<p><Status of concurrent positions></p> <ul style="list-style-type: none"> - Representative Director, Probit consulting Co., Ltd. - Representative, Noda Certified Public Account Office - External Director (Audit & Supervisory Committee Member), Okabe Co., Ltd. - Outside Director (Audit & Supervisory Committee Member), S.T. COPORATION - Outside Director, CHORI CO., LTD. 	<p>Ms. Hiroko Noda has been newly elected as an External Director who is an Audit and Supervisory Committee Member, as she is deemed to be capable of performing appropriate audit, based on her abundant experience and broad knowledge acquired at accounting departments of foreign financial institutions and as a certified public accountant and management consultant.</p> <p>Ms. Hiroko Noda satisfies the standards for Independent Directors established by the Tokyo Stock Exchange and the Regulations Regarding Criteria for the Independence of External Directors established by the Company.</p>
Toshihiko Fujita	○	○	<p><Status of concurrent positions></p> <ul style="list-style-type: none"> - Director, Hongo Tsuji Tax & Consulting 	<p>Mr. Toshihiko Fujita has been newly elected as an External Director who is an Audit and Supervisory Committee Member, as he is deemed to be capable of performing appropriate audit, based on his wealth of experience at government and public offices, and his professional insight in taxation business.</p> <p>Mr. Toshihiko Fujita satisfies the standards for Independent Directors established by the Tokyo Stock Exchange and the Regulations Regarding Criteria for the Independence of External Directors established by the Company.</p>
Masaaki Amma	○	○	<p>Mr. Masaki Amma had been an Executive officer of Japan Bank for International Cooperation (JBIC), our lender; however, it has been for more than six years since his retirement from the position in June 2017, and we consider that he has sufficient independence.</p> <p><Status of concurrent positions></p> <ul style="list-style-type: none"> - Senior Executive Officer, PricewaterhouseCoopers Sustainability LLC 	<p>Mr. Masaaki Amma has been newly elected as an External Director who is an Audit and Supervisory Committee Member as he is deemed to be capable of performing appropriate audit, based on his wealth of experience and high level of insight in domestic and overseas finance gained at government-affiliated financial institutions.</p> <p>Mr. Masaaki Amma satisfies the standards for Independent Directors established by the Tokyo Stock Exchange and the Regulations Regarding Criteria for the Independence of External Directors established by the Company.</p>

Audit and Supervisory Committee

Composition of Audit and Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Internal Directors	External Directors	Committee Chair
Audit and Supervisory Committee	4	1	1	3	Internal Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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Matters Concerning Independence of Said Directors and/or Staff from Executive Directors

The Office of Audit and Supervisory Committee has been established as a department to assist the Audit and Supervisory Committee and Audit and Supervisory Committee Members in their duties. Suitable employees have been assigned to the Office to assist the Audit and Supervisory Committee and Audit and Supervisory Committee Members in their duties. In addition, employees who assist the Audit and Supervisory Committee and Audit and Supervisory Committee Members in their duties shall follow the instructions of the Audit and Supervisory Committee and Audit and Supervisory Committee Members, and personnel changes and evaluations of employees who assist the Audit and Supervisory Committee and Audit and Supervisory Committee Members in their duties shall respect the opinions of Audit and Supervisory Committee Members to the maximum extent possible.

Cooperation among the Audit and Supervisory Committee, Accounting Auditor and Internal Auditing Department

By a resolution approved at the 38th Annual General Meeting of Shareholders held on March 27, 2024 to amend the Articles of Incorporation, the Company transitioned from a company with a Board of Statutory Auditors to a company with an Audit and Supervisory Committee.

As stated below, the Audit and Supervisory Committee, the Accounting Auditor, and the Internal Auditing Department, a department responsible for internal audits, shall work in close collaboration.

The Audit and Supervisory Committee receives an explanation of the audit plan from the Accounting Auditor at the beginning of the fiscal year and receives reports on audit results during the fiscal year and at the end of the fiscal year. By holding regular meetings, the Audit and Supervisory Committee shares awareness and exchange opinions with the Accounting Auditor on the important risks faced by the Company. The Internal Auditing Department also attends these meetings.

In addition, the Internal Auditing Department holds monthly meetings with a full-time Audit and Supervisory Committee Member. At those meetings, the Internal Auditing Department reports on the overall status of audit operations, including individual audits, and maintains close contact by exchanging opinions on the current status of the Company and its subsidiaries. The opinions obtained by the Internal Auditing Department from the Audit and Supervisory Committee through these activities are used as reference when selecting priority items for individual audits, etc., in order to improve the effectiveness and efficiency of audits.

The Internal Auditing Department audits the entire corporate group, comprising the Company and its subsidiaries, and reports directly to the President, the Board of Directors, and the Audit and Supervisory Committee, creating a so-called “dual reporting lines.”

Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Internal Directors	External Directors	External Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Remuneration Committee	3	0	0	3	0	0	External Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Remuneration Committee	3	0	0	3	0	0	External Director

Supplementary Explanation Updated

The Company has established the Nomination and Remuneration Committee, a non-mandatory body, under the Board of Directors with the aim of strengthening the functions of the Board of Directors with regard to the nomination and remuneration of Directors and Executive Officers. It is stipulated that the majority of the Committee's members be independent External Directors to ensure transparency and objectivity, and to engage in fair and appropriate deliberations. The Committee met ten times in the fiscal year ended December 31, 2023 and deliberated and reported on selection criteria (skill matrix) and election proposals for Directors. In addition, the Committee provided recommendations and advice, engaged in discussions, and provided reports regarding the remuneration system for Directors and Executive Officers.

Matters Concerning Independent Directors

Number of Independent Directors	6
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Other Matters Concerning Independent Directors

The Company designates all External Directors to Independent Directors who meet the qualifications as Independent Directors.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Other
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Supplementary Explanation for Applicable Items

At the 38th Annual General Meeting of Shareholders held in 2024, a resolution was approved to introduce a new stock price-linked remuneration (performance cash) for Directors (excluding non-executive Directors), replacing the previously adopted share-based remuneration, with the aim of achieving sustainable enhancement of corporate value of the Company over the medium to long term, providing eligible Directors with incentives for future performance, and further promoting the value-sharing with our shareholders.

When determining the amount of bonus to be paid as an incentive for achieving management targets, it was decided that the amount of bonus shall be determined by multiplying the base amount for each rank by a coefficient, which is calculated from the amount of consolidated profit and cash flows for the applicable fiscal year, and by taking into account the actual dividends paid.

Persons Eligible for Stock Options	
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Supplementary Explanation for Applicable Items

N/A

Director Remuneration

Status of Disclosure of Individual Director's Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

(The above information is based on actual results for the fiscal year ended on December 31, 2023 prior to the transition to a company with an Audit and Supervisory Committee.) The Company discloses the total amount of remuneration for Directors and Corporate Auditors in securities reports and business reports. The total amount of remuneration for Directors was ¥294 million, and the total amount of remuneration for Corporate Auditors was ¥55 million. Of these amounts, the total amount of remuneration paid to eleven (11) External Officers (eight (8) External Directors and three (3) External Corporate Auditors) was ¥78 million.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company has established a Nomination and Remuneration Committee, where a majority of the members are External Directors, and an independent External Director serves as chairperson. This ensures transparency and objectivity and allows the Committee to determine remuneration in a fair and appropriate manner. The Board of Directors confirms consistency with the decision-making policy of the Nomination and Remuneration Committee when determining the details of remuneration, etc., for individual Directors for the current fiscal year, and the Board of Directors also respects the reports of the Committee. Therefore, we have determined that this is in line with the abovementioned policy for determining remuneration, etc. Details of the policy regarding the determination are as follows.

a. Basic Policy on remuneration for officers, etc.

The Company's remunerations system for officers, etc. is determined in accordance with the following basic policy with the aim of maximizing the value to be provided to shareholders and other stakeholders.

- The system shall be designed to function as an appropriate incentive commensurate with overall corporate performance and individual achievements, so as to facilitate medium- to long- term enhancement of corporate value and the realization of the management plan of the Company.
- The system shall reflect the roles, responsibilities, and achievements of each officer, etc., thereby encouraging the performance of duties according to the responsibilities of the position.
- The remuneration shall be set at a competitive level to allow the Company to attract the excellent talent available in the market, while complying with regulations and guidelines on executive remunerations.
- The system shall be determined based on appropriate governance and control, and shall be reviewed on a timely basis in views of the business environment and other factors.

b. Structure of the remuneration

The Company's remuneration for officers, etc. shall comprise basic remuneration, which is fixed remuneration, bonuses, which are performance-linked remuneration, and stock price-linked remuneration (performance cash), which is medium- to long-term performance-linked remuneration.

The ratio of each type of remuneration to the total remuneration for each officer, etc. is based on levels of officer remuneration survey data and management remuneration guidelines by an external specialized organization in order to provide appropriate incentives for achieving performance targets. The fluctuation range of performance-linked remuneration, assuming fixed remuneration is set at 100, is designed to be approximately 15% to 230%.

Basic remuneration is remuneration commensurate with the roles and responsibilities of each officer, etc., and is intended to encourage the performance of duties according to the responsibilities of the position. The amount of remuneration is determined in accordance with the rank of each officer, etc.

Bonuses are remuneration in consideration of overall corporate performance in a single fiscal year and are intended to function as an incentive for achieving management targets. The amount of bonus shall be determined by multiplying the base amount for each rank by a coefficient, which is calculated from the amount of consolidated profit (profit attributable to owners of parent) and cash flows for the applicable fiscal year, and by taking into account the actual dividends paid.

Stock price-linked remuneration (performance cash) is remuneration intended to achieve sustainable enhancement of corporate value of the Company over the medium to long term, provide eligible Directors with incentives for future performance, and further promote the value-sharing with our shareholders. Under the Program, stock points are granted each fiscal year in accordance with the rank and business performance. At the time of retirement from the office, the amount of remuneration will be calculated by multiplying the accumulated stock points by the stock price as of the time of retirement, which will be paid in cash.

For External Directors and Directors who are Audit and Supervisory Committee Members, remuneration shall comprise only basic remuneration, which is fixed remuneration, without a performance-linked remuneration component, to ensure independence from management.

c. Process for determining the executive remuneration, etc.

The Board of Directors has deliberated and decided on the policy for determining executive remuneration based on the recommendation from the Nomination and Remuneration Committee.

d. Delegation to the Representative Director

In accordance with the policy on determination, the Company has delegated to Representative Director, President and Chief Executive Officer, the decision on the specific details of the amount of remuneration authority because it has judged that the Representative Director, President and Chief Executive Officer is best suited to evaluate the performance and other factors. To ensure appropriate exercise of such authority by the Representative Director, President and Chief Executive Officer, the policy on determination stipulates that such decisions shall be made in accordance with the report of the Nomination and Remuneration Committee.

Support System for External Directors

The General Affairs Department serves as the secretariat for the Board of Directors and provides support as necessary.

Status of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
N/A					

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) After Retiring as Representative Director and President, etc.

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Other Related Matters

N/A

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

In order to appropriately respond to the significantly changing business environment at a faster pace than ever before, enhance the speed and quality of its management decisions, and further improve the corporate value of the Company group, the Company transitioned from a company with a Board of Company Auditors to a company with an Audit and Supervisory Committee following a resolution to amend the Articles of Incorporation at the 38th Annual General Meeting of Shareholders held on March 27, 2024, for the purposes described below.

- Proceed with the delegation of authority to the Executive Directors from the Board of Directors, and establish a system in which the Board of Directors focuses on deliberation of management policies and strategies
- Strengthen the supervisory function of the Board of Directors by including Audit and Supervisory Committee members as the members of the Board of Directors, and facilitate the quick decision-making

(1) Board of Directors

The Board of Directors of the Company comprises eight Directors (excluding Directors who are Audit and Supervisory Committee Members) (of whom five are External Directors) and four Directors who are Audit and Supervisory Committee Members (of whom three are External Directors) for a total of twelve members. In principle, the Board of Directors holds regular meetings once a month and extraordinary meetings as necessary. The Board of Directors secures management fairness and transparency by exercising its supervisory function over the Company's overall management, including the exercise of duties by officers. The Board of Directors also makes decisions for the Company by determining the execution of important business and other matters based on laws and regulations, the Articles of Incorporation, and Company rules.

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee comprises four Directors who are Audit and Supervisory Committee Members (three of whom are External Directors). In principle, the Audit and Supervisory Committee meets once a month, and whenever necessary. As an independent body entrusted by the shareholders, the Audit and Supervisory Committee audits the execution of duties by the Directors who are not Audit and Supervisory Committee Members. In addition, to ensure the effectiveness of these activities, a full-time Audit and Supervisory Committee Member attends the Management Board meetings and expresses its opinions as necessary. The Audit and Supervisory Committee also holds regular interviews with the Representative Director and Directors, and conducts audits and investigations on the status of business execution for each internal division and subsidiaries.

(3) Nomination and Remuneration Committee

The Company has established a non-mandatory Nomination and Remuneration Committee under the Board of Directors with the aim of strengthening the functions of the Board of Directors with regard to the nomination and remuneration of Directors and Executive Officers. It is stipulated that the majority of the members of the Committee shall be independent External Directors in order to ensure transparency and objectivity, as well as fair and appropriate deliberations. Currently, the Nomination and Remuneration Committee comprises three independent External Directors, including the Chairman, and holds meetings as necessary. The President and Chief Executive Officer attends the meetings as an observer.

(4) Management Board

The Company has introduced an executive officer system to delegate functions related to business execution from the Board of Directors, and to improve management efficiency and facilitate business execution. In addition, we have established a

Management Board as a management body for business execution based on the basic policy determined by the Board of Directors. The Management Board is composed of Executive Officers nominated by the President and approved by the Board of Directors. In principle, the Management Board holds regular meetings twice a month, and extraordinary meetings as necessary. The Management Board makes decisions on important matters related to the execution of business based on the management strategy determined by the Board of Directors, and seeks to share information through deliberations and reports.

(5) Liability Limitation Contracts

In order to appoint useful personnel as Directors, the Company stipulates in the current Articles of Incorporation that it may enter into contracts with Directors (excluding those serving as Executive Directors, etc.) to limit their liabilities for compensation of damages to the Company within a certain extent. The Company has entered into liability limitation contracts with Mr. Koichi Wakana, Mr. Yasuchika Noma, Ms. Kazuko Shiraishi, Mr. Kazuhisa Nishigai, Mr. Masato Kobayashi, Mr. Yoshihiro Takamura, Ms. Hiroko Noda, Mr. Toshihiko Fujita and Mr. Masaaki Amma with the following content.

In the event that the Company is subject to damages arising from the failure of a non-executive Director to perform his or her duties, the liability for damages shall be the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act if the duties are performed in good faith and without gross negligence.

For other details of our corporate governance system, please refer to the Company's Corporate Governance Guidelines.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the current corporate governance system, which we have determined to be a system that enables appropriate monitoring and supervision, as described below.

We have adopted an external management monitoring system through the election of External Directors and External Directors who are Audit and Supervisory Committee Members.

We are working to strengthen the supervisory functions of the Board of Directors by introducing an executive officer system and separating management and business execution.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of Convocation of the General Meeting of Shareholders	The Company has started to provide the notice of the convocation of the Annual General Meeting of Shareholders electronically and to mail the paper copy earlier than required by law. The notice of convocation of the 38th Annual General Meeting of Shareholders was provided electronically on February 29, 2024, and a paper copy was mailed on March 8, 2024.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The date of the Annual General Meeting of Shareholders is set to avoid peak days as much as possible.
Electronic Exercise of Voting Rights	In facilitate the active exercise of shareholders' voting rights, the exercise of voting rights by electronic means has been available since the General Meeting of Shareholders in March 2016.
Participation in the Electronic Voting Platform and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has used the electronic voting platform for institutional investors operated by ICJ, Inc. since the General Meeting of Shareholders in March 2018.
Provision of Notice (or Summary of Notice) of Convocation of the General Meeting of Shareholders in English	English versions of notices of convocation and reference documents are prepared and posted on the Company's website.
Other	Notices of convocation and their attachments are posted on the Company's website as matters for electronic provision, and are also posted on Tokyo Stock Exchange and electronic voting platforms by means of disclosure via TDnet. In addition, immediately after a General Meeting of Shareholders, the presentation materials used at each Meeting are promptly posted on the Company's website for a certain period of time.

2. Status of IR-related Activities Updated

	Supplementary Explanation	Explanation by the Representative himself
Formulation and Publication of Disclosure Policies	Details are provided in Article 11 of the Corporate Governance Guidelines posted on the Company's website. https://www.modec.com/sustainability/pdf/governanceguideline_en.pdf	
Regular Briefings held for Analysts and Institutional Investors	Briefings are held twice a year. In addition, the Company actively responds to individual interviews.	Held
Regular Briefings held for Overseas Investors	The Company participates in conferences sponsored by securities companies and holds overseas road shows. In addition, the Company actively responds to individual interviews.	Held
Online Disclosure of IR Information	Presentation materials used at analyst briefings are posted on the Company's website. In addition, the Company strives to enhance the content of information that contributes to the understanding of its business, including project introductions and explanations of technical terms.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Budget and Planning Group is in charge of IR, and the CFO, who oversees this group, is the Executive officer in charge.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules, etc. Stipulating Respect for the Position of Stakeholders	<p>Details are provided in Article 9 of the Corporate Governance Guidelines posted on the Company's website. https://www.modec.com/sustainability/pdf/governanceguideline_en.pdf We have also established a policy regarding "Accountability to Stakeholders." https://www.modec.com/sustainability/approach/communication.html</p>
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<ul style="list-style-type: none"> ▪ We have identified six important sustainability issues as Materiality in 2023. By linking the Materiality to the MODEC Group's business strategy, we will strengthen our management foundation from both organizational and human resource perspectives, create value that is unique to the MODEC Group, and contribute to the solution of the global social issues of sustainable energy supply and a climate change response. For more details, please refer to the Company's website. https://www.modec.com/sustainability/approach/ ▪ The Sustainability Committee was established in 2023 as an advisory body to the Management Board with the aim of planning and promoting activities related to sustainability issues as a Group, and simultaneously managing and evaluating those activities. ▪ The Company has established the Basic Environment Policy, and recognizes the critical importance of the harmony with irreplaceable global environment and humanity, as well as sustainable development. Our environmental philosophy is to contribute to "Realization of a Low Carbon society" while also considering health maintenance and environmental conservation. We are aiming to realize this through cooperation with various stakeholders in our all business activities. In addition, we have selected five of the 17 Sustainable Development Goals (SDGs) adopted by the United Nations to which we believe we can contribute most, and we are focusing on initiatives to achieve them. Goal 5: Gender Equality Goal 7: Affordable and Clean Energy Goal 8: Decent Work and Economic Growth Goal 13: Climate Action Goal 14: Life Below Water https://www.modec.com/sustainability/approach/sdgs.html
Formulation of Policies, etc. on Provision of Information to Stakeholders	<p>Securing business transparency is one of our fundamental principles with regard to corporate governance, and the Company proactively focuses on initiatives for information disclosure.</p>

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

The Company establishes and maintains internal control to achieve the objectives of internal control, including “ensuring the effectiveness and efficiency of business operations,” “ensuring the reliability of financial reporting,” and “complying with laws and regulations, the Articles of Incorporation, and social norms.”

In addition, the details approved by resolution of the Board of Directors of the Company regarding the maintenance of systems to ensure that the execution of duties by the Company’s Directors, Executive Officers, and employees, as well as the execution of duties by the Directors, etc. and employees of the Company’s subsidiaries comply with laws and regulations, and the Articles of Incorporation, and systems, etc. to ensure the appropriateness of other operations are as follows.

- (1) Systems to ensure that the execution of duties by the Company’s Directors, Executive Officers, and employees, and the execution of duties by Directors, etc. and employees of the Company’s subsidiaries comply with laws and regulations, and the Articles of Incorporation
 - 1) Formulate the Code of Business Conduct and Ethics as a common code of conduct for the MODEC Group, its Directors, Executive Officers, employees, and all other persons engaged in the MODEC Group’s business.
 - 2) In order to ensure thorough compliance, establish the MODEC Group Compliance Committee, whose members include attorneys, as an organization reporting directly to the Board of Directors. The MODEC Group Compliance Committee holds regular meetings to monitor the compliance status of the MODEC Group with laws and regulations, and the Articles of Incorporation, etc., and holds training sessions, etc. for all officers and employees of the MODEC Group as part of activities to raise awareness of compliance and ensure compliance-related matters within the Group.
 - 3) Establish the Compliance & Ethics Reporting Policy for the early detection and correction of violations of laws and regulations and other compliance violations, and establish the MODEC Ethics Hotline operated by a third-party organization as a whistle-blowing system common to the MODEC Group to be operated appropriately and promoted through trainings, etc.
 - 4) Strive to ensure the reliability of financial statements and information that may have a material impact on financial statements.
 - 5) As the internal audit divisions, audit the compliance status by the MODEC Group with laws and regulations, and the Articles of Incorporation, etc. regularly, report the results to the President and Chief Executive Officer and the Audit and Supervisory Committee, and make recommendations for improvement measures as necessary.
- (2) Systems to storage and manage the information related to the execution of duties by the Company’s Directors
 - 1) Information regarding the execution of duties by the Company’s Directors shall be stored and managed in accordance with regulations such as the Regulations for Document Management and the Regulations for the Management of Confidential Corporate Matters. The Audit and Supervisory Committee may view these documents as necessary.
 - 2) The department in charge of the documents shall be in accordance with the division of duties stipulated in the Regulations for the Division of Duties, and the storage method and period shall be in accordance with the provisions of the Regulations for Document Management.
- (3) Regulations and other systems concerning risk of loss of the MODEC Group
 - 1) Risks related to business execution by the MODEC Group are managed based on the Regulations for Risk Management, the Regulations for Enterprise Risk Management, and various business-related regulations that specify details of risks and management procedures. Persons responsible for the execution of each business are specified in the Regulations for the Division of Duties, the Administrative Authority Regulations, and the Affiliated Company Management Regulations.
 - 2) We ensure thorough understanding and management of risks across the MODEC Group by deliberating important matters and reporting the status of business execution and those results to the Management Board, which comprises key Executive Officers who oversee business operations.
 - 3) The internal audit divisions regularly audit the status of risk management in the MODEC Group, report the results to the President and Chief Executive Officer and the Audit and Supervisory Committee, and make recommendations for improvement measures as necessary.
- (4) Systems to ensure that the execution of duties by the Company’s Directors and Directors, etc. of the Company’s subsidiaries is carried out efficiently
 - 1) The Company has adopted an executive officer system in order to ensure a system in which the execution of business is carried out promptly and appropriately. Authority related to the execution of business is delegated to Executive Officers appointed by the Board of Directors to strengthen the decision-making and supervisory functions of the Board of Directors and clarify responsibility for business execution. In addition, we clarify the department in charge of each business and the persons with decision-making authority based on the Regulations for the Division of Duties, the Administrative Authority Regulations, and the Affiliated Company Management Regulations to ensure the organized and efficient management of business execution by the MODEC Group.
 - 2) The Board of Directors holds regular meetings once a month and extraordinary meetings as necessary to approve resolutions on important matters related to the management policies and management strategy of the MODEC Group. In addition, important matters are deliberated and determined at meetings of the Management Board held twice a month in principle, which comprises Executive Officers nominated by the President and Chief Executive Officer and approved by the Board of Directors.
- (5) Systems for reporting matters related to the execution of duties by Directors, etc. of the Company’s subsidiaries to the Company
 - 1) When a subsidiary makes a decision on an important matter, it holds discussions in advance with the relevant divisions of the Company in accordance with the Affiliated Company Management Regulations.
 - 2) The Company’s supervisory divisions or divisions with jurisdiction request a subsidiary to submit documents as necessary to understand and consider details of the subsidiary’s management.

- (6) Matters related to Directors and employees who assist with the duties of the Company's Audit and Supervisory Committee
 - 1) If requested by the Company's Audit and Supervisory Committee, employees who assist with the Committee's duties (hereinafter, "Support Staff") shall be assigned following consultation with the Audit and Supervisory Committee regarding the necessary number of members and the qualifications required.
 - 2) The internal audit divisions may conduct internal audits of matters requested by the Audit and Supervisory Committee through consultation with the Audit and Supervisory Committee, and report the results to the Audit and Supervisory Committee.
- (7) Matters related to the independence of Support Staff from the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members)

Support Staff who receive instructions required for audit operations from the Audit and Supervisory Committee shall not be subject to commands or orders from Directors (excluding Directors who are Audit and Supervisory Committee Members) regarding those instructions.
- (8) Matters related to ensuring the effectiveness of the Audit and Supervisory Committee's instructions to Support Staff

Decisions regarding matters such as personnel changes, personnel evaluations, and disciplinary actions related to Support Staff shall reflect the opinions of the Audit and Supervisory Committee.
- (9) Systems for the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members), Executive Officers, and employees to report to the Audit and Supervisory Committee, as well as systems for Directors, etc. and employees of the Company's subsidiaries or persons receiving reports from these parties to report to the Company's Audit and Supervisory Committee
 - 1) The Company's Directors (excluding Directors who are Audit and Supervisory Committee Members), Executive Officers, and employees, as well as Directors, etc. and employees of the Company's subsidiaries shall report facts that may have a significant impact on the MODEC Group to the Audit and Supervisory Committee, in addition to statutory matters.
 - 2) The Audit and Supervisory Committee may request reports from the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members), Executive Officers, and employees, as well as Directors, etc. and employees of the Company's subsidiaries, as necessary.
- (10) Systems to ensure that persons reporting to the Company's Audit and Supervisory Committee are not subject to unfavorable treatment as a result of having made such a report

The Code of Business Conduct and Ethics prohibits retaliatory measures against persons making a report through the Audit and Supervisory Committee or the MODEC Ethics Hotline.
- (11) Matters related to procedures for advance payment or reimbursement of expenses arising from the execution of duties by the Company's Audit and Supervisory Committee, and other policies regarding the processing of expenses or liabilities arising from the execution of said duties

Expenses required for the execution of duties by the Audit and Supervisory Committee shall be secured in the annual budget.
- (12) Other systems to ensure effective audits by the Audit and Supervisory Committee

The Company's Audit and Supervisory Committee shall be given the opportunity to hear reports from the Company's Directors, Executive Officers, and employees, and shall hold regular meetings with the President and Chief Executive Officer and the auditing firm.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

- (1) Basic views on measures for eliminating anti-social forces

The Company has established a policy of resolutely eliminating any relationship with anti-social forces in the Code of Business Conduct and Ethics, and ensures that all officers and employees are fully aware that they adamantly refuse any request received from anti-social forces.
- (2) Status of development for eliminating anti-social forces

The Company's General Affairs Department is the supervisory department, and works on the centralized collection and accumulation of information on anti-social forces and improvements to our internal systems. In addition, we have built close collaborative relationships with attorneys, the police, and external professional organizations by communicating on a regular basis.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

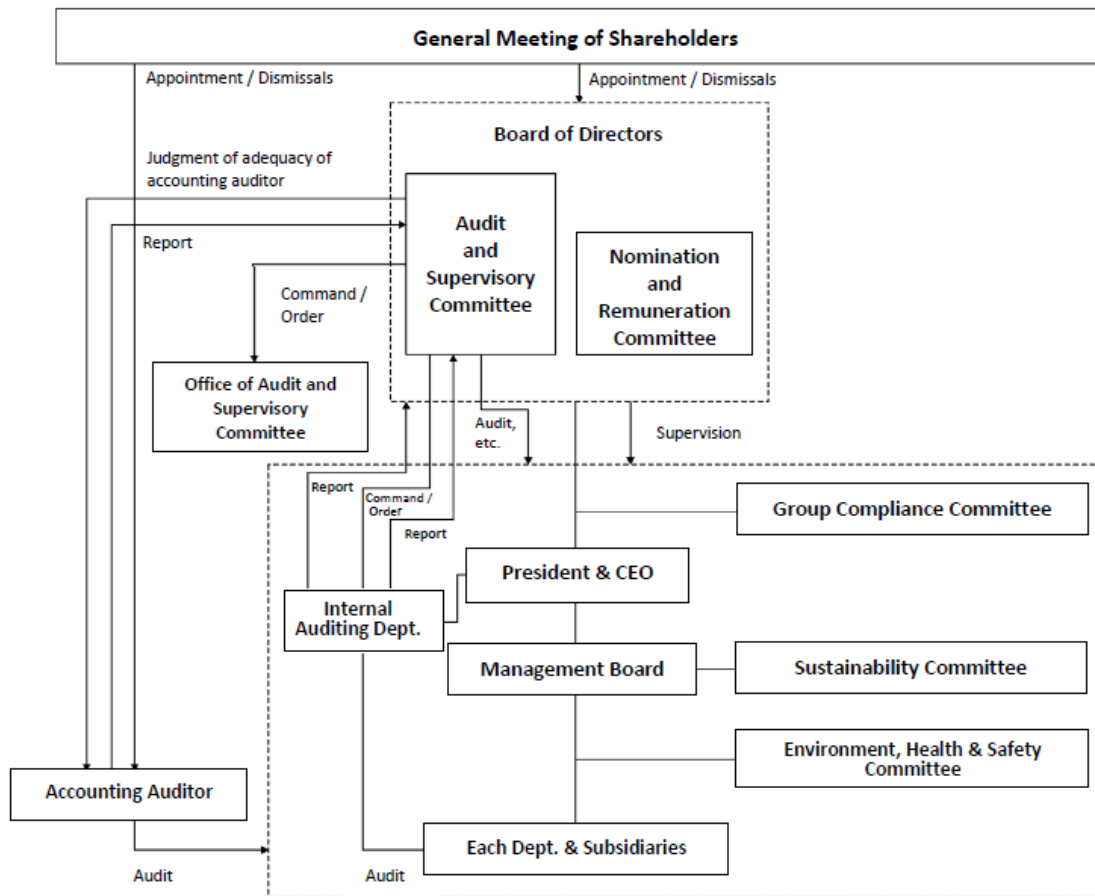
Not Adopted

Supplementary Explanation for Applicable Items

The Company has not adopted any anti-takeover measures to be noted.

2. Other Matters Concerning the Corporate Governance System

Corporate Governance and Internal Control System



< Outline of Timely Disclosure System >

