Corporate Governance

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The corporate governance of RAITO KOGYO CO., LTD. (the "Company") is described below.

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

1. Basic Views

To realize its basic management policy of working for the prosperity of clients, shareholders, employees and all other stakeholders, the Company group (the "Group") has adopted a basic policy on corporate governance which commits it to ensuring the soundness of Company management structures and systems at all times.

[Disclosure Based on the Principles of the Japan's Corporate Governance Code] [Updated]

Principle 1.4 Shares Held as Cross-Shareholdings
The Company shall hold cross-shareholdings in cases where it is judged that a strategic partnership is necessary for ensuring smooth business operations and raising profits, under a basic policy that the maintaining and strengthening of a stable business relationship, based on comprehensive consideration of factors such as the business relationship with the partner in question, should contribute to raising the Company's corporate value.
Decisions on cross-shareholdings are made through an annual review by the Board of Directors. Each individual shareholding is evaluated according to specific items, such as the significance of the shareholding and whether its risks and benefits are commensurate with its capital cost. The results of these evaluations are disclosed and for shareholdings that have been evaluated as insufficient in terms of significance and benefit, the Company considers shrinking said shareholding following thorough dialogue with the business partner in question.
The exercise of voting rights for cross-shareholdings is carried out as appropriate based on comprehensive consideration of factors including whether or not it will contribute to raising the medium- to long-term corporate and shareholder value of the Company or the company that has been invested in.
Additionally, when exercising voting rights, the departments in charge of investments formulate a recommendation of agreement or disagreement by following a prescribed set of decision-making process. This is then discussed and deliberated on within the Company to decide whether the Company will agree or disagree with the proposal in question.

Principle 1.7 Related Party Transactions
Under the Company's Regulations for the Board of Directors, the Company has established an approval process through the Board of Directors for transactions by a Director that would constitute a conflict of interest or competition with the Company, and such transactions are resolved by the Board of Directors.
Also, in cases where the Company carries out a transaction with a party such as a major shareholder, based on the Regulations for the Board of Directors and the Board of Directors' agenda standards, the transaction judged as being of high importance is resolved by the Board of Directors.

Supplementary Principle 2.4.1
(1) Approach to ensuring diversity
In order to ensure diversity, including in the promotion of core personnel, the Company shall actively promote excellent human resources into management positions based on the provision of equal educational opportunities and on fair, impartial evaluations regardless of factors such as gender, nationality, whether they are mid-career

hires, and other characteristics. Going forward, the Company will proactively work to create a work environment that allows diverse human resources to display their abilities to the maximum extent and play an active role in order to continue to be a company that is "continuing to take on the challenge of creating new value" based on the management philosophy.

(2) Voluntary, measurable goals and status of ensuring diversity

■ Promotion of women to management positions

Current status:	End of fiscal year 2021	10 female managers
Goal:	End of fiscal year 2024	15 female managers (50% increase from fiscal year 2021)

The Company has not set individual goals regarding non-Japanese employees and mid-career hires.

Principle 2.6 Functioning as Asset Owner of Corporate Pension Funds

In order to ensure stable pension payments to beneficiaries into the future, the Company has formulated a pension asset composition ratio from a medium- to long-term perspective and manages pension assets accordingly.

Regarding the management status of pension assets, the Company has built a structure to ensure the sound management of pension assets. The Company's departments in charge of finance receive regular reports from asset management organizations that have been entrusted with the assets, carry out comprehensive monitoring of management performance and structure, etc., and if necessary, a Pension Asset Management Committee, comprising members from the Company's sections in charge of finance and human resources who have expertise in each function, takes actions such as revising the pension asset composition ratio.

Additionally, any conflicts of interest that may arise between pension beneficiaries and the Company are managed appropriately.

Principle 3.1 Enhancement of Information Disclosure

(i) The Company has set the following as its management philosophy:

"Continuing to take on the challenge of creating new value"

- Continuing to be a vibrant company that actively takes on the challenges presented by new technologies and businesses with a focus on contributing to national basic infrastructure, the Company's social mission since its founding
- Realizing safety and assurance in the national infrastructure by never being satisfied with the status quo and always striving to fulfill its unchanging mission while continuing to evolve

(ii) The Company's basic views and basic policy on corporate governance are described in "I. 1. Basic Views" of this report.

(iii) Determination of the remuneration of the senior management and Directors

a. Policy

The Company's basic policy on Director remuneration is to build an optimal remuneration system that suitably draws out the motivation of each Director and focuses on performance for the purposes of improving business performance and increasing corporate value over the medium to long term by securing and retaining personnel who can contribute to realizing the Company's management philosophy and to ensure that the remuneration system and its decision-making processes are rational, fair, and transparent. Based on this policy, Director remuneration comprises fixed remuneration specified for each title based on the responsibilities thereof, performance-linked remuneration reflecting the Company's business performance and results of each period, and performance-linked, share-based remuneration intended to serve as an incentive toward raising awareness of the need to contribute to medium- to long-term business results and increases in corporate value, through sharing with shareholders the risks and rewards arising out of share price trends. Additionally, remuneration is set at appropriate levels in consideration of the business environment, investigations by external experts, and other factors. Remuneration for outside Directors is paid in the form of fixed remuneration only, in order to ensure their independence and objectivity.

b. Procedure

In accordance with the aforementioned policy, remuneration is deliberated on by the Remuneration Committee, comprising a majority of independent outside Directors and chaired by the lead independent outside Director, and decided on by the Board of Directors based on the Committee's recommendations.

(iv) Appointment and dismissal of the senior management and nomination of candidates for Director and Audit & Supervisory Board Member

a. Policy

Candidates for Director are appointed based on comprehensive deliberation as to whether they possess the appropriate character, insight, and ability to take charge of managing the Company. Candidates for Audit & Supervisory Board Member are appointed based on comprehensive deliberation as to whether they can be expected to appropriately guide and audit the entire Company's management.

b. Procedure

The appointment or dismissal of senior management members is discussed and decided on by the Board of Directors following deliberations by the Nomination Committee of which a majority of members are independent outside Directors.

Candidates for Audit & Supervisory Board Member are deliberated on and proposed by the Nomination Committee following consideration of factors such as whether they have the ability, experience, and knowledge required by an Audit & Supervisory Board Member. Nominations are then decided on by the Board of Directors after obtaining the approval of the Audit & Supervisory Board.

(v) Explanations with respect to individual appointments, dismissals, and nominations

Reasons for the appointment or dismissal of all candidates for Director and Audit & Supervisory Board Member are provided in the Company's Notice of the Annual General Meeting of Shareholders.

Supplementary Principle 3.1.3

The Group's business, particularly its main business of specialized civil engineering, is deeply concerned with the formation of a resilient national infrastructure through disaster prevention and mitigation. The Company recognizes that this business is connected to sustainability initiatives, and it is contributing to the formation of a society that is environmentally, socially, and economically sustainable.

The Group's sustainability initiatives, investment in human capital and intellectual property, and other such matters are disclosed through channels such as the Company website and Raito Kogyo Annual Reports in a detailed and easy to understand manner.

In November 2021, the Company declared its decision to support the TCFD. The Company will gather and analyze the required data concerning the impact of climate change-related risk and earning opportunities on its business activities, earnings, and the like, and will disclose this information in accordance with TCFD standards.

Supplementary Principle 4.1.1

The Company has formulated Regulations for the Board of Directors which state that important matters, such as matters stipulated by law to be exclusively decided on by the Board of Directors, management strategy, and capital policy are to be resolved by the Board of Directors and that other decisions concerning the execution of business be entrusted to senior management members such as Directors and Executive Officers. Senior management members practice management based on the official authority granted under the Company's internal regulations.

Principle 4.9 Independence Standards and Qualification for Independent Outside Directors

Regarding the independence of independent outside Directors and outside Audit & Supervisory Board Members, the Company has adopted the independence standards stipulated by the Tokyo Stock Exchange.

Supplementary Principle 4.10.1

One third of the Company's Board of Directors are independent outside Directors. Each independent outside Director leverages high levels of expert knowledge and experience to share opinions with the Board of Directors and each Director and to give advice when needed. Matters concerning the nomination (including succession planning) and remuneration of Directors are considered by independent Nomination and Remuneration Committees of which a majority of members are independent outside Directors. Also, these committees are structured in a way that enables independent outside Directors to provide appropriate contributions and advice, including from a perspective of diversity, including gender, and skills.

Information such as the composition, authority, and roles of the Nomination and Remuneration Committees is disclosed in the Company's Securities Report.

Supplementary Principle 4.11.1
The Company identifies the skills and other characteristics that should be possessed by the Board of Directors overall and creates a skills matrix that shows the major skills, career experience, expertise, and other characteristics possessed by each Director. The Nomination Committee then selects candidates for Director taking into account factors such as the number of Directors and skills required in accordance with the Company's management situation and the business environment. Please see the RAITO Corporate Report for skills matrix (Japanese only).
Additionally, the balance of knowledge, experience, and abilities required by the Board of Directors overall, the Company's basic views regarding diversity, and the policy and procedures for appointment of Directors are stated in Principle 3.1 (iii)-(v).

RAITO Corporate Report:
https://www.raito.co.jp/company/kankyou/esg/integrated_report/ (in Japanese)

Supplementary Principle 4.11.2
The situation regarding the Company's Directors and Audit & Supervisory Board Members serving concurrently as officers at other listed companies is within a reasonable scope. Significant concurrent positions outside the Company are disclosed through channels such as the Company's Securities Report, Corporate Governance Report, and Notice of the Annual General Meeting of Shareholders.

Supplementary Principle 4.11.3
In regard to the effectiveness of the Board of Directors, the Company conducted a questionnaire survey of all Directors and Audit & Supervisory Board Members to analyze and assess whether it is effectively fulfilling its functions as a body for making decisions on and overseeing the execution of business. This questionnaire survey (the format of each question in the survey combines the awarding of a rating from one to five with space for each respondent to freely share opinions such as suggested improvements) covered each domain of the Board of Directors' composition, operation, issues, support structure for the Board, relationships with investors and shareholders, and the direction of the Board, and responses were collected from all participants.
The responses and details of the opinions provided by each officer were reported to all Directors and Audit & Supervisory Board Members, and based on this information, the effectiveness of discussions, exchanges of opinions, etc. in meetings of the Board was analyzed and assessed.
According to the results of this assessment, although the Company's Board of Directors has room for improvement on certain issues, it is recognized that effective discussion is taking place based on a composition that shows a good balance of knowledge, experience, and abilities overall. Therefore, the overall effectiveness of the Board of Directors is judged to be appropriately secure.
For the items recognized in the previous assessment of the effectiveness of the Board of Directors as points for improvement (these include continuing to provide opportunities for eliminating the information gap between executive Directors and outside Directors and for strengthening the involvement of outside officers, and consideration of preparations for better exercising the functions of outside Directors), despite improvements being made, many opinions were also received saying that it is necessary to continue to make further improvements. In addition, regarding opinions pointing out the necessity of initiatives for deepening deliberations in the Board of Directors regarding topics of high importance, such as those related to the foundation of corporate management and corporate strategy, for which multiple opinions were also received in the previous assessment of the effectiveness of the Board of Directors, the necessity continued to be pointed out in the current assessment of Board effectiveness, and there were opinions that efforts should be made for putting these into practice for important topics in the future, such as in the formulation of the next medium-term management plan, and that more substantial deliberations should be carried out, taking into consideration the perspective of whether sufficient explanations can be provided to investors.
Although these were noteworthy opinions that were raised during the current assessment of the effectiveness of the Board of Directors, there also continued to be the opinion that while maintaining the focus of assessment on appropriately ensuring the currently existing effectiveness of the Board of Directors overall, as described above, it is also necessary to include in the purview of assessment a review of an appropriate composition of the Board of Directors for the future (such as reducing the number of executive Directors from the standpoint of separating corporate management and business execution, and introducing more global insight).
Multiple opinions on further improving the effectiveness of the Board of Directors, such as those mentioned were submitted and these opinions have also been recognized and shared as issues that should be improved upon in the future.

Going forward, the Company will continue discussions from a variety of perspectives, including regularly carrying out analysis and assessments of Board effectiveness, to further raise the effectiveness of and continually make improvements to the Board of Directors.

Supplementary Principle 4.14.2
The Company believes ongoing training is required to enable each Director and Audit & Supervisory Board Members to fulfill the roles and responsibilities expected of said Director and Audit & Supervisory Board Member, and therefore supports this by providing training opportunities and subsidizing costs. Specifically, it regularly establishes chances to learn from experts, such as education on laws and regulations from a lawyer, and gives support that includes providing opportunities like introducing an individual to a seminar that is considered to be beneficial to the execution of said individual's duties, and subsidizing costs.
It also actively provides outside officers with opportunities to gain a deeper understanding of the Company's operations, such as the Company's management philosophy, the details of its business, and its financial standing, both at the time of appointment and any other time deemed necessary.

Principle 5.1 Policy for Constructive Dialogue With Shareholders
The Company is implementing the following initiatives in order to actively engage in dialogue with shareholders with the aim of achieving sustainable growth and increasing corporate value over the medium to long term.

1. The Senior Managing Director and General Manager of Management Planning Headquarters has been appointed as the Director in charge of IR and the Management Planning Department oversees IR activities.
2. To supplement this dialogue, internal departments responsible for areas such as finance, general affairs, and legal matters actively cooperate over operations such as creating and checking disclosure documents, and sharing required information.
3. The Company holds briefings on financial results for shareholders and investors once every six months, as well as other events such as smaller meetings with institutional investors.
4. Feedback from shareholders, such as opinions and demands that are ascertained through the dialogue, is reported to senior management as necessary through management meetings of the General Managers' Committee and the like, and relevant information is shared and utilized.
5. A set period before financial results are released has been designated as a silent period and dialogue with investors is limited. Additionally, regarding the management of insider information, the Company has established insider trading regulations and manages such information in an appropriate manner.

Measures to Promote Management With an Awareness of Cost of Capital and Share Price［Last Updated : February 6, 2025］
With regard to measures to promote management with an awareness of cost of capital and share price, the Company has resolved at the Board of Directors meeting to adopt policies aiming to improve the total asset turnover through implementation of investment strategy with an emphasis on efficiency and to maintain and improve return on equity (ROE), in order to achieve the Company's sustainable growth and increase corporate value over the medium to long term.
For more details, please refer to "Measures to Promote Management With an Awareness of Cost of Capital and Share Price" posted on the Company's website (URL shown below).

URL https://ssl4.eir-parts.net/doc/1926/tdnet/2558588/00.pdf (in Japanese)

2. Capital Structure

Foreign Shareholding Ratio	30% or more

[Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,374,700	13.75
Taiyo Life Insurance Company	2,734,500	5.89
Custody Bank of Japan, Ltd. (Trust Account)	2,483,560	5.35
Sumitomo Mitsui Banking Corporation	2,437,722	5.25
Nippon Life Insurance Company	2,039,005	4.39
The Hokuriku Bank, Ltd.	1,465,881	3.16
STATE STREET BANK AND TRUST COMPANY 505001	1,299,480	2.80
GOVERNMENT OF NORWAY	920,600	1.98
AVI JAPAN OPPORTUNITY TRUST PLC	707,500	1.52
JP MORGAN CHASE BANK 385781	612,904	1.32

Controlling Shareholder (except for Parent)	—
Parent (Listed Stock Market)	N/A

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Construction
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 10 to less than 50

4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions With Controlling Shareholder

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5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

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

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board Members

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	15
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Officers Designated From Among Outside Directors	5

Outside Directors' Relationship With the Company (1)

Name	Attribute	Relationship With the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Makoto Shirai	Attorney at law											
Takaji Kokusho	Academic											
Hiroko Shimizu	From another company											
Takeshi Nagata	Tax Accountant											
Hiromi Asano	Other											

* Categories for "Relationship With the Company"
"○" 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

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
b. Executive or non-executive director of the parent of the Company
c. Executive of a fellow subsidiary of the Company
d. Party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Director
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the Director himself/herself only)
i. Executive of a corporation to which outside officers are mutually appointed (the Director himself/herself only)
j. Executive of a corporation that receives a donation from the Company (the Director himself/herself only)

k. Other

Outside Directors' Relationship With the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Makoto Shirai	○	—	Makoto Shirai has considerable expertise and an objective point of view as an attorney at law and the Company judges he will appropriately fulfill his duties of making decisions on important business matters related to the management of the Company and supervising business execution. As there are no grounds for concern regarding potential conflicts of interest with ordinary shareholders, the Company finds him to be appropriate for the position of independent outside Director.
Takaji Kokusho	○	—	Takaji Kokusho has accumulated extensive expertise and in-depth insights through his many years serving as a university professor and other achievements and the Company judges that he will utilize his expertise and insights in the management of the Company in order to contribute to its sustainable growth and the further improvement of corporate value over the medium to long term. As there are no grounds for concern regarding potential conflicts of interest with ordinary shareholders, the Company finds him to be appropriate for the position of independent outside Director.
Hiroko Shimizu	○	—	Hiroko Shimizu has vast knowledge in the field of information technology and considerable experience in human resources departments and the Company judges she will appropriately fulfill her duties of making decisions on important business matters related to the management of the Company and supervising business execution by senior management. As there are no grounds for concern regarding potential conflicts of interest with ordinary shareholders, the Company finds her to be appropriate for the position of independent outside Director.

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Takeshi Nagata	○	—	Takeshi Nagata has vast experience and a high level of knowledge gained through extensive contact with industry in general through tax administration and the Company judges he will appropriately fulfill his duties of making decisions on important business matters related to the management of the Company and supervising business execution by senior management. As there are no grounds for concern regarding potential conflicts of interest with ordinary shareholders, the Company finds him to be appropriate for the position of independent outside Director.
Hiromi Asano	○	—	Hiromi Asano has extensive management experience in areas such as human resource development and employment management and the Company judges she will appropriately fulfill her duties of making decisions on important business matters related to the management of the Company and supervising business execution by senior management. As there are no grounds for concern regarding potential conflicts of interest with ordinary shareholders, the Company finds her to be appropriate for the position of independent outside Director.

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established

Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Remuneration Committee
Committee's Name	Nominating Committee	Remuneration Committee
Total Committee Members	9	7
Full-time Members	0	0
Inside Directors	4	2
Outside Directors	5	4
Outside Experts	0	0
Other	0	1
Chairperson	Inside Director	Outside Director

Supplementary Explanation

The Company's basic policy on determining remuneration is to "incorporate performance-linked elements and ensure processes for determining remuneration are fair and transparent." Remuneration for officers is determined through discussion by the Board of Directors following deliberation by a Remuneration Committee chaired by the lead independent outside Director and majority of which is comprised of outside Directors.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4

Cooperation Among Audit & Supervisory Board Members, Financial Auditor and internal audit section

Audit & Supervisory Board Members and the Financial Auditor cooperate to audit branch offices and branches. They also cooperate closely to regularly exchange information and opinions, as well as in areas such as receiving reports of audit results.
Audit & Supervisory Board Members and the internal audit section cooperate to audit branch offices and branches. Also, to assist Audit & Supervisory Board Members in carrying out their duties, the Secretariat of Audit & Supervisory Board has been established within the internal audit section.
Audit & Supervisory Board Members, the Financial Auditor, and the internal audit section also coordinate through trilateral meetings held every quarter.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Officers Designated from Among Outside Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship With the Company (1)

Name	Attribute	Relationship With the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tokiko Maruno	Attorney at law													
Nobuo Iida	From another company													
Yasushi Sasaki	From another company													

* Categories for "Relationship With the Company"
"○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;
"△" when the Audit & Supervisory Board Member fell under the category in the past;
"●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category; and
"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
b. Non-executive Director or Accounting Advisor of the Company or its subsidiary

c. Executive or non-executive director of the parent of the Company
d. Audit & supervisory board member of the parent of the Company
e. Executive of a fellow subsidiary of the Company
f. Party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as an Audit & Supervisory Board Member
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the Audit & Supervisory Board Member himself/herself only)
k. Executive of a corporation to which outside officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
l. Executive of a corporation that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
m. Other

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Tokiko Maruno	○	—	Tokiko Maruno has built her career as an attorney at law and established a broad track record in corporate legal affairs, relating to the Companies Act, the Financial Instruments and Exchange Act, the Labor Standards Act, and the Act on Specified Commercial Transactions, etc. The Company judges she will leverage her expertise in every aspect of management to appropriately fulfill her duties of supervising business execution. As there are no grounds for concern regarding potential conflicts of interest with ordinary shareholders, the Company finds her to be appropriate for the position of independent outside Audit & Supervisory Board Member.
Nobuo Iida	○	—	Nobuo Iida has vast management experience from serving in positions such as representative director and the Company judges he will leverage his expertise in every aspect of management to appropriately fulfill his duties of supervising business execution. As there are no grounds for concern regarding potential conflicts of interest with ordinary shareholders, the Company finds him to be appropriate for the position of independent outside Audit & Supervisory Board Member.

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Yasushi Sasaki	○	—	Yasushi Sasaki has vast management experience from serving in positions such as representative director and the Company judges he will leverage his expertise in every aspect of management to appropriately fulfill his duties of supervising business execution. As there are no grounds for concern regarding potential conflicts of interest with ordinary shareholders, the Company finds him to be appropriate for the position of independent outside Audit & Supervisory Board Member.

[Independent Officers]

Number of Independent Officers	8

Matters Relating to Independent Officers

All of the Company's outside officers meet the requirements for independent officers and have been registered as such with the Tokyo Stock Exchange.

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Adoption of Performance-linked remuneration and other measures

Supplementary Explanation

At the 70th Annual General Meeting of Shareholders held on June 29, 2017, a resolution was made to introduce a performance-linked, share-based remuneration system. Therefore, the composition of incentives has changed from just a base amount of remuneration that reflects business results used in previous fiscal years to a combination of base remuneration and performance-linked, share-based remuneration.

Recipients of Share Options	

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No individual disclosure

Supplementary Explanation

Only total amounts of remuneration are disclosed, categorized into Directors, Audit & Supervisory Board Members, and outside officers.
For Directors, 16 individuals received a total of ¥344 million.
For Audit & Supervisory Board Members, five individuals received a total of ¥39 million.
Within the above, nine outside officers received a total of ¥50 million.

Policy for Determining Remuneration Amounts or Calculation Methods Thereof	Established

Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof

Remuneration amounts of the Company's officers are determined through discussion by the Board of Directors following deliberation by a Remuneration Committee chaired by the lead independent outside Director and majority of which is comprised of outside Directors, taking into consideration factors such as the duties of each officer and the Company's current situation.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

To assist Audit & Supervisory Board Members in carrying out their duties, the Secretariat of Audit & Supervisory Board has been established within the internal audit section. Also, before meetings of the Board of Directors, outside Directors and outside Audit & Supervisory Board Members receive explanations regarding agenda items.

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

(1) Overview of the Corporate Governance System and Reason for Adopting Said System

The Board of Directors comprises fifteen Directors (including five outside Directors). The Board of Directors holds regular monthly meetings in principle and extraordinary meetings as necessary, to deliberate on important matters relating to management and to oversee the status of execution of the duties of Directors, thereby functioning as a management monitoring and supervisory body.

Concurrently with Board of Directors meetings, the President, core members of management, and others take part in roundtable discussions (exchange of opinions) with the outside officers in order to ensure objectivity in management decision-making and enhance the monitoring functions.

The Company's outside Directors possess high levels of insight and a wealth of practical experience, so, according to their respective capabilities, they participate in decision-making and enhancement of supervisory functions from impartial perspectives.

In addition, outside Directors are chosen from among independent candidates about whom there are no grounds for concern regarding potential conflicts of interest with ordinary shareholders.

Director remuneration is determined by a Remuneration Committee chaired by the lead independent outside Director and majority of which is comprised of outside Directors.

The Audit & Supervisory Board comprises one full-time Audit & Supervisory Board Member and three outside Audit & Supervisory Board Members. The Audit & Supervisory Board Members attend meetings of the Board of Directors and other important internal meetings to audit the status of execution by Directors of their duties and to ensure the soundness and transparency of management.

In addition, the Representative Director and the Audit & Supervisory Board Members exchange opinions through opportunities to share information on important issues, and management information, in order to facilitate mutual understanding and communication between them.

In regard to accounting audits, the Company's consolidated and non-consolidated financial statements are audited by an auditing firm that serves as the Company's Financial Auditor. There is no special interest between the Company and said auditing firm or its engaging partner who conducts the audits.

The above system ensures the effectiveness of internal controls systems.

(2) Status of internal audits and audits by Audit & Supervisory Board Members

The Company has established the Internal Audit Office comprising three employees as its internal audit section. It audits items such as the appropriateness of the execution of duties and effectiveness of internal controls based on an annual audit plan and gives timely reports to Audit & Supervisory Board Members, Representative Director, and others.

Audit & Supervisory Board Members audit the appropriateness of the Company's activities by attending important meetings within the Company, such as meetings of the Board of Directors, hearing the status of the execution of duties from Directors and others, and by viewing documents for approval, among other means.

Additionally, Audit & Supervisory Board Members cooperate with the internal audit section to audit branch offices and branches.
To assist Audit & Supervisory Board Members in carrying out their duties, the Secretariat of Audit & Supervisory Board has been established within the internal audit section.
In regard to accounting audits, the Company's consolidated and non-consolidated financial statements are audited by an auditing firm that serves as the Company's Financial Auditor. Audit & Supervisory Board Members and the Financial Auditor cooperate closely to carry out and report on audits of branch offices and branches. In addition to this, Audit & Supervisory Board Members, the Financial Auditor, and the internal audit section also coordinate closely through trilateral meetings held every quarter.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted an audit system, in which four Audit & Supervisory Board Members, including three outside Audit & Supervisory Board Members, audit the execution of duties by Directors.
The Company has a total of 15 Directors, comprising 10 inside Directors and five outside Directors (independent officers). The Board of Directors holds regular monthly meetings in principle and extraordinary meetings as necessary in order to be able to make swift management decisions. In addition, appointing of outside Directors to the Board enables to ensure the objectivity of management decision making, and to incorporate of a wide range of insight and opinions from an independent viewpoint free from concern regarding potential conflicts of interest with ordinary shareholders. This framework therefore ensures appropriate decision making.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Meetings of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Meeting of Shareholders	The Company sends a Notice of the Annual General Meeting of Shareholders by mail approximately three weeks before a meeting is held to give shareholders sufficient time to consider proposals to be resolved. Also, approximately one week before it is posted by mail, this notice is also released electronically through TDnet and the Company website.
Allowing Electronic or Magnetic Exercise of Voting Rights	As part of the Company's services for shareholders, it has allowed voting rights to be exercised electronically or magnetically since the Annual General Meeting held in June 2017.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	Since the Annual General Meeting of Shareholders held in June 2017, the Company has participated in an electronic voting platform for institutional investors operated by ICJ, Inc., and register approximately three weeks before a meeting is held.
Providing Convocation Notice in English (Translated Fully or Partially)	The Company creates an English version of its Notice of the Annual General Meeting of Shareholders which is submitted to the Tokyo Stock Exchange and posted on the Company website.
Other	At shareholder meetings, information such as the Company's business report is visualized and explained in an easy-to-understand manner.

2. IR Activities

	Supplementary Explanation	Explanation by Representative
Preparation and Publication of Disclosure Policy	The policy is posted on the Company website. (Japanese only) https://www.raito.co.jp/ir/policy	
Regular Investor Briefings for Analysts and Institutional Investors	Financial results briefings are held after the release of first six months and full-year financial results.	Yes
Regular Investor Briefings for Overseas Investors	Telephone meetings and individual meetings are held at the request of overseas institutional investors.	No
Posting of IR Materials on Website	The Company website has a Shareholder and Investor Information page (Japanese only) containing timely disclosure information required by the Tokyo Stock Exchange (such as financial results), securities reports, business reports, and other materials.	
Establishment of Department and/or Manager in Charge of IR	The Management Planning Department is responsible for these duties.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	The Company established the "Raito Kogyo Group Code of Conduct."
Implementation of Environmental Conservation Initiatives, CSR Activities, etc.	The Company has formulated action guidelines for reducing the environmental impact of business activities based on its "Environmental Philosophy" and it is actively designing, proposing, researching, and developing environmentally friendly technologies. Alongside this, it is also working to reduce CO2 emissions, to control waste generation and recycle waste, and to save energy and resources. In regard to CSR information, details of some of its initiatives are included in the Annual Report and posted on the Company's website. https://www.raito.co.jp/english/ir/
Formulation of Policies for Information Provision to Stakeholders	The Company considers improving management transparency to be an important part of corporate governance and strives to practice timely disclosure. This includes swiftly disclosing investor information such as financial results, releasing financial results and holding briefings to explain these results, primarily through the Management Planning Department, and providing IR information through the Company's website.

IV. Matters Related to Internal Control System

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

(1) Framework ensuring that execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation

(i) The Company has formulated the Basic Compliance Policy and the Raito Kogyo Group Code of Conduct which outline the fundamental matters that should be complied with during the execution of duties by Directors and employees. Directors are expected to set an example and ensure that all employees are thoroughly aware of these policies.

(ii) The Company has established a Compliance Promotion Committee chaired by the President which monitors the compliance status, reviews relevant rules, and providing periodic training.

(iii) The Company has put a department in charge of whistleblowing to ascertain swiftly any actions that are in violation of laws, regulations, or other rules, and to build and enhance an internal whistleblowing system.

(iv) When matters that need to be corrected emerge during operational processes, the Company ensures the effectiveness of internal controls systems by considering what should be improved and carrying out improvement proposals.

(v) The Company steadfastly rejects any approaches by groups and individuals that threaten the order of civil society, otherwise referred to as anti-social forces, and never responds to improper demands.

(2) Framework for storing and managing information related to execution of duties by Directors

Following the Company's Regulations for the Board of Directors and document management rules, documents that require creating and storing under laws and regulations as well as information such as information pertaining to important business decisions, shall be stored and managed in a way that enables them to be accessed at any time and shall be also retained for a suitable period of time depending on the type of information.

(3) Policy and framework for managing risks of loss of the Company and its subsidiaries

(i) The Company takes measures to prevent risks that may have a major impact on business in accordance with its Risk Management Rules. Additionally, in cases where such a risk manifests, the Company will swiftly establish a response task force headed by either the President or the Director or Executive Officer responsible for the relevant area and will take any measures necessary to minimize losses.

(ii) The Risk Management Committee categorizes and determines risks stipulated in the Risk Management Manual and engages in activities such as periodic revision of the rules, training, and drills.

(4) Framework ensuring the efficiency of execution of duties by Directors

(i) In accordance with the Company regulations formulated based on a resolution by the Board of Directors, the duties assigned to each department shall be clearly stated and details regarding roles, responsibilities, and operational procedures shall be stipulated in authorizations of duties, circulated rules, and the like.

(ii) The Board of Directors meets once a month in principle and the General Managers' Committee meets once every week with the aim of facilitating swifter management.

(iii) Roundtable discussions between the outside officers and core members of management, such as the President, are held on the same day as the Board of Directors meetings to improve communication and strengthen monitoring and supervisory functions.

(5) Framework ensuring the proper business operation of the corporate group consisting of the Company and its subsidiaries

(i) The Group ensures the proper business operation of the corporate group through rules stipulated in the Basic Compliance Policy and the Raito Kogyo Group Code of Conduct.

(ii) Each subsidiary is under the control of a relevant department within the Company, and the Director or Executive Officer in charge of said department periodically reports on the status of operations at the subsidiary to the Board of Directors.

(iii) The person responsible for each subsidiary advances operations in compliance with the approvals and reporting provisions stipulated for said company.

(iv) The Group establishes internal controls frameworks required to ensure the trustworthiness and appropriateness of financial reports.

(6) Appointment of supporting personnel, when Audit & Supervisory Board Members request such personnel, independence of the personnel from Directors, and securing effectiveness of instructions from Audit & Supervisory Board Members

(i) The Secretariat of Audit & Supervisory Board has been established, in which personnel assigned to assist Audit & Supervisory Board Members with their duties shall be placed

(ii) Instructions from Directors cannot interfere with the assistance provided to Audit & Supervisory Board Members by said personnel, and matters such as personnel transfers and performance evaluations shall be decided based on discussion with Audit & Supervisory Board Members.

(7) Framework for reporting to Audit & Supervisory Board Members by Directors and employees of the Company and its subsidiaries, and other frameworks related to reporting to Audit & Supervisory Board Members

(i) If a Director or employee of the Group becomes aware of a matter that may cause significant harm to a Group company, inappropriate behavior, or an action that constitutes a serious violation of laws, regulations, or the Articles of Incorporation, this must be reported directly to an Audit & Supervisory Board Member.

(ii) Audit & Supervisory Board Members ascertain the status of the execution of duties by attending meetings of the Board of Directors and other important meetings, viewing important documents such as documents for approval, and other means, and may demand an explanation or report from a Director or employee at any time if judged to be necessary.

(iii) If necessary, Audit & Supervisory Board Members can ascertain the status of the execution of duties at each subsidiary by attending important meetings at said subsidiary, periodically exchanging opinions with members of said subsidiary's audit & supervisory board, and hearing the opinion of officers and employees of said subsidiary or relevant officers and employees within the Company.

(iv) If an individual makes a report in accordance with these items, the Group shall not treat said individual disadvantageously due to said report.

(8) Framework ensuring the effectiveness of auditing by Audit & Supervisory Board Members

(i) The Representative Director and the Audit & Supervisory Board Members exchange opinions through opportunities to share information on important issues, and management information, in order to facilitate mutual understanding and communication between them.

(ii) Audit & Supervisory Board Members periodically exchange opinions with the Financial Auditor and the internal audit section.

(iii) The Company shall swiftly pay expenses incurred by Audit & Supervisory Board Members during the execution of duties upon request.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts

From the point of view of defending the Company and fulfilling its social responsibilities, the Company is strengthening its efforts to combat groups and individuals that threaten the order of civil society, otherwise referred to as anti-social forces, which includes steadfastly rejecting any approaches by such forces and never responding to improper demands. Regarding the progress of these efforts, the Raito Kogyo Group Code of Conduct and Risk Management Manual, which have been formulated independently by the Group, call explicitly for the rejection of improper demands and other approaches from anti-social forces, and for severing all relations with them. To realize this, a section has been specified as the one responsible for preventing improper demands, and an environment has been established to enable timely responses to any such demands. Furthermore, the Company is a member of the Tokubouren (an association for preventive measures against anti-social forces) and keeps in close contact with jurisdictional police forces and other relevant parties to gather information regarding anti-social forces and to keep up to date with how to appropriately handle advances, such as improper demands, from such forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted

Supplementary Explanation

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2. Other Matters Concerning Corporate Governance System

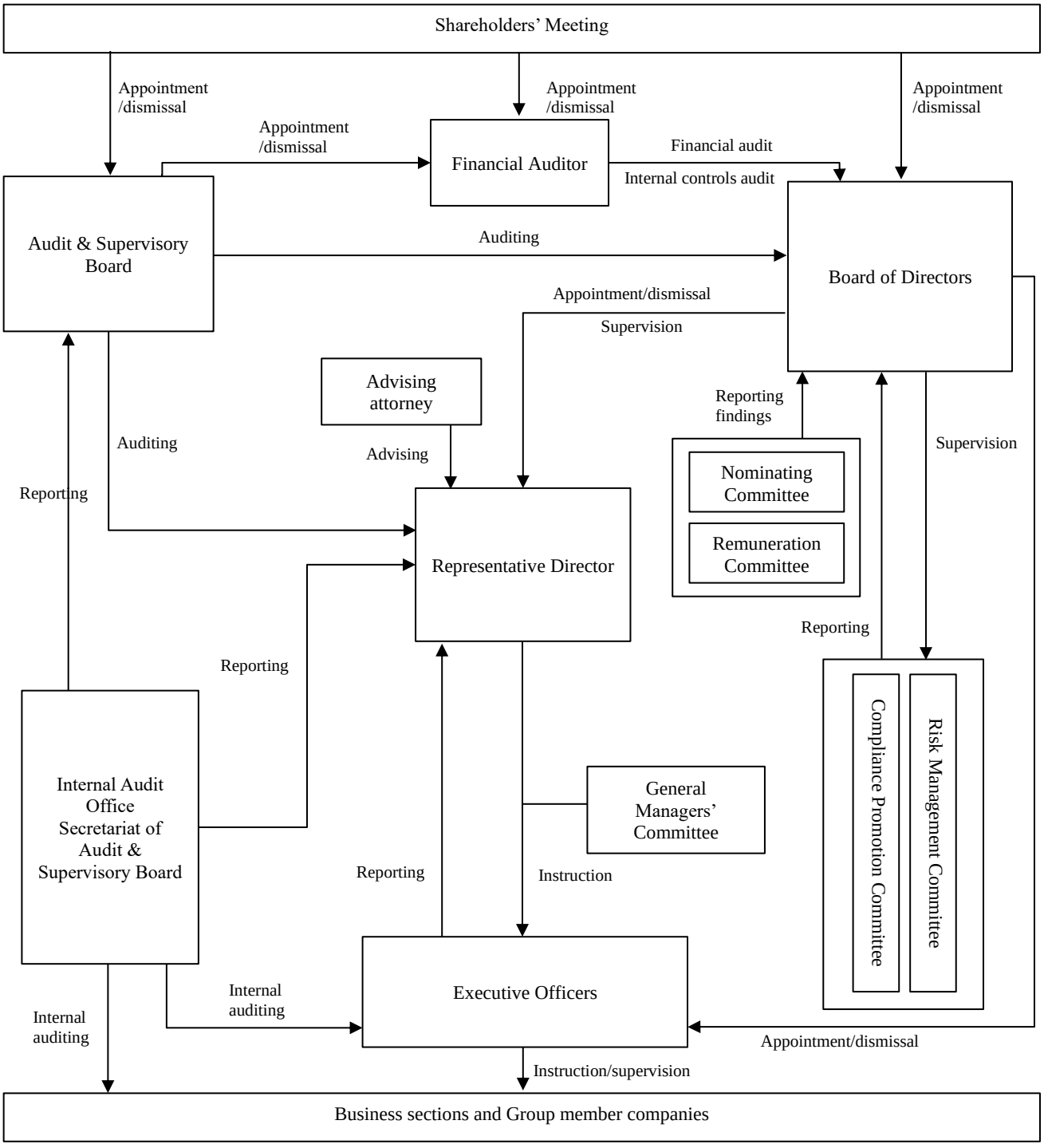
The current situation regarding internal systems for the timely disclosure of corporate information are as follows.

Regarding operations for the disclosure of corporate information, the Company has established systems for appropriate information disclosure in accordance with listing rules and internal regulations.

(Person in charge of handling information)
As the person in charge of handling information as stipulated by listing rules, the General Manager of Management Planning Headquarters (in charge of IR) shall be the contact for communicating with the stock exchange, and shall engage in the overall management of internal operations relating to timely disclosure.

(Information management)
In order to manage corporate information in an appropriate manner, in cases where information that falls under the Tokyo Stock Exchange's timely disclosure rules or any other important corporate information emerges, a system is in place to ensure such information is swiftly concentrated with the General Manager of Management Planning Headquarters (in charge of IR), who is the person in charge of handling information.

(Disclosure of timely disclosure information)
The person in charge of handling information who received reports of corporate information shall judge whether said information qualifies as timely disclosure information. in cases where timely disclosure is required, the information shall be swiftly disclosed to the stock exchange.


Shareholders' Meeting
Appointment /dismissal
Appointment /dismissal
Appointment /dismissal
Appointment /dismissal
Financial Auditor
Financial audit
Internal controls audit
Audit & Supervisory Board
Auditing
Board of Directors
Appointment/dismissal
Supervision
Advising attorney
Reporting findings
Auditing
Advising
Supervision
Reporting
Nominating Committee
Remuneration Committee
Representative Director
Reporting
Reporting
Compliance Promotion Committee
Risk Management Committee
Internal Audit Office Secretariat of Audit & Supervisory Board
General Managers' Committee
Reporting
Instruction
Executive Officers
Internal auditing
Internal auditing
Appointment/dismissal
Instruction/supervision
Business sections and Group member companies