

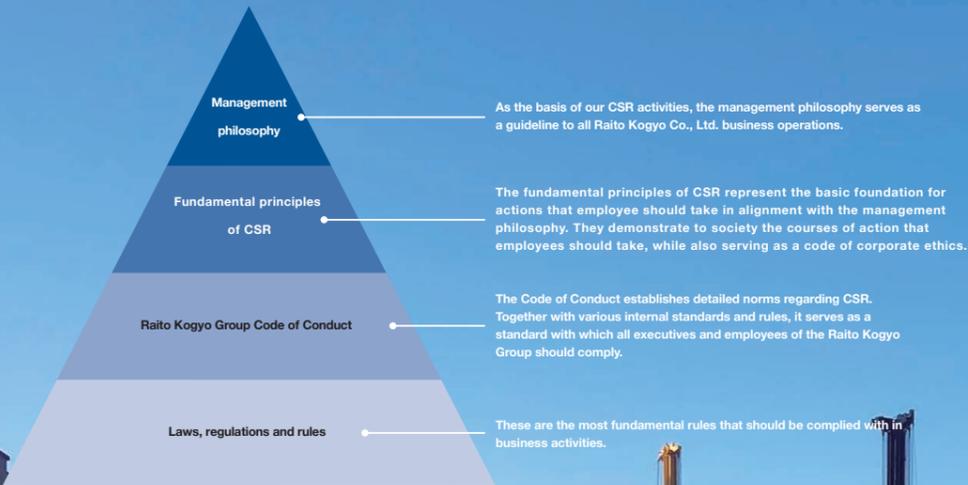
# RAITO ANNUAL REPORT 2023



# Group vision

## Management philosophy

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



## Editorial policy

Raito Kogyo carries out various environmental and societal initiatives based on its fundamental principles of CSR.

Since FY2015, we have communicated information on these activities to stakeholders through the CSR Report.

Beginning in FY2019, we have aimed to enhance the report as the integrated Annual Report, to communicate

more clearly to stakeholders information on our management policies, growth strategies, and other topics related to value creation over the medium to long term. We

consider the Annual Report to be an important tool for

disclosure of information and, going forward, we will continue to work on a daily basis to make the report easier

to read and understand, while reflecting valuable input

from stakeholders. Please feel free to let us know of any

concerns you may have concerning this report, no matter

how small they may seem. All feedback received will be

used to further enhance future reports.

### Subject organization

This report covers Raito Kogyo Co., Ltd. For some subjects, information on Group member companies is also

included.

### Subject period

April 2021 – March 2023

For some subjects, the latest information as at the time of publication of this report is included.

### Reference Guidelines

Ministry of the Environment of Japan  
Environmental Reporting Guidelines (2018)

Global Reporting Initiative  
GRI Standards

International Integrated Reporting Council (IIRC) International Integrated Reporting Framework

Ministry of Economy, Trade and Industry Value Creation Guidance 2.0

TCFD Consortium TCFD Guidance 3.0

### Date of publication

Aug 30, 2023

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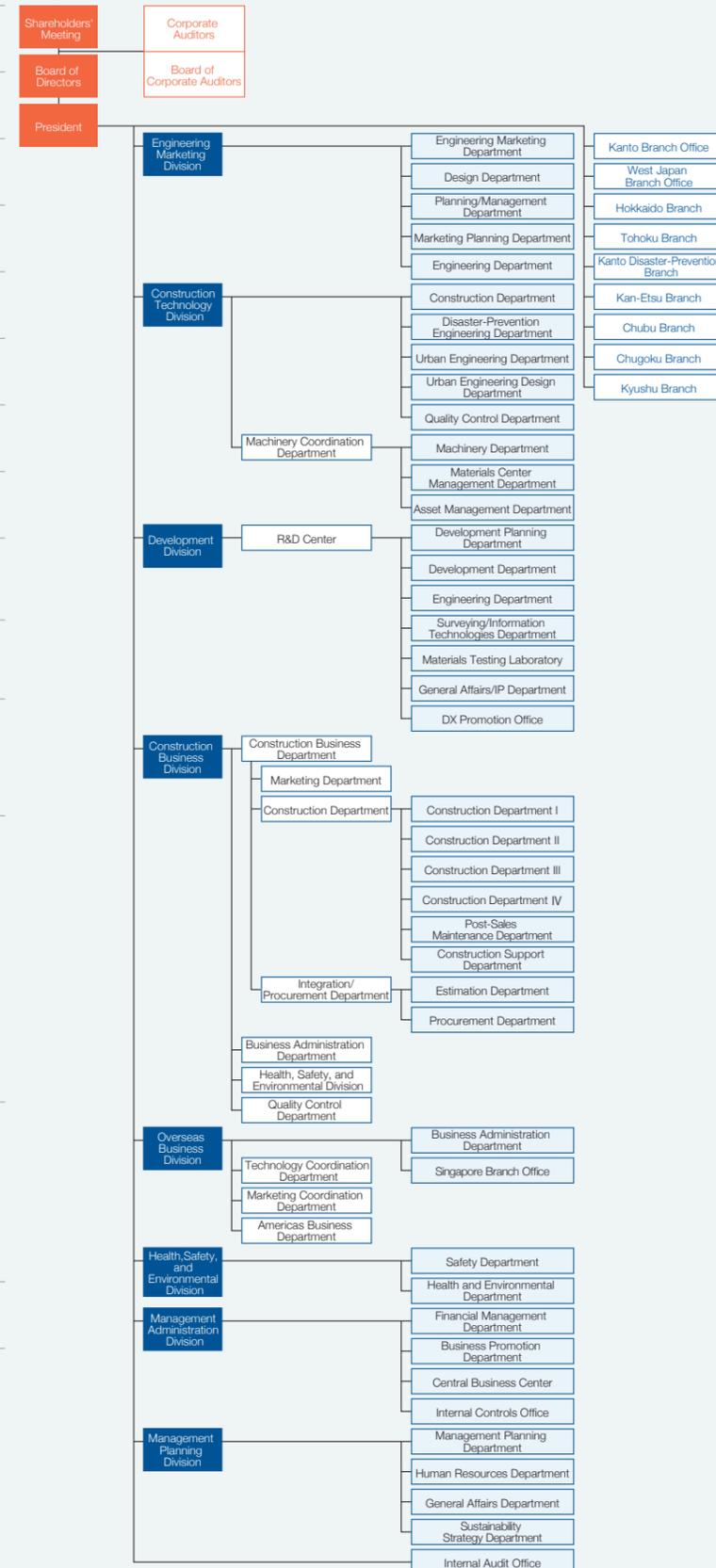


# Overview of the Raito Kogyo Group

## Corporate overview

Name	Raito Kogyo Co., Ltd.
Head Office	2-35 Kudan-Kita 4-chome, Chiyoda-ku, Tokyo, Japan
Founded	July 1, 1943
Representative	Kazuhiro Akutsu, President
Capital	6,119,475,000 yen
Employees	972 (as of March 31, 2023)
Lines of business	Construction and other businesses
Branch offices	Kanto, West Japan
Coordinating branches	Hokkaido, Tohoku, Kanto Disaster-Prevention, Kan-Etsu, Chubu, Chugoku, Kyushu
Group of Companies	15 consolidated subsidiaries, 1 Affiliate companies 4 non-consolidated subsidiaries

## Organization



## Consolidated Group member companies

Construction (Japan)	Michinoku Realize Co., Ltd.
	Tohoku Realize Co., Ltd.
	Onoryo Co., Ltd.
	Fukushima Realize Co., Ltd.
	Niigata Realize Co., Ltd.
	Aura CE Co., Ltd.
	Tokai Realize Co., Ltd.
Construction (Overseas)	Sanyoryokuka Co., Ltd.
	Yamaguchi Realize Co., Ltd.
	Kyusyu Realize Co., Ltd.
	Raito, Inc. (U.S.A.)
Others	Raito Engineering & Construction Limited (Hong Kong)
	Raito Fecon Innovative Geotechnical Engineering JSC (Vietnam)
	Fecon Underground Construction Joint Stock Company (Vietnam)
Others	Yasashiite Raito Corp. (long-term care)

## Business domains

### Building construction

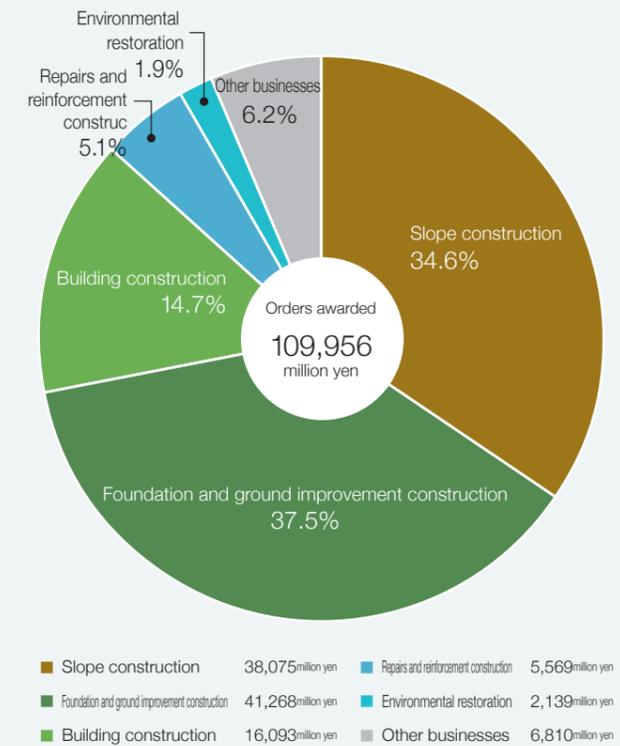
Fusing our specialist know-how, technological capabilities, and management strengths, we meet our clients' varied needs through proposal of high added-value solutions, from design through construction of condominiums, offices, retail buildings, and other facilities.

### Main construction track record

- Housing complexes
- Office buildings
- Hotels
- Retail buildings
- Health and welfare facilities
- Production facilities
- Large-scale repairs
- Renewal



### FY2021 total orders awarded (consolidated)



### Civil engineering business

Applying our urban civil engineering technologies, slope technologies, and structural repair and reinforcement technologies, we help to realize safe and reliable national infrastructure by contributing to the formation of social capital such as roads, waterways and ports and to extending its useful lifespan.

### Main civil engineering technologies

- Slope protection, Slope greening
- Slope stabilization, disaster prevention
- Ground improvement
- Diaphragm walls
- Pipe laying
- Chemical grouting
- Structural repair and reinforcement
- Soil-pollution countermeasures
- Surveying



### Overseas businesses



Utilizing the know-how and advanced technological capabilities acquired through comprehensive experience in Japan, our global business operations are involved in numerous projects around the world, including in Asia and North America.

### Main overseas facilities

- United States of America
- Hong Kong
- Singapore
- Vietnam

## Topics

### Japan Federation of Construction Contractors Civil

On Thursday, December 9, 2021, our work on the Renovation of the Shuto Expressway Haneda Route 1 Higashi-Shinagawa Pier/Samezu Landfill Project (Phase I) won the second Civil Engineering Award in the 2021 Japan Federation of Construction Contractors Awards, presented in a ceremony held at The Okura Tokyo.

The Civil Engineering Award is intended to contribute to the enhancement of infrastructure for the daily lives of the public and industrial activities through the creation of outstanding civil engineering properties, by promoting the progress of civil engineering project-planning quality and design, engineering, construction, environmental, maintenance, management, and other civil engineering technologies, through awarding and broadly publicizing, both in Japan and around the world, outstanding projects and structures.

This project was evaluated for its mutual relations among facility managers (including clients), designers, contractors, and the specialized construction firms which support the project, related companies and researchers from outside the construction field, and diverse stakeholders.



The award

# Value creation history

Since its founding in 1943, Raito Kogyo has contributed to society through disaster prevention and infrastructure development while proactively developing and adopting special-purpose technologies in the field of specialized civil engineering. Considering our mission to be that of contributing to society through the wealth of experience and reliable technologies that we have built up over many years, we believe that value for the future can be generated only through constant innovation as a practical expression of our philosophy: "Continuing to take on the challenge of creating new value."

## Playing an active role as a company that has delivered one-of-a-kind special-purpose technologies since our foundin

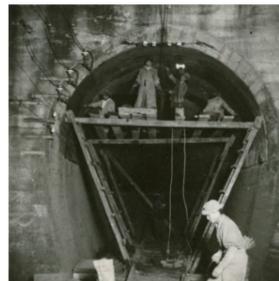
In 1943, Tadao Kamijo founded the Kamijo Waterproofing Works in the town of Hanawa, Akita Prefecture. Then, in 1945, spurred by the need to address water leaks in aged brick tunnels on the Japan National Railway, Kamijo began to specialize in tunnel waterproofing work. At that time, the management bureaus of the Japan National Railway had merely conducted small-scale repairs in response to tunnel leaks. It was not until the post-war period that expertise specialized in tunnel waterproofing technologies emerged, and Raito Kogyo took the initiative to provide such expertise. What today is the largest specialist civil engineering firm in Japan began life as that small business, which would become a pioneer in tunnel waterproofing based on its unique technology.



Tadao Kamijo, the Company's first President



RG pile ground improvement method



Tunnel waterproofing work



Road damage prevention work

## Adoption of advanced technologies from Europe and taking on the challenges of difficult construction projects

The grouting process in use at that time was the U.S. method of powerfully firming up the soil. This method was not particularly well suited to Japanese soil, which was weak due to the mix of different layers. It was even said that this method could not be expected to be effective at all. Against that background, while touring a subway construction project in France, representatives of the Company observed a method being employed by the French civil engineering company Soletanche that involved solidifying weak soil to transform it into bedrock. Right then and there, the Company decided to adopt that technology and it entered into a technological partnership with the French firm. This became well-known in Japan as the "Soletanche method," as a result of its use in the Takayama shaft section of the Joetsu Shinkansen's Nakayama Tunnel project. This project, known for the historic challenge of a flood that occurred some 200 meters underground, was the strongest impetus behind the Company's construction method becoming well known. While the massive spring made construction extremely difficult, as a result of fully mobilizing the Company's technologies, the project was completed successfully over a period of six years, greatly transforming existing concepts of grouting work.



Then President Samaru and President J. Alice of Soletanche shake hands after concluding the contract

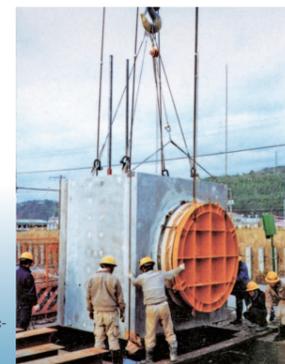


Grouting work in construction of the Joetsu Shinkansen's Nakayama Tunnel

PLUSS construction in Yokosuka  
The "pipe laying under special slurry" (PLUSS) method used in pipe construction also was adopted through the technical alliance with Soletanche



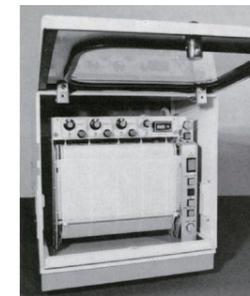
The Aomori Rail Yard Asahimachi crossing elevation project, for which the Soletanche method was used



## Promotion of management reforms

As Japan's economy grew, we proactively adopted management reforms, while also focusing on developing our own proprietary techniques as well as adopting a construction management system developed jointly with Soletanche and applying it to construction sites. In 1997, a new environmental and scientific laboratory was opened in the Technological Research Center and, in 2000, against the backdrop of the passing of the Basic Act on Establishing a Sound Material-Cycle Society, the new Soil Environmental Department was established within the Environmental Business Division, as we launched full-fledged development of eco-friendly construction methods and technologies. In addition, in 2008, we entered the construction business.

This led to increased earnings centered on condominium construction and, today, it has grown to be a major pillar of the Company's business



Enpasol soil survey system



Musashiseki Mansion condominiums



Eco-friendly EC Wall method



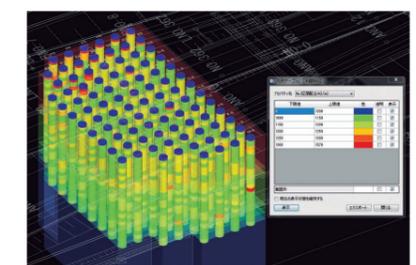
Okamoto Mansion condominiums

## Structural enhancements for the next generation

In line with our management philosophy of "Continuing to take on the challenge of creating new value," research and development activities are the lifeblood of our Company. The medium-term management plan that began in FY2016 also called for enhancement of the research and development structure in our core specialized civil engineering business, under a policy of "Structural enhancements for the next generation." In order to build an efficient R&D structure, we integrated and reorganized the R&D section and the technical research center in the Construction Technology Division to create the new R&D Center. We continue to advance R&D based on innovative approaches that include creation of new markets as well as responding to increasingly diverse market needs in areas such as applications of leading-edge ICT technologies, new technologies to realize safety and assurance in the national infrastructure through means such as disaster prevention and mitigation, and new technologies to respond to environmental issues such as global warming and soil pollution.



R&D Center



3D-ViMa system



Robo-Shot



New head office building

1943~1963

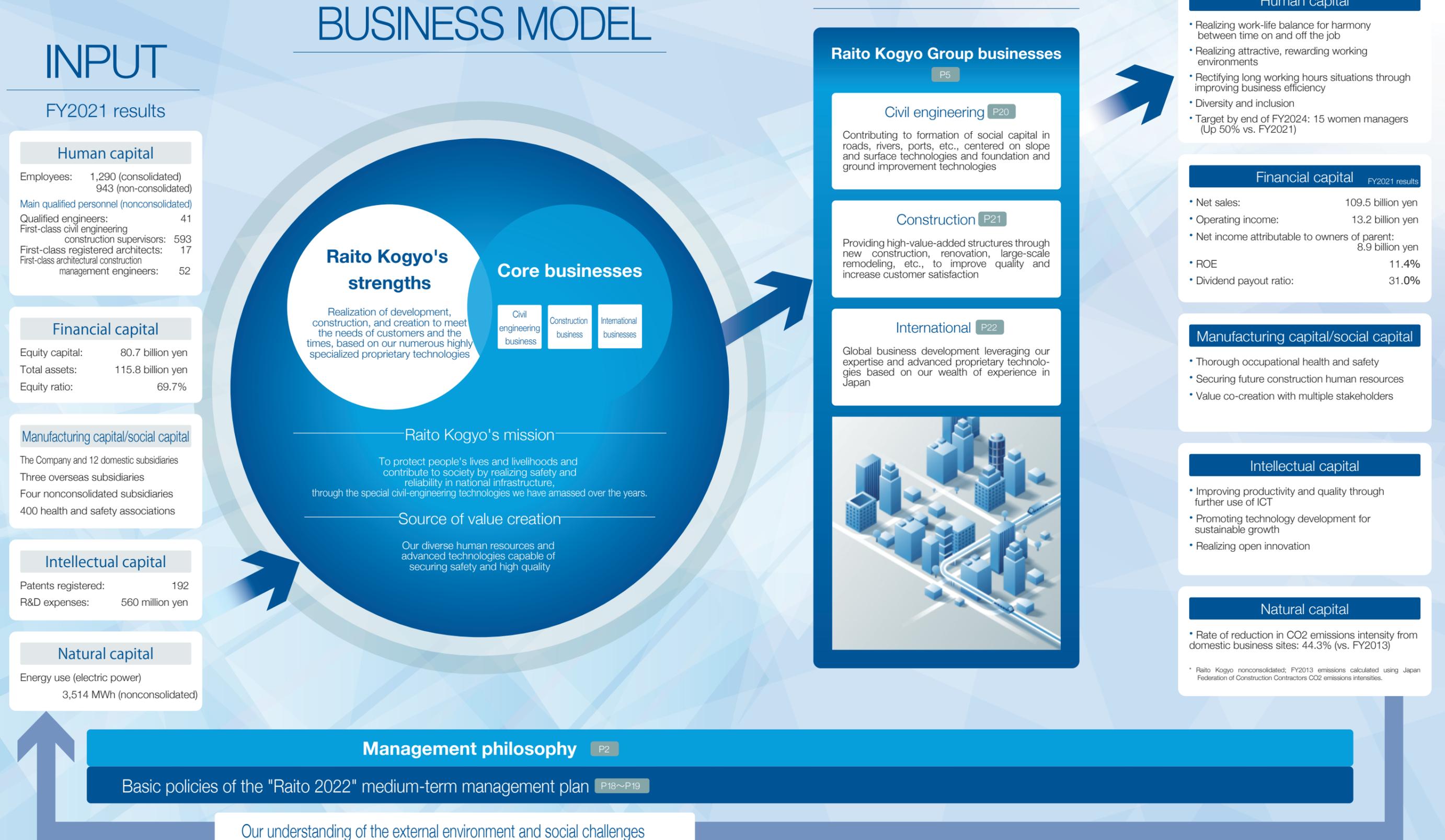
1964~1986

1987~2008

2009~

# Value creation process

Raito Kogyo recognizes contribution to society through solutions to various social challenges, based on the wide range of experience and reliable technologies that we have amassed over the years, as our unchanging mission, and we will aim to contribute to new value creation and building strong, enriched national infrastructure through efforts including taking on the challenges of new business domains and developing new technologies.



## INPUT

FY2021 results

### Human capital

Employees: 1,290 (consolidated)  
943 (non-consolidated)  
Main qualified personnel (nonconsolidated)  
Qualified engineers: 41  
First-class civil engineering construction supervisors: 593  
First-class registered architects: 17  
First-class architectural construction management engineers: 52

### Financial capital

Equity capital: 80.7 billion yen  
Total assets: 115.8 billion yen  
Equity ratio: 69.7%

### Manufacturing capital/social capital

The Company and 12 domestic subsidiaries  
Three overseas subsidiaries  
Four nonconsolidated subsidiaries  
400 health and safety associations

### Intellectual capital

Patents registered: 192  
R&D expenses: 560 million yen

### Natural capital

Energy use (electric power)  
3,514 MWh (nonconsolidated)

## BUSINESS MODEL

### Raito Kogyo's strengths

Realization of development, construction, and creation to meet the needs of customers and the times, based on our numerous highly specialized proprietary technologies

### Core businesses

Civil engineering business  
Construction business  
International businesses

### Raito Kogyo's mission

To protect people's lives and livelihoods and contribute to society by realizing safety and reliability in national infrastructure, through the special civil-engineering technologies we have amassed over the years.

### Source of value creation

Our diverse human resources and advanced technologies capable of securing safety and high quality

## OUTPUT

### Raito Kogyo Group businesses

P5

#### Civil engineering P20

Contributing to formation of social capital in roads, rivers, ports, etc., centered on slope and surface technologies and foundation and ground improvement technologies

#### Construction P21

Providing high-value-added structures through new construction, renovation, large-scale remodeling, etc., to improve quality and increase customer satisfaction

#### International P22

Global business development leveraging our expertise and advanced proprietary technologies based on our wealth of experience in Japan



## OUTCOME

### Human capital

- Realizing work-life balance for harmony between time on and off the job
- Realizing attractive, rewarding working environments
- Rectifying long working hours situations through improving business efficiency
- Diversity and inclusion
- Target by end of FY2024: 15 women managers (Up 50% vs. FY2021)

### Financial capital FY2021 results

- Net sales: 109.5 billion yen
- Operating income: 13.2 billion yen
- Net income attributable to owners of parent: 8.9 billion yen
- ROE: 11.4%
- Dividend payout ratio: 31.0%

### Manufacturing capital/social capital

- Thorough occupational health and safety
- Securing future construction human resources
- Value co-creation with multiple stakeholders

### Intellectual capital

- Improving productivity and quality through further use of ICT
- Promoting technology development for sustainable growth
- Realizing open innovation

### Natural capital

- Rate of reduction in CO2 emissions intensity from domestic business sites: 44.3% (vs. FY2013)

\* Raito Kogyo nonconsolidated; FY2013 emissions calculated using Japan Federation of Construction Contractors CO2 emissions intensities.

### Management philosophy P2

Basic policies of the "Raito 2022" medium-term management plan P18~P19

Our understanding of the external environment and social challenges

## Message from the President

Aiming to be a corporate group needed by society by building the future through creating new value



Raito Kogyo Co., Ltd.  
President  
Kazuhiro Akutsu

Although social and economic activities had been subject to various restrictions since 2021 in response to repeated variants of the COVID-19 virus, today consumer and business activities are recovering as the situation gradually settles down. On the other hand, the waves of change show no sign of ending as the world is exposed to a series of unpredictable circumstances such as global economic instability caused by rising geopolitical risks related to Ukraine.

### Returning to the management vision that has been our starting point since our founding

What should we do in a time of unpredictability and uncertainty such as this? At a time like this it is important to return to the management vision that has been our starting point since our founding and reaffirm the value of our existence as a company.

We have continued to build this value of our existence by delivering solutions to social challenges using our proprietary technologies in the area of specialized civil engineering. In light of this history, we believe that our most important mission in the coming age will be to provide value to society as a whole by building safe, reliable social infrastructure through creating various new technologies, as called for in our management vision. We believe that this is the way we can achieve sustained growth as a business.

### Looking back on the "Raito 2021" for the last medium-term management plan

Let's look back on the "Raito 2021" medium-term management plan that ended in FY2021. Over these three years, we advanced steady efforts aiming for sustained growth over the medium to long term, based on a policy of improving our corporate strength for sustained growth. We identified as one part of these efforts acceleration of investment in growth, and in the area of investment in technology development in particular we brought to market new technologies to contribute to automation, higher efficiency, and higher productivity, by applying information and communication technologies (ICT) to existing technologies.

As a result, in FY2021, the final fiscal year of the plan, we were able to achieve all targets other than net sales. In operating income in particular, we set a new record high. While demand from frequent natural disasters and the Japanese government's efforts toward a more resilient national infrastructure were in the background behind these results, other major contributing factors included growth in repairs and retrofitting as well as the stable earnings of the construction business.

In addition to these results, in FY2022 we launched the new "Raito 2024" medium-term management plan (2022-2024), aiming to achieve further growth by building on the results of the past few years.

# Message from the President

## Outline of the new "Raito 2024" medium-term management plan

Identifying as its fundamental policy "Creating new value and realizing sustainable growth by taking on challenges in new fields," the new medium-term management plan aims to deliver new value to society by reviewing our history as a company that has continued to grow by constantly taking on the challenges of new fields, strengthening analysis of external conditions and business conditions for the future, and taking on the challenges of new fields amid today's dramatically changing external conditions.

In particular, we will accelerate DX initiatives further by focusing even more strongly on development of technologies using ICT for further growth. We consider these to be important strategies key to future growth, and we will aim to transform existing business by using digital technologies in all areas from R&D through construction and maintenance. We also consider establishment of a solid financial foundation and securing human resources to support future growth to be important topics, and in addition to strategic use of funds we will carry out forward-looking investment toward optimal allocation of profits and sustained growth.

In particular, we plan to carry out merger and acquisition (M&A) activities aggressively to grow business resources further and contribute to the Group's future growth.

Furthermore, we have identified clearly our plans to contribute

actively to addressing social and environmental challenges through business activities, as a sustainability strategy. While sustainability involves diverse issues, we believe that we should focus most on contributing to a sustainable society through our priority of construction technologies.

We will also focus on promoting education and awareness concerning human rights, seeking to secure competitive advantage and increase corporate value by leveraging the power of a diverse workforce in business activities. By delivering new value to society based on these measures, we will realize further growth aiming to be a company that contributes to solutions to society's challenges and earns the trust of customers.

## Carbon neutrality initiatives

In today's dramatically changing society, not only do efforts in areas such as human rights and the environment help mitigate business risks, but they also contribute to differentiation from the competition and earning more trust from customers, as well being extremely important to increasing the Company's social value in the future. The need to realize sustainability is a shared issue worldwide, and carbon neutrality can be described as a goal toward which the entire world is working.



The Group long has made progress on efforts to lessen its environmental impact, through means such as controlling carbon dioxide emissions, putting natural resources to efficient use, and reducing wastes. In November 2021, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB), and joined the TCFD Consortium, which has been established as a forum for discussions of initiatives based on the TCFD recommendations. This Corporate Report 2022 discloses information on the Company's responses to climate change in the four areas of governance, strategy, risk management, and metrics and targets recommended by the TCFD. It also discloses information on carbon dioxide emissions from business activities.

In the future, in addition to further enhancing disclosure, we will proactively carry out initiatives to control carbon dioxide emissions and to realize carbon neutrality by 2050.

Responding to environmental issues is an important subject of management, and it is vital that each and every Group executive and employee do business with an awareness at all times of the need to help realize a better global environment in the future. The Group will continue to carry out diverse activities toward sustainable growth and report on their results in the future as well.

## ESG management prioritizing human resources

Human-resource initiatives are considered the most important part of the Group's ESG management. We are promoting various measures aimed at building environments in which all people involved in the Group's businesses can realize sustainable growth. We are developing an environment to enable diverse work styles with an emphasis on work-life balance, as we strive to balance both enhancement of the working environment and productivity improvements.

Our aims are to improve the professional strengths of each and every Group employee, make each more attractive and appealing, and make the entire Group a more attractive place, by building comfortable working environments. We expect employees to be able to grow and bring about innovation on their own through creativity, as we

provide them with various opportunities to take on new challenges. We are confident that an organization in which diverse employees can demonstrate their diverse abilities will enable the Group to realize sustained growth through numerous growth opportunities and innovations.

In the future as well, we will share growth and enrichment with all people who support the Group, through various measures, while never ceasing to value the Company's unique essence.

## Enhancing the governance structure and initiatives

Today, as corporate responsibilities to society grow increasingly important, it is vital that all executives and employees conform to the rules of the business world generally respected in society and live up to the trust of society.

Together with ensuring that activities based on principles (such as the corporate vision we have followed since our founding and the code of conduct) permeate the entire Group as the foundations of our corporate culture, we are conducting our business activities guided by high ethical standards and respect for all human rights. We are also continually seeking to enhance our corporate governance structure, as one that ensures both transparency and fairness.

The role of outside Directors is becoming increasingly important. Since June 2021, the Company Board of Directors has consisted of 10 inside Directors and five outside Directors. This has resulted in highly active exchange of opinions in the Board, through a structure that enables evaluation of diverse business risks from multiple perspectives. We are able to receive opinions on management based on the diverse experiences and backgrounds of individual Directors. In formulating the new medium-term management plan as well, we were able to proceed with planning from diverse points of view, as outside Directors pointed out various matters and provided advice.

To help achieve the sound, sustainable growth of the Group and increase our corporate value over the medium to long term, while meeting the expectations of our diverse stakeholders and enhancing structures to enable the effective functioning of governance, we have established a Basic Policy on Corporate Governance. We will make steady progress toward the realization of a governance structure that demonstrates the functions required to adapt swiftly to future changes in business activities.

In conclusion, I would like us to recall that the Company has been able to increase the value of its existence over the years by delivering solutions to social challenges through our proprietary technologies. Our history since our founding in 1943



is one of growth as a company that offers proprietary technologies that nobody else can offer, through continuing to take on challenges in response to the needs of society at all times.

In the future as well, we will continue aiming to realize sustainability both in the Company and in society by remaining a company that creates new value for society by meeting its diverse, changing needs.

We would appreciate your continued understanding and support of the Raito Kogyo Group into the future.

# "Raito 2024" medium-term management plan

Under our management philosophy of "Continuing to take on the challenge of creating new value," the Raito Group aims to be an enterprise that is essential to our stakeholders, by being constantly creative. This medium-term management plan identifies as its fundamental policy "Creating new value and realizing sustainable growth through taking on the challenges of new fields." It aims to establish new foundations for growth by promoting digital transformation (DX) and technology development, to contribute to building a sustainable society through our proprietary technologies, and to realize the sustained growth of the Group.



## Fundamental policy of the Medium-Term Management Plan (2022-2024)

### Position of the fundamental policy

A roadmap for planning toward realization of the management vision and contributing to the Sustainable Development Goals (SDGs)

### Basic policy

Creating new value and realizing sustainable growth through taking on the challenges of new fields

**01** Establishing new foundations for growth through development of technologies to lead the digital society

**02** Contributing to environmental protection and a suitable society through proprietary technologies

**03** Co-creation of value with multiple stakeholders

### Numerical management targets

	Results: FY2021(consolidated)	Target: FY2024(consolidated)
Net sales (100 million yen)	1,095	1,200
Operating profit (100 million yen)	132	135
ROE	11.4%	10% or above
Dividend payout ratio	31.0%	35% or above

## Three priority strategies

### 1 Business enhancement strategies

**1** Strategies for strengthening the specialized civil engineering business

#### Enhancing comprehensive strengths toward further growth

- Creating new pillars through strengthening in the repair and reinforcement fields
- Improving productivity and quality through further use of ICT
- Further development and promotion of technologies to help prevent disasters due to climate change

**3** Strategies to strengthen international businesses

#### Sustained growth toward a level of about 10% of total sales

- Securing business volume through maintenance and growth in existing markets and entering new markets
- Further strengthening of organizational structures through enhancement of human and physical resources
- Building new alliances and further promoting localization

**5** Strategies to enhance health and safety

#### Building a culture of safety linked to sustained growth

- Enhancing safety management activities to put human lives and safety first
- Promoting online migration of operations to realize swift, accurate communication
- Stimulating health and safety activities to realize work-style reforms

**2** Strategies for strengthening the construction business

#### Further growth through enhancing comprehensive adaptive strengths

- Improving quality and reliability thoroughly, from design through renovation
- Strengthening management resources and improving structures, to grow business areas
- Measures targeting high-value-added buildings with high environmental performance, such as zero-emission buildings

**4** Strategies for strengthening R&D

#### Promoting technology development for sustainable growth

- Rebuilding business systems by further promoting DX
- Developing technologies to protect the natural environment
- Strengthening co-creation and promoting accelerated development

### 2 Management, finance, and investment strategies

**1** Management and finance strategies

#### Establishing a strong financial standing and securing human resources to support corporate growth

- Generating appropriate returns and funds availability through strategic use of funds and CCC improvements
- Realizing forward-looking investment with an eye toward overall optimized allocation of profit and sustained growth
- DX promotion to create a new normal

**2** Strategies for investing in growth

#### Realizing forward-looking investment with an eye toward sustained growth

- Promoting M&A to grow management resources
- Forward-looking investment in R&D and creation of innovative technologies
- Aiming for business continuity and environmental contributions by investing in ESG and the SDGs

### 3 Sustainability strategies

#### Actively contributing to social and environmental issues through business activities

- Co-creating the foundations of a sustainable society through advanced construction technologies
- Securing safety and peace of mind in society and realizing a society where everybody can thrive
- Further enhancing responses to climate change and environmental impact reduction
- Promoting human-rights training and awareness

## Policy on returns to shareholders

While our basic policy of maintaining stable, sustained dividends from a long-term perspective will continue, we will aim to increase the payout ratio in stages during the period of the medium-term management plan, toward a target of at least 35% by FY2024, the final year of the plan, to share with shareholders the results of growing net income attributable to shareholders.

(Reference) Trend in dividend payout ratio in FY2019-2021

	FY2019	FY2020	FY2021
Dividend payout (yen/per share)	41.0	50.0	54.0
Dividend payout ratio (%)	30.1	30.0	31.0

# Section growth strategies

## Civil engineering

Increasingly severe natural disasters are an important subject in society today. In the civil engineering business, the Company aims to build social capital to realize high quality and safety, using our proprietary disaster prevention and mitigation technologies. In the area of updating aged infrastructure as well, we will contribute to society by building safe, reliable infrastructure and providing high-quality products through reliable construction work.



Senior Managing Director and General Manager of Sales of Construction Business Division  
Kohei Kawamura

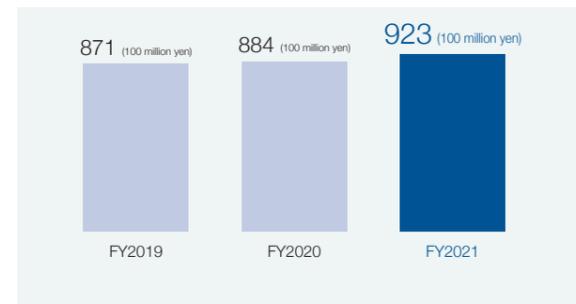
Director and General Manager of Construction Engineering Division  
Osamu Kawamoto

### Looking back on the previous medium-term management plan and FY2021

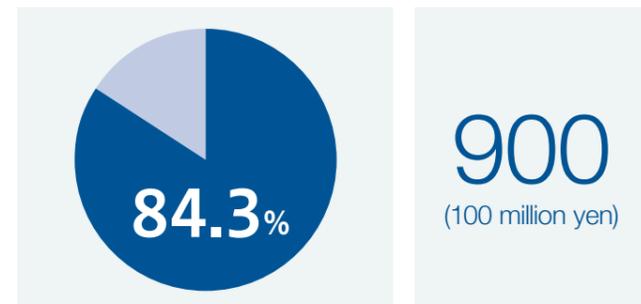
Based on a fundamental policy of increasing corporate power toward sustained growth, under the previous medium-term management plan Raito 2021 we promoted technology development and strengthened market development, as solutions to various management challenges. In its final fiscal year of FY2021, we put to practical use various technologies to enable productivity improvements and work-style reforms. In fields related to disaster prevention in particular, we brought to market solutions such as the Automatic-ShotR fully automated spraying system and an ICT mortise management system to improve efficiency in management of mortising work.

A look at business results during the period of the previous medium-term management plan shows substantial growth in repair and reinforcement as well as slope disaster prevention and ground improvement work, as performance grew in the civil engineering business as a whole. Major factors driving business results included growth in direct orders for public works projects and in construction orders from private firms.

#### Trend in net sales



#### Share of net sales accounted for by domestic civil engineering sections FY2021 orders awarded



### Strategies toward realizing the medium-term management plan

- Aiming for further improvements in productivity, we will accelerate current efforts to improve productivity through DX and automated construction as well as introducing and using technologies to contribute to work-style reforms.
- In the future as well, we will aim for sustained growth through nationwide deployment of repair and retrofitting work as a pillar of our business strategy.
- We expect considerable market demand for ground improvement work in the future. We will aim for further growth by actively proposing solutions using our proprietary construction methods and utilizing management resources efficiently.
- Securing a workforce for the construction industry in the future is a pressing issue. We will promote active use of the construction career development system, as basic infrastructure for promoting the hiring of young workers and evaluating the abilities of skilled workers.
- Climate change is an issue that all businesses need to address, and we will promote decarbonization efforts on construction sites actively. In particular, we will focus on reducing CO2 emissions from fuel used in construction and strive to control overall emissions.

#### FY2021 construction results



## Construction

The construction industry, and the Company itself, needs to deliver homes in which people can live with peace of mind and comfort. Considering thorough maintenance of safety and quality to be necessary conditions of business continuity, we will aim to deliver high levels of customer satisfaction by increasing new value for strengthening relations of trust with customers and realizing sustained growth.



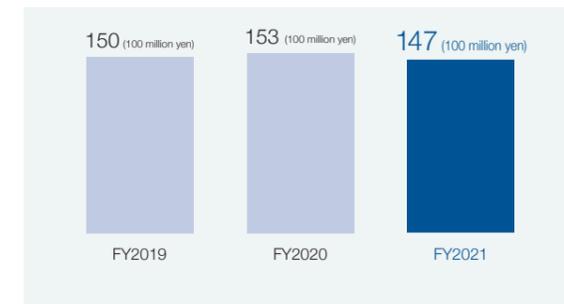
Managing Director and General Manager of Construction Business Division  
Akinobu Yamamoto

### Looking back on the previous medium-term management plan and FY2021

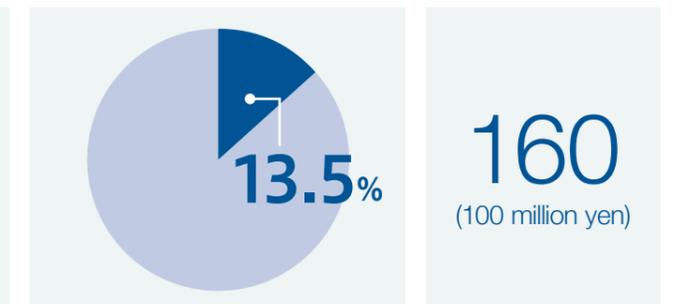
We achieved a degree of results and grew business volume through the measures of expanding business areas, strengthening nonresidential sections, and entering the market for public works projects identified under the fundamental policy "Improving corporate strengths for sustained growth" of the previous medium-term management plan. At the same time, we continue to face issues on the subject of strengthening the renovation business, in the areas of price competitiveness and customer development, due to an increasingly difficult environment for securing orders.

In addition, while we aimed to secure labor and improve our abilities in technology, sales and proposals, and cost competitiveness, by forming alliances with business partners to adapt to changing environmental conditions, these efforts will continue as they have not yet reached their goals. A look at the performance of the construction business in FY2021, the plan's final year, shows that orders awarded largely were as planned, despite concerns about a decrease in orders due to decreased projects under planning as a result of the COVID-19 pandemic, and construction work proceeded steadily without being affected, and as a result construction, sales, and gross profit went according to plan.

#### Trend in net sales



#### Share of net sales accounted for by domestic construction sections FY2021 orders awarded



#### FY2021 construction results



### Strategies toward realizing the medium-term management plan

- Aiming to achieve the fundamental policy "Creating new value and realizing sustainable growth by taking on challenges in new fields" of the new medium-term management plan Raito 2024, we will promote the strategy for strengthening the construction business for enhancing comprehensive strengths toward further growth.
- As a course of action for growth, we will aim to develop structures for growing business volume and establishing foundations for earnings over the coming three years. We will establish a new design section and actively promote the use of building information management (BIM), aiming for sustainable relationships with customers from design and construction through building maintenance and management support and renovation.
- As efforts to increase corporate value further, we will raise awareness of construction for carbon neutrality through proposing energy saving and energy creating buildings through ZEB and zero-emission house (ZEH) accreditation and strengthening our abilities to propose building reuse and recycling.
- We will strive to train attractive human resources with the broad-ranging perspective needed to adapt to difficult environmental changes in the future, as we continue efforts to realize sustainable growth.

# Section growth strategies

## International

We will leverage the wealth of experience and specialized technologies that we have built up as a specialist in ground improvement and slope work in Japan to contribute to infrastructure improvements and disaster prevention around the world. Currently, our main foreign markets are U.S.A., Vietnam, and Singapore. Over the medium to long term, we will work toward sustained growth of international businesses to reach a level of about 10% of total sales.



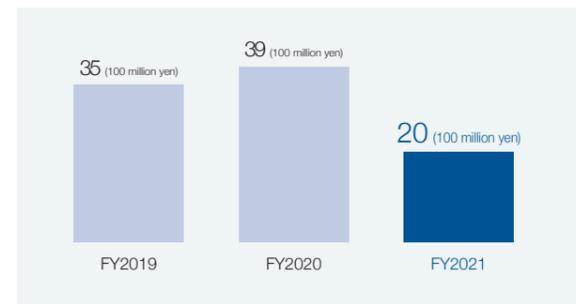
Director and General Manager of Overseas Business Division  
Satyuki Yamaane

### Looking back on the previous medium-term management plan and FY2021

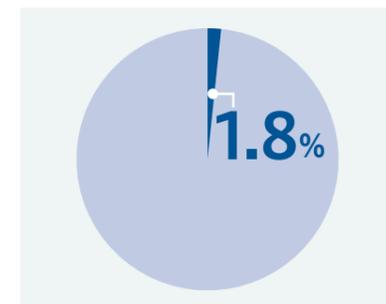
Under the previous medium-term management plan (2019-2021), we were able to grow business results centered on North America in FY2019 and FY2020, but in FY2021 the COVID-19 pandemic, which continued from FY2020, had a major impact, and results declined due to the lengthening effects of the temporary slowdown in the market on both orders and construction.

Regarding strengthening of alliances with local partners, which is one of our growth strategies, we were able to build a foundation for sustained growth in the Vietnam market by concluding an agreement on a capital and business tie-up with a major local foundation construction firm. Although we achieved a degree of results from orders awarded for ground improvement work in connection with subway construction, this will begin fully to impact business results beginning in the medium-term management plan taking effect in FY2022.

Trend in net sales



Share of net sales accounted for by domestic international sections



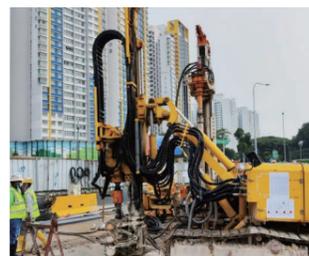
FY2021 orders awarded



### FY2021 construction results



Mississippi River (U.S.) west bank levee repair and reinforcement (ground improvement)



North-South Corridor Expressway (Singapore) N109A (ground improvement)



Ho Chi Minh City (Vietnam) subway Line 1 CP1A (ground improvement)

### Strategies toward realizing the medium-term management plan

Sustained growth toward a level of about 10% of total sales

- Together with the maintenance and growth of existing markets in each region (U.S., Vietnam, Singapore), we will strive to secure business volume by entering new markets through expansion of sales areas and types of construction offered. In the U.S., we will focus on sales activities in the Gulf of Mexico region in addition to the West Coast. In Vietnam, in addition to chemical injection and jet grout we will enter the new market for deep-earth mixed treatment.
- To strengthen the organizational structure further through enhancement of human and physical resources, along with increasing hiring of local engineers and technicians, we also will carry out necessary capital investment actively to strengthen the construction structure for growth in business scale.
- To form new alliances and promote localization, we will aim to strengthen sales alliances with local firms to grow our sales network in the U.S. In Singapore, we will strive to improve our cost competitiveness through further promotion of localization of the construction structure by hiring more local technicians.

## Research and development

In 2022, the R&D Center, intended to serve as the Company's new R&D base, marked its fifth anniversary. In the future as well, it will continue to develop technologies for new solutions by taking on increasingly complex challenges at a deeper level as a team of specialists, centered on civil engineering work (ground improvement, slope disaster prevention, repair).



Managing Executive Officer and General Manager of Development Division and General Manager of DX Promotion Office  
Koichi Yokota

### Development topics

Priorities and issues requiring solutions change with changing social conditions. Issues that need to be addressed with priority include responding to low birth rates and the ageing of society, controlling maximum overtime hours for work-style reforms, and a major transformation in energy structures (carbon neutrality). In particular, diminution of human resources due to factors such as decreasing numbers of new hires and retirement of skilled workers is an issue for which the Company, which depends in many ways on construction work powered by human beings and the expertise of skilled workers, needs to deliver a solution as a top priority for purposes of business continuity.

Since it opened, the R&D Center has advanced development toward solutions to these challenges. In addition, although it has not yet achieved all-encompassing solutions, it has developed technologies that have contributed to progress toward solutions in some areas. In the future as well, it will aim for further improvements by developing even better technologies through repeated identification of issues and making improvements to address them.

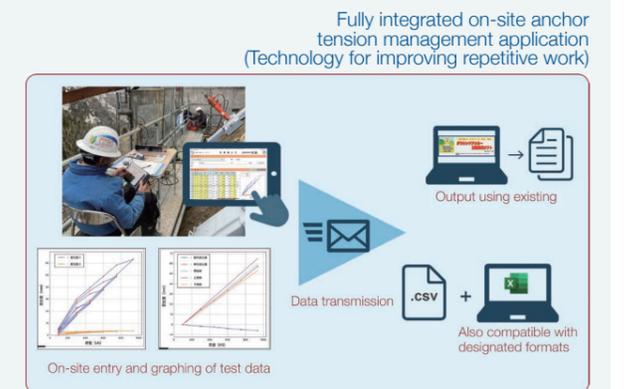
### Typical technologies



Rock bolt mortising system  
Remote sky drill  
(Labor and energy saving technologies)



Aqueduct tunnel (existing hydroelectric power generation equipment) lining system  
(Technology to promote renewable energy)



### Strategies toward realizing the medium-term management plan

The strategies to strengthen businesses in the medium-term management plan include the following action plans, with promoting development of technologies for sustainable growth as the pillar of R&D strategy:

- Rebuilding business systems by further promoting DX
- Developing technologies to protect the natural environment
- Strengthening co-creation and promoting accelerated development

These action plans are interrelated. None of them can be achieved entirely in isolation.

To achieve this plan, it is essential to gather information from multiple directions and build development relationships with multiple partners. Today, we are moving forward with participation in various construction platforms, strengthening our networking with companies in new fields and startups. From now on, we will enhance multifaceted initiatives further, without being bound by traditional development structure frameworks.



## Balancing efforts to counter slope failure with tree conservation and growth

The Rokko Mountains are a mountain range stretching about 30 km from Takarazuka in the east to Kobe's Tarumi Ward in the west. They rise steeply to an elevation of 931 m at the peak of Mt. Rokko, just about 7 km from the coastline. Geologically consisting mainly of weathered granite and home to numerous active faults, this area is highly susceptible to torrential downpours.

At the same time, urbanization is advancing from the plains toward the mountains in the area of the Rokko Mountains, and the cities of Kobe, Nishinomiya, Ashiya, and Takarazuka in the area under the office's jurisdiction are home to about 2.3 million people. Its key transportation network including JR and other railways, National Highway 2 and other main roads, and the Port of Kobe, support east-west economic exchange. A soil disaster here could cause extensive damage.



## Playing a role in the Rokko Mountains greenbelt improvement project

The Rokko Erosion Control Office of the Ministry of Land, Infrastructure, Transport and Tourism's Kinki Regional Development Bureau is responsible for erosion-control work in the Rokko Mountains. The office's Rokko Mountains greenbelt improvement project aims to prevent soil disasters while also maintaining and developing attractive urban environments, scenic beauty, ecosystems, and biodiversity. Its aim is not only to improve slopes to protect homes and other properties from slope collapse but also to preserve and grow healthy woodlands by retaining existing trees as much as possible. Raito Kogyo is carrying out Motoyama-cho Okamoto District 1 slope construction work and Fukiai District 3 slope construction work ordered as part of the Rokko Mountains greenbelt improvement project. This hillside work employs the ES Net construction method to prevent landslides on the slope while retaining existing vegetation. The ES Net construction method uses wire cables processed on site to retain the natural ground. This means that it can be installed even on natural slopes without impeding tree growth, balancing both slope disaster prevention and preservation and growth of natural slope trees.



## Raito Kogyo's ES Net construction method\*

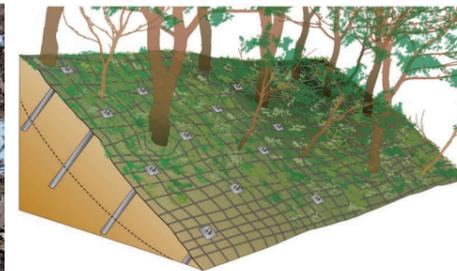
The ES Net construction method is a method for preventing surface collapse suitable for use on natural slopes and mountain faces at risk of surface slides. By installing rock bolts (steel rebar or self-drilling anchors) through the slope's unstable earth layer and using plates to hold down the joints of wire cables stretched in a lattice, it can control ground loosening and prevent surface collapse. Since the wire cables are processed on site, the work can be conducted while leaving existing trees in place.

This method also differs from existing methods in that it involves almost no tree cutting, greatly reducing the amount of cut timber that needs to be disposed of. As a result, it makes it possible to reduce CO2 emissions by decreasing industrial wastes.

Ninety percent of slope collapse in Japan occurs at thin layers up to 3 m deep. The ES Net construction method is well suited to preventing the collapse of surface layers made up of earth such as topsoil, collapsed earth, and weathered rock. Raito Kogyo has employed the ES Net construction method since 2011, using it on approximately 47,000 sqm in work directly ordered by the Rokko Erosion Control Office alone.



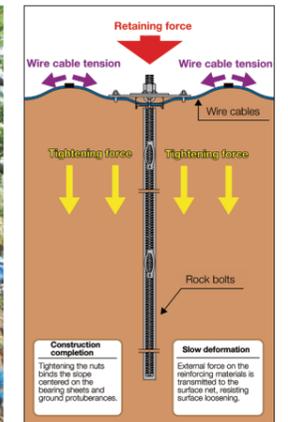
ES Net construction method



Illustration



Rock bolt installation



Slope reinforcement mechanisms

\* NETIS registration no. KK-120057-VE

## Strengths of the ES Net construction method

<b>Eco friendly</b>	Since the wire cables are processed on site, construction can be conducted while retaining trees even on natural slopes.
<b>Active prevention of ground loosening</b>	This method is highly effective at preventing collapse by installing rock bolts in the ground to bound the ground using connected wire cables and actively holding the earth in position.
<b>Preventing runoff of surface earth</b>	Since the wire cables are installed tightly on the ground, they help to spread out high surface water flow and prevent the runoff of surface earth.
<b>Economical and highly feasible</b>	Since the parts and materials are simple and lightweight, this method is highly feasible and economical to carry out.
<b>No need for ground excavation</b>	Since this method is compatible with uneven slopes, it requires no ground excavation. This means it is an eco-friendly construction method that minimizes terrain deformation.

## Construction site carbon neutrality initiatives

We are promoting energy conservation in the construction stage as a carbon neutrality initiative on Company construction sites for projects under the jurisdiction of the Rokko Erosion Control Office. To realize carbon neutrality, it is vital not only to increase CO2 absorption by protecting forests and increasing green land but also to reduce CO2 emissions from business activities. For this reason, projects under the jurisdiction of the Rokko Erosion Control Office strive to reduce CO2 emissions through the use of solar power, biomass fuel to replace diesel, and EVs. Through efforts to preserve and grow healthy woodlands through the Rokko Erosion Control Office's greenbelt improvement project and the Company's CO2 emissions reduction initiatives at the construction stage, we are promoting efforts toward carbon neutrality throughout the entire project. We plan to expand similar efforts nationwide in the future, using the projects under the jurisdiction of the Rokko Erosion Control Office as model projects.



## Decarbonization initiatives at construction sites

### The Ministry of Land, Infrastructure, Transport and Tourism's carbon neutrality initiatives

The Action Plan of the Growth Strategy approved by the Cabinet Office, aiming for carbon neutrality by 2050, calls for incorporation of comprehensive efforts, including the realization of carbon neutrality in construction work. The Ministry of Land, Infrastructure, Transport and Tourism is also advancing initiatives such as the MLIT Green Challenge.

These call for replacing existing efforts such as those to improve construction efficiency by adopting ICT construction and improving fuel efficiency based on diesel engines with new initiatives such as spreading ICT to construction SMEs and expanding the use of innovative construction machinery (such as that powered by electricity, hydrogen, and biomass fuel), including identifying their use as a principle of construction. It identifies construction projects under the ministry's direct management as model projects for evaluating corporate carbon neutrality initiatives.

### Use of diesel alternative fuels with low environmental impact

Construction work uses various types of energy. In most cases, the most common fuel used is diesel, as fuel for construction machinery. Diesel accounts for about 80% of the Company's CO2 emissions from energy use. For these reasons, reducing diesel used in construction is an effective way to reduce our CO2 emissions.

The Motoyama Okamoto District 1 slope construction work and Fukiai District 3 slope construction work ordered as part of the Ministry of Land, Infrastructure, Transport and Tourism's Kinki Regional Development Bureau Rokko Erosion Control Office Rokko Mountains greenbelt improvement project are reducing CO2 emissions by using diesel alternative fuels and electricity instead of the diesel and gasoline traditionally used to power construction machinery such as compressors and monorails.

GTL fuel is being used as an alternative to diesel. GTL is a compound fuel made from natural gas, which has CO2 emissions 8.5% lower than those of CO2. Other advantages of GTL include its suitability to long-term storage and its low odor. It can be used largely in the same ways as diesel.

We are moving forward with adoption of RD fuel, a biomass fuel, for the future. RD fuel is produced from raw materials such as waste cooking oil and animal and vegetable oil. It is an eco-friendly fuel that reduces CO2 emissions by approximately 90% based on life-cycle assessment. While currently we are studying and surveying adoption of RD fuel on site, we are proceeding with preparations such as replacing one fuel storage tank on site with an RD fuel tank, and we aim to adopt the fuel on site in the near future.



The Company supports these initiatives, and in work under the jurisdiction of the Rokko Erosion Control Office of the Ministry of Land, Infrastructure, Transport and Tourism's Kinki Regional Development Bureau we are advancing initiatives including the use of solar power on construction sites, use of fuels with low environmental impacts instead of diesel and gasoline, and use of EVs.

### Use of EVs on construction sites

We used EVs to communicate with employees on site. We have installed EV charging stations at site offices to make regular use of EVs more convenient and provide an uninterrupted source of power for mobility in a disaster. Partner companies use hybrid vehicles to reduce CO2 emissions during commuting.



### Use of solar power

Most of the power used in site break areas comes from solar power. We use solar power for lighting, refrigerators, power outlets, beacons, and other electrical items. Combination of solar panels with storage units makes it possible to use renewable energy with stability regardless of fluctuations in power generation.



Solar panels combined with storage units

Internal power storage units

### Use of a monorail powered by GTL fuel and solar power

Most temporary monorails installed to transport materials on construction sites are powered by gasoline.

In this project, though, we are reducing CO2 emissions using a monorail designed for diesel fuel, powered using GTL fuel. We also have adopted a battery-powered electric monorail, which reduces CO2 emissions by charging the batteries with solar power.



## Voice



West Japan Branch Office  
Construction Technology  
Division  
General Manager  
Takeshi Segawa

The Ministry of Land, Infrastructure, Transport and Tourism has introduced carbon neutrality initiatives and a scoring program through overall evaluation, and we expect decarbonization initiatives to be essential in the future.

Since many employees and skilled workers commute to the site by car, we consider the use of EVs to be an effective way to promote decarbonization initiatives on site. We would like to increase the number of EVs and install more charging stations, but securing vehicles is a challenge at present due to short supplies as a result of recent chip shortages and other factors. In the future, we plan to increase the number of EVs and install more charging stations, as well as switching from hybrids to EVs, as soon as the EV supply situation has been remedied.



West Japan Branch Office  
Construction Technology  
Division  
Construction Technology  
Department No. 1  
Construction General  
Manager  
Hideyuki Wada

Diesel fuel accounts for a large share of the CO2 emissions from business activities of a construction company, and the entire industry recognizes the need to reduce diesel use.

Currently, GTL fuel makes it possible to switch smoothly from diesel, since it can be used in engines and equipment traditionally powered by diesel without modification and is priced roughly the same as diesel. An additional advantage is the fact that it emits less odor than diesel fuel. Use of RD fuel at individual construction sites is an innovative decarbonization initiative. While it does involve issues in areas such as means of supply and price, we will overcome each individual issue as it arises.

With regard to solar power, we are considering adoption of precise management methods in areas such as visualization of power generation and rates. In the future, we will aim to play a leading role in initiatives to lessen the environmental impact on construction sites, by promoting carbon neutrality initiatives in various forms.



Outside Director Takeshi Nagata, Outside Director Hiromi Shimizu, President Kazuhiro Akutsu, Outside Director Hiromi Asano, Lead Outside Director Makoto Shirai

## Aiming for sustainable development with confidence, as a company supporting Japan's national infrastructure

We gathered together four outside Directors with diverse backgrounds and achievements for a freewheeling exchange of opinions with President Akutsu about Raito Kogyo's efforts through now and the issues it faces as well as future prospects, based on each of their outstanding levels of knowledge and perspective.

\* Conducted September 15, 2022 Efforts were made to stop the spread of COVID-19 during the discussion, for example by requiring that participants wear masks.

### A new impression of Raito Kogyo

**Akutsu** Thank you very much for taking time out of your busy schedules to gather here today. While we have prepared a variety of topics for this discussion with outside Directors, let's start with how your take on the Company has changed since joining us. Would you please go first, Director Shirai, since you are our first outside Director when you took office in 2016?

**Shirai** My impression of Raito Kogyo was that of a company with a track record in surface work and a unique position in the market. After joining the Company, I learned that in fact it also works on important public infrastructure such as roads, ports, airports, and bridges. I now have a stronger image of the Company as one that plays an essential role in society, by building national infrastructure that supports our lives and keeps us safe.

**Akutsu** Thank you very much. Directors Shimizu, Nagata, and Asano have been with us one year, since joining in June of last year. Have your impressions of the Company changed?

**Shimizu** While my impression of the Company as one that does business with a strong consciousness as an enterprise building the national infrastructure remains unchanged from before I joined the Company, I have also learned new things about the Company in the past year, such as the scale of its construction industry initiatives and

their growth, and the fact that it is taking on new challenges in areas such as growing its global businesses, particularly in Asia.

**Nagata** My impression of the Company was that it was one that played an important role in specialized civil engineering such as surface construction and ground improvement, which are essential to improvement and recovery of social infrastructure in a country like Japan that is highly susceptible to natural disasters. Recent years have seen frequent large-scale natural disasters on scales unforeseeable based on past experience, and it seems to me that Raito Kogyo is growing even more important to society as a result.

**Asano** While before I joined the Company, I knew that it played a vital role in society through maintenance and development of the national infrastructure that supports our lives and keeps us safe, this impression has grown even stronger since I joined the Company and learned more about what it actually does. It also seems to me that we need to ensure that this is more widely known.

### Roles of outside Directors

**Akutsu** Demonstration of the functions of the Board of Directors is one important part of the Corporate Governance Code revised last year. While it concerns independent outside Directors, I would like to ask what you think about the roles of outside Directors.

**Shirai** Advice and oversight: I think that these are the key terms for outside Directors. Advice means to utilize the specialized knowledge that each of us possesses to advise the Company from fresh perspectives. I see oversight as the task of looking, from a fair and objective point of view, at whether management decisions lead to appropriate business execution and increasing corporate value for various stakeholders. This is why the diversity of outside Directors is so important.

**Akutsu** Director Shirai, you advise chiefly on corporate governance, based on your knowledge and experience with the Ministry of Finance and the Financial Services Agency and as an attorney. Director Shimizu, your specialties are in IT and digital transformation (DX). Would you please give us a brief summary of your experience and tell us what you think is the role of an outside Director?

**Shimizu** After joining Fujitsu, I spent about 10 years training system engineers (SEs) in the system integration (SI) section. Later, I worked in areas such as organizational reforms and DX from an HR perspective in the human-resources section, and after a resulting spinoff I was named president and CEO of the new company. President Akutsu, you too have spoken of your expectations for DX in Raito Kogyo. While the term DX involves various aspects, it is very important to consider how to transform the organization and management as a whole efficiently. Today, I aim to observe numerous initiatives and provide advice based on my experiences. I also believe that the task of checking things from an independent perspective to which Director Shirai referred, is an important responsibility of an outside Director.

**Akutsu** Director Nagata, what do you think about this discussion, based on your 40 years of experience in national tax administration.

**Nagata** I have come into contact with the actual business conditions of numerous companies in my experience in government. In some of these cases, compliance was underestimated. Business activities must be fair and sound. I believe that our mission as outside Directors is to actively provide advice concerning whether or not the decisions of the Board of Directors are valid and impartial, from impartial points of view as outsiders.

**Akutsu** Thank you very much. Director Asano, at the Ministry of Health, Labour and Welfare, you worked in planning policies on subjects such as human-resource development, career education, promoting women in the workplace, and work-style reforms. What do you think is the role of an outside Director, based on your wide-ranging management experience?

**Asano** To begin with, I would like to contribute in areas such as employees' ways of working (how the Company uses them), HR development, HR management, and organizational management. Furthermore, I would like to consider thoroughly whether Raito Kogyo's initiatives as a company are meaningful and whether they are expressed both internally and externally in understandable ways, and whether Raito Kogyo is demonstrating to the fullest its power to deliver solutions to social challenges.

### Initiatives as a company listed on the Tokyo Stock Exchange Prime Market

**Akutsu** The Company was chosen for listing of its shares on the Prime Market in the reorganization of the Tokyo Stock Exchange in April 2022. I would like to hear your views on what are our most important responsibilities as a company listed on the Prime Market.

**Shirai** I think that companies on the Prime Market need to lead Japanese industry in their individual fields. Raito Kogyo bears a heavy responsibility in light of the essential roles it plays in society of keeping our national infrastructure safe and maintaining and building infrastructure for living. Surely, we need to explain this attitude to stakeholders in understandable, persuasive ways.

**Shimizu** Surely the fundamentals of governance include compliance and disclosure. It is also vital to make the corporate structure more flexible, through means such as diversity and work-style reforms. But I believe that what in fact is of utmost importance are planning and realization of continual aggressive growth strategies, technological development, and other efforts, from the perspective of what is most attractive to investors.

**Nagata** Of course, a company chosen to the Prime Market needs to maintain a higher level of governance and engage in constructive dialogue with global investors. While of course this includes improving business results, I think it is particularly important to disclose information fairly and accurately while pursuing transparency in business activities.

**Asano** As you say, a company on the Prime Market needs to try harder than others. I believe that this means that instead of simply doing things right, it needs to seek to reach a higher level at all times and communicate this to various stakeholders and society in an understandable way.

**Akutsu** Thank you very much. As a company on the Prime Market, we intend to enhance disclosure further in the future as well. In addition, regarding the subject that was brought up of initiatives in areas such as growth strategies and technology development, we believe that in communicating with stakeholders in addition to publishing medium-term management plans it is important to provide progress reports.



### Responding to the amended Corporate Governance Code

**Akutsu** The Corporate Governance Code was amended last year. While these amendments involved numerous points, I would like to hear your opinions on which topics Raito Kogyo should focus on in particular.

**Shirai** Of these three points, I believe that demonstration of the functions of the Board of Directors is of particular importance. As the roles demanded by investors, markets, and other stakeholders change and intensify in the future, I believe that it is essential to enhance the functions of the Board of Directors further. This is a topic that will remain important in perpetuity, and surely the Board of Directors will need to reflect on and improve itself unceasingly.

**Nagata** Raito Kogyo has adopted a basic policy on corporate governance that commits us to ensuring the soundness of Company management structures and systems at all times, and it is developing structures to realize this policy. I believe that topics for the future include continual verification and analysis of matters such as the practical state of initiatives to address individual issues and building up results while making resolute decisions on revisions as necessary, to ensure that this policy takes firm root in the organization.

**Asano** Demonstration of the functions of the Board of Directors can be summarized as effective discussions in the Board. For this purpose, I believe that it is important to engage in exchange of opinions and information with exercise Directors and others on an everyday basis while also stimulating communication between outside Directors.

**Shimizu** I think that sustainability also is an important topic for a company that plays a central role in the Basic Plan for National Resilience. In particular, I believe that it is essential to support decision-making to proceed swiftly with practical environmental-protection initiatives.

### Diversity initiatives

**Akutsu** Next, I would like to ask you your thoughts on how Raito Kogyo can secure diversity in the future.

**Shirai** I believe that initiatives to secure diversity by bringing together people who have diverse backgrounds, expertise, and experience, while sharing values such as Company traditions and history, will provide important hints for building a resilient corporate structure.

**Shimizu** In thinking about diversity, it is important to set goals in areas such as promoting women and developing global human resources, and to monitor the state of their progress. In the civil engineering field in

particular, I think that promoting women engineers would be effective for both alleviating the labor shortage and developing human resources.

**Asano** While securing diverse human resources is the first step, that alone is not enough. Also important is the next step of inclusion management—developing structures under which diverse human resources can contribute to management by demonstrating their own individuality.

**Akutsu** In the area of promoting women in the workplace, since 2016 we have made progress on hiring women in career-track positions, centered on technical positions. But it is a fact that there is a decreasing trend in the number of human resources seeking careers in construction and civil engineering. This is not limited to women alone. Currently, we are actively striving to secure human resources, regardless of whether they have backgrounds in the humanities or the hard sciences. With regard to actively promoting and utilizing human resources, we are considering measures such as internal training to deepen their understanding and surveys on what employees need.



### Initiatives to pass along skills and develop human resources

**Akutsu** Next, on the subject of passing along the Company's skills and developing its human resources, the Company got its start in 1943 when it entered the business of tunnel waterproofing, establishing its own proprietary methods of preventing leaks. Since then, it has contributed to society as a leader in specialized civil engineering work, and in 2018 we opened the R&D Center to develop and publicize new technologies. But even today, our fundamental stance continues to be based on the belief that it is in the field that we will find both challenges and answers to them. I believe that it is experience overcoming highly difficult challenges on site that will lead to the passing along of skills and human resource development.

**Shirai** Previously, I visited individual branches and offices for exchange of opinions. I was very impressed by the large number of comments on how to preserve and pass along, efficiently and reliably, the skills and expertise built up by our predecessors. It seemed to me that the Company should take more active measures to preserve and pass along using computer systems information on subjects such as the expertise and construction technologies possessed by individual branches and offices, or by individual workers.

**Asano** While teaching too is important in human-resource development, I think that it is even more important to communicate to employees the importance of learning. This refers to communicating thoroughly what kinds of roles they are expected to play, what kinds of knowledge and skills they should master, and why these are essential.

It also is important to provide opportunities to demonstrate the abilities and skills they have attained and to prepare structures for evaluating what they have learned.



### Contributing to environment and society through our businesses

**Akutsu** Please tell us about your assessment of and views on how the Company contributes to society through its businesses. A typical example is our deployment of greening technologies as one way of preventing slope collapse, which we began around 1960. Later, we developed and promoted a succession of construction methods such as ones that enable greening of sites where it is difficult to plant vegetation, such as rock slopes, and recycling-based methods that put cut timber and other resources to effective use.

**Shirai** I think that the Company's current activities to contribute to the environment are wonderful. I think, however, it remains to be seen whether the Company could earn even greater support from society by publicizing these initiatives more strongly. I think that doing so would strengthen the cycle by which these technologies advance further and contribute even more to increasing Raito Kogyo's corporate value.

**Shimizu** I think these are wonderful initiatives. I hope that they will be deployed not only in Japan but globally as well.

**Nagata** The Company's R&D efforts on new technologies and construction methods can be regarded highly in addition to its active adoption of the Eco-Cycle greening method, the All-Greening method to encourage propagation of vegetation, and the Eco Clay Wall method which high CO2 emissions-reduction effects. When thinking in terms of the broad framework of contributing to the global environment, it can be expected that there will be a need for knowledge and research in an even wider range of fields, including ones not directly involved previously, such as biology. For this reason, perhaps the Company should consider alliances with partners such as research institutions and universities above and beyond existing frameworks.

**Asano** While the construction and civil engineering businesses have an image as businesses that result in increasing use of concrete, they also carry out planting and other initiatives as part of their work. I believe that rather than going out of one's way to do something for the environment, being able to contribute to the environment through business activities will be more rewarding both for the Company and for the people who work in it.

### Expectations for Raito Kogyo

**Akutsu** Lastly, please tell us about your expectations for Raito Kogyo from your perspectives as outside Directors.

**Shirai** Raito Kogyo plays a vital role in keeping national infrastructure safe and maintaining and building infrastructure for living. I would like to see it be a presence that stakeholders consider irreplaceable, by being better understood and appreciated by society and realizing high corporate value. As an outside Director, I would like to help achieve this.

**Shimizu** As a company that supports Japan's national infrastructure, I would like to see it put DX to effective use and pass along and grow its technologies while proceeding with implementation and expansion of safe, stable construction. I also hope to see more women in engineering and management positions.

**Nagata** I would like the Company to keep in mind its management vision of "Continuing to take on the challenge of creating new value," particularly by continuing sound, sustained growth as a leader in the field of specialized civil engineering, to contribute to maintenance and improvement of a society that delivers safety and security to the public.

**Asano** Raito Kogyo plays a role in realizing a sustainable society through keeping the national infrastructure safe and maintaining and building infrastructure for living. I would like to see it build further on the technical abilities it has amassed through now. I also would like it to publicize to more people how it plays these roles, and their importance.

**Akutsu** I think that the opinions you have provided are highly important for the Company's continued sustained growth. I would like us to strive to promote technology development, make the national infrastructure even safer, and ensure that the importance of the Company's technologies is more widely understood in society. Thank you for spending so much time with us here today.



# Sustainability management

Based on our management vision of "Continuing to take on the challenge of creating new value," the Raito Kogyo Group aims to be a group essential to society by contributing to building a sustainable society through solutions to social challenges that reflect our outstanding technologies, construction methods, and services.

As a member of today's society, which faces various issues including international disputes, climate change, and resource depletion, instead of pursuing short-term profit alone we have acted to balance business growth with social contributions through means including environmental protection initiatives conducted through our businesses. To promote these initiatives further, we have established the Basic Sustainability Policy, under which we aim to promote sustainable management and increase corporate value.

## Basic Sustainability Policy

Based on our management vision of "Continuing to take on the challenge of creating new value," Raito Kogyo strives to build disaster-resilient national infrastructure for peace of mind and enriched lives, while maintaining harmony with the environment and society. Fully recognizing the fact that corporate survival is premised on a sustainable society, we will contribute to solutions to society's challenges and sustainable development through our business activities.



## Promotion structure

In addition to establishing a Sustainability Strategy Division and drafting and implementing various promotion measures, the Company maintains a promotion structure to ensure the permeation of sustainability initiatives in the Group, share information, and check on progress. Together with deliberation and decisions on matters such as basic policies and priorities on sustainability in the Executive Committee, a decision-making body for business execution, this structure includes reporting to the Board of Directors as appropriate to enable proper oversight by the Board.



## Fundamental principles of CSR

1. Doing business responsibly as a member of society, while encouraging our employees to raise their awareness of corporate social responsibility and to make responsible decisions on their own volition as to how they should go about everyday production activities.
2. Fulfilling our responsibilities as a global enterprise through proactively contributing to society and protecting the global environment, based on a full understanding of the fact that our survival as a business depends on the existence of a sustainable society.
3. Respecting human rights and fulfilling our accountability obligations by emphasizing opportunities for dialogue with stakeholders in various aspects of our business activities.

## Raito Kogyo Group priorities

The Company's management prioritizes sustainability. We have identified as materiality topics our priorities for meeting the expectations of diverse stakeholders and realizing sustained growth together with society. To make progress toward the 17 goals of the United Nations Sustainable Development Goals (SDGs), we promote business activities by linking Raito Kogyo's materiality topics to the SDGs.

## Materiality topic establishment process

### STEP 1 Ascertaining and organizing social challenges to be considered

We identified social challenges affecting the Group's businesses over the medium to long term. In doing so, we took into consideration global frameworks, guidelines, etc. on topics such as ESG and the SDGs.

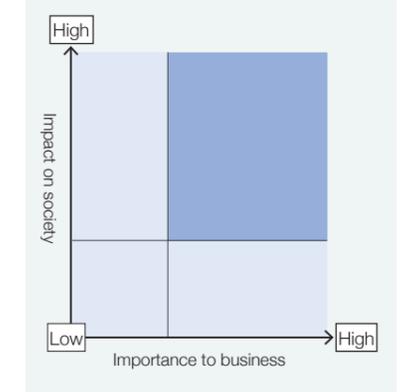
### STEP 2 Prioritizing challenges and identifying those with high priority

We mapped the social challenges identified in STEP 1 along the two axes of social impact and business importance and evaluated and organized them by their importance,

### STEP 3 Establishing materiality topics

We described six materiality topics after achieving consistency between the social challenges organized above and the Raito 2024 medium-term management plan, while also considering main initiatives in FY2021 and the state of their achievement.

Evaluation of the importance of social challenges



## The Raito Kogyo Group's materiality topics

The Company has identified from the various challenges related to its business activities six materiality topics for 2022, as topics that are important to stakeholders while also being important to balancing

the Company's sustained growth with solutions to social challenges such as the SDGs.

**1** Building a sustainable, eco-friendly society

**2** Building strong social infrastructure to support safety and security

**3** Securing quality and pursuing technological innovation

**4** Thorough occupational health and safety management

**5** Developing diverse human resources and realizing attractive, rewarding working environments

**6** Promoting respect for human rights and fair business activities

## Businesses of the Raito Kogyo Group that contribute to achievement of the SDGs

The Raito Kogyo Group will contribute to realization of the SDGs through its multifaceted business operations, based on the principles

of supporting safe, comfortable living with peace of mind, as well as coexistence with the Earth.

## SDGs targets to which the Raito Kogyo Group's businesses and activities contribute

	1 No poverty	2 Zero hunger	3 Good health and well-being	4 Quality education	5 Gender equality	6 Clean water and sanitation	7 Affordable and clean energy	8 Decent work and economic growth	9 Industry, innovation and infrastructure	10 Reduced inequalities	11 Sustainable cities and communities	12 Responsible consumption and production	13 Climate action	14 Life below water	15 Life on land	16 Peace, justice and strong institutions	17 Partnerships for sustainable development
Construction business																	
Slope Construction		●															
Foundation and Ground Improvement Construction		●															
Repairs and Reinforcement Construction																	
Environmental Restoration			●														
Building Construction																	
Supply of building materials																	
Long-term care business			●														
Insurance agency business	●		●														
Fundamental activities (ESG)				●	●			●	●	●			●			●	●

# ESG priorities and initiatives (list)

Raito Kogyo's management emphasizes sustainability. We have identified six materiality topics to enable the Company's sustained growth while meeting the expectations of diverse stakeholders through solutions to social challenges. We will formulate KPIs for business initiatives on each materiality topic and use these in appropriate monitoring and review of our progress.

ESG	The Raito Kogyo Group's materiality topics	SDG category	Measures		Business opportunities, risks opportunities ● risks ●	Main initiatives	KPI
Environment	Building a sustainable society in harmony with the environment		Lessening the environmental impact of business activities		<ul style="list-style-type: none"> <li>● Increasing opportunities for business growth through development of environmental technologies</li> <li>● Increased costs due to stricter regulations</li> <li>● Decreased competitive strength due to delays in responding</li> </ul>	<ul style="list-style-type: none"> <li>● Controlling greenhouse gas emissions</li> <li>● Controlling industrial waste emissions and promoting recycling</li> <li>● Development of environmental greening technologies for resource recycling and coexistence with nature</li> <li>● Development of technologies to reduce industrial wastes</li> <li>● Soil-pollution countermeasures</li> <li>● Promotion of green procurement</li> </ul>	<ul style="list-style-type: none"> <li>● Reducing CO2 emissions by construction output (vs. FY2013)</li> <li>● Construction output of environmental remediation work</li> </ul>
Social	Building strong infrastructure to support safety and security		Contributing to society through disaster recovery Social infrastructure development		<ul style="list-style-type: none"> <li>● Increasing orders received for disaster recovery and disaster countermeasures work</li> <li>● Increasing orders received in the markets for social infrastructure upgrades and maintenance</li> <li>● Business interruption due to a disaster</li> </ul>	<ul style="list-style-type: none"> <li>● Promoting disaster prevention and mediation technologies</li> <li>● Contributing to recovery and restoration from disasters</li> <li>● Repairs and reinforcement to extend the life of social infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>● Slope and surface work construction output</li> <li>● Foundation and ground improvement work construction output</li> <li>● Repair and reinforcement work construction output</li> </ul>
	Securing quality and pursuing technological innovation		Providing technologies based on the customer's point of view Developing technologies to address issues in the construction business Enhancement of the quality control structure		<ul style="list-style-type: none"> <li>● Earning greater trust from customers and securing new customers</li> <li>● Improving productivity through labor-saving technologies</li> <li>● Strengthening price competitiveness through productivity improvements</li> <li>● Loss of society's trust and order opportunities, and increased losses due to causes such as reworking, as a result of quality issues</li> </ul>	<ul style="list-style-type: none"> <li>● Labor-saving technological development</li> <li>● DX promotion</li> <li>● Horizontal deployment of case studies on quality issues, to prevent similar issues</li> <li>● Implementation of internal auditing for quality control</li> </ul>	<ul style="list-style-type: none"> <li>● Eliminating serious quality issues</li> <li>● Applying for 15 or more patents</li> </ul>
	Thorough occupational health and safety management		Occupational health and safety management Implementing risk assessment		<ul style="list-style-type: none"> <li>● Improving productivity by realizing safe and comfortable workplace environments</li> <li>● Increasing the trust earned from customers and society</li> <li>● Decreased trust, loss of order opportunities due to on-the-job accidents</li> </ul>	<ul style="list-style-type: none"> <li>● Implementing safety patrols</li> <li>● Stimulating safety training</li> <li>● Swiftly and accurately communicating information in the event of an on-the-job accident</li> <li>● Construction planning utilizing risk assessment</li> </ul>	<ul style="list-style-type: none"> <li>● An incident rate of 0.25 or less</li> <li>● Eliminating fatalities and serious accidents</li> <li>● Eliminating serious injuries (disability level 7 or higher)</li> </ul>
	Development of diverse human resources and realizing attractive, rewarding working environments		Human-resource development and promotion Developing comfortable working environments		<ul style="list-style-type: none"> <li>● Strengthening the organization by securing and developing capable human resources</li> <li>● Creation of new value through promoting diversity</li> <li>● Loss of capable human resources, reduced productivity, ossification of the organization</li> </ul>	<ul style="list-style-type: none"> <li>● Support for earning official qualifications</li> <li>● Promoting work-style reforms</li> <li>● Rectification of long working hours</li> <li>● Enhancement of employee training at individual levels</li> <li>● Promoting diverse human resources</li> <li>● Providing training to prevent harassment</li> </ul>	<ul style="list-style-type: none"> <li>● At least 15 women in management positions</li> <li>● Percentage of women in engineering positions</li> <li>● Percentage of work sites closed for eight days every four weeks</li> <li>● Percentage of men taking childcare leave</li> </ul>
Social Governance	Promotion of respect for human rights and fair business activities		Respect for human rights Compliance promotion Risk management enhancements Enhancement of governance		<ul style="list-style-type: none"> <li>● Increasing trust from society</li> <li>● Business continuity and creation of order opportunities through appropriate risk management</li> <li>● Loss of society's trust due to legal and regulatory violations, etc.</li> <li>● Loss of society's trust due to human-rights violations</li> <li>● Interruption and suspension of business activities, and delays in their resumption</li> </ul>	<ul style="list-style-type: none"> <li>● Covering fundamental human rights in the Code of Conduct</li> <li>● Information security enhancements</li> <li>● Preparing a communication flowchart as a countermeasure against COVID-19</li> <li>● Business continuity plan (BCP) formulation</li> <li>● Implementing compliance training</li> <li>● Oversight of anti-corruption policies</li> </ul>	<ul style="list-style-type: none"> <li>● Number of major legal or regulatory violations</li> <li>● Number of major information security incidents</li> <li>● Percentage of employees undergoing compliance training</li> </ul>

### Environmental Policy

Through implementation and ongoing improvement of autonomous environmental management, and development and deployment of eco-friendly technologies, we promote the creation of a recycling-oriented society to enable continual progress, contributing to maintenance and improvement of the Earth's environment through such means as helping to mitigate global warming.

1. Maintenance and improvement of the Earth's environment
2. Mitigating global warming
3. Creating a recycling-oriented society to enable continual progress

#### Activities implemented

1. Implementation and continual improvement of autonomous environmental management
2. Development and deployment of eco-friendly technologies
3. Environmental contribution through our green infrastructure and soil purification business operations

### Environmental Management System

Raito Kogyo's Environmental Management System involves activities to build structures for more effective management and ongoing improvement of business activities in compliance with environmental laws and regulations, while taking into consideration environmental protection, pollution prevention, and social and economic needs, based on compliance with the requirements of the international standard ISO 14001: 2015.



Registration certificate

#### ISO 14001 certification

Certification no.	MSA-ES-191
Date of certification	March 20, 2003
Date of certification renewal	October 27, 2022
Expiration date	November 28, 2023
Scope	28. Construction 34. Engineering, R&D
Applicable standard	JIS Q 14001: 2015 (ISO 14001: 2015)
Inspection and registration agency	Management System Assessment Center
Scope of certification	Design, construction, and decontamination of civil engineering structures and building
Organizations included in the scope of certification	Head office: 4-2-35 Kudan-Kita, Chiyoda-ku, Tokyo Utsunomiya Machinery Center, R&D Center, Hokkaido Branch, Tohoku Branch, Kanto Branch Office, Kanto Disaster-Prevention Branch, Kan-Etsu Branch, Chubu Branch, West Japan Branch Office, Chugoku Branch, Kyushu Branch

### Promotion of green procurement

Based on the principle of implementation and continual improving of autonomous environmental management called for in its Environmental Policy, the Raito Kogyo Group considers the environmental impacts of all of its business activities and prioritizes procurement of office supplies, building materials, and other purchases with lower levels of environmental impact.

#### Initiatives in the development, design, and construction stages

With regard to its technologies that have been developed independently to lessen environmental impact, the Company works to ensure that such technologies are widely recognized, through having them identified as technologies that conform to the standards in the Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities, and proactively proposes them to construction clients, designers, and others in the construction stage. The new R&D Center completed in January 2018 uses only Ecomark products (i.e., products conforming to the standards in the Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities) in the rock wool sound-absorption plates in its ceilings.

#### Green procurement of office supplies, etc.

The Company promotes green procurement at all offices in Japan, and Head Office proactively selects and purchases eco-friendly products when buying office supplies and other goods. As a result, items conforming to the standards in the Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities and similar items account for 90% of all office supplies and similar goods purchased by Head Office.

### Environmental education and awareness-raising

To improve understanding of the Company's environmental policies and the related management system, Head Office provides basic environmental education through training for new employees. Once individual employees fully appreciate the Company's position on and system for environmental management, we encourage them to take action, on their own volition, to address global environmental issues. We also work to raise employees' environmental awareness through proactive efforts such as posting of policies and information aimed at promoting environment-related activities, and we invite them to cooperate in implementation of environmental initiatives.



### Initiatives in the construction stage

#### Eco Clay Wall II method

While working to develop safe technologies with low levels of environmental impact from the R&D stage, the Company also employs environmental considerations in the construction stage in order to reduce CO2 emissions and minimize the volume of waste generated during construction work.

The Company's proprietary Eco Clay Wall II method involves construction of a sludge-free clay barrier wall, made mainly of natural clay minerals, without releasing sludge. A distinguishing feature of this method is how it enables significant reduction of the volume of dirt generated from construction work, through use of powder injection mixing. In addition, it greatly reduces the environmental impact compared to traditional construction methods, cutting total emissions, including CO2 emissions generated during cement production, by about 80%.

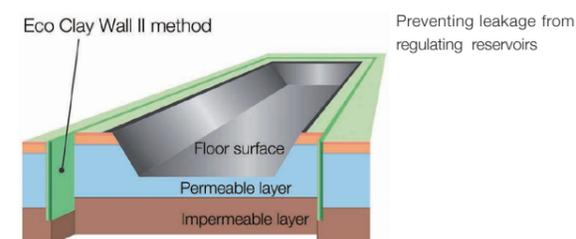
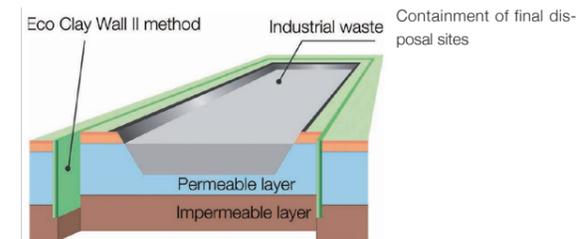
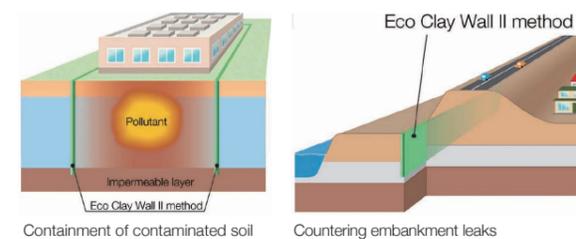


Cross-section of excavation



Construction machinery

#### Examples of application of the Eco Clay Wall II method



### Office energy-conservation activities

The Company carries out a wide range of energy-conservation activities in its offices, including turning off the lights when not in use, wearing cooler clothing during the hot months to save on air conditioning use, and using energy-saving air conditioner settings. We are also raising awareness of energy conservation by making electricity use visible, through such means as setting up power usage display panels and using LED lamps that change color when electricity consumption is high. Electricity use by Head Office in FY2021 totaled 394,000 kWh. Since the emissions coefficient of electricity use varies by power company, we evaluate these efforts based on total electricity use, without converting to CO2 emissions.



A display panel showing electricity consumption



A clock that issues notices on power usage

#### Overview of the environmental impact of Head Office activities in FY2022

INPUT		OUTPUT	
Electricity	426,000kWh	CO2 emissions	206.8t-CO2
Gasoline	6,980.4L	General wastes	5.0t
Water	1,274m <sup>3</sup>	Water	1,274m <sup>3</sup>
Paper	2,460kg		

\*Calculated based on "Emissions Coefficients by Power Producer" (published January 7, 2022) and "Guidelines on Calculation Methods for Greenhouse Gas Emissions Coefficients," both issued by the Ministry of the Environment of Japan

### Promoting Web conferencing

As one green IT initiative aimed at minimizing our impact on the global environment, we are promoting use of Web conferencing. When people assemble in one place for a meeting, they use automobiles, trains, aircraft, and other means of transport, which adds to CO2 emissions. Use of a Web conferencing system to avoid excessive business travel clearly helps to reduce transport-related CO2 emissions. In FY2021, we held some 6,100 Web meetings, thereby contributing significantly to reducing our environmental impact.



# Disclosure of climate-related information based on the TCFD recommendations

## Disclosure of climate-related information based on the TCFD recommendations

In November 2021, the Company announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB) and joined the TCFD Consortium.

To achieve a prosperous, sustainable society in the future, the Group will assist in the realization of a material-cycle society through supporting coexistence between the environment and humans. Accordingly, we are committed to achieving the Sustainable Development Goals (SDGs) in order to contribute to solutions to various social challenges through diverse business activities.

In the future, together with enhancing our initiatives toward solutions

to climate change-related issues and other social challenges, we will proactively disclose information in accordance with the disclosure framework recommended by the TCFD (including governance, strategies, risk management, and indicators and goals related to climate change risks and opportunities).



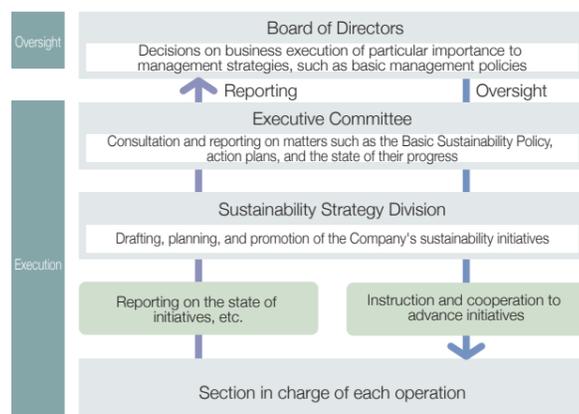
### Governance

We are striving to further enhance our activities to promote initiatives to address climate change and other environmental issues through our business activities, in accordance with TCFD recommendations.

In April 2022, we established the new Sustainability Strategy Division in the Management Planning Division, to promote sustainability initiatives, including responses to climate change, in a manner integrated with management strategies.

Under our climate-change governance structure, the Executive Committee, chaired by the Company President, deliberates on climate change with regard to future management plans and other efforts, and reviews and evaluates the state of related activities. In addition, the Board of Directors receives reports on matters such as the state of activities related to climate change, oversees their progress, and issues instructions on responses.

#### Climate-change governance structure



### Strategy

#### Climate change risks and opportunities

Recognizing climate change as an important topic in doing business, the Company identifies the risks and opportunities associated with climate change in its main construction business from short- to long-term perspectives and assesses their impacts. The "Business impact and response" table shows important risks and opportunities associ-

### Risk management

The Company recognizes the importance of properly identifying, assessing, and managing various risks, including those associated with climate change. We aim for sustained increases in corporate value through the maintenance of sound financial and revenue structures and properly managing risks that may arise over the medium to long term, such as those of climate change.

The Sustainability Strategy Division, which is in charge of matters related to climate change, drafts and plans measures related to climate change, including the processes of identification and assessment of the impacts of climate change, structures for managing identified impacts, and structures incorporated into organization-wide risk management. It reports and makes proposals to the Executive Committee and promotes companywide responses to climate change. In addition, as necessary Crisis Management Committee receives reports and advice concerning identified impacts of climate change. Its role is to manage the impacts of climate change as part of companywide risk management.

The Executive Committee reviews and assesses the impacts of climate change, and responses to them, reported and proposed. It also engages in deliberation and coordination as appropriate on matters such as formulation of policies and strategies to minimize identified risks and reflecting these in plans, budgets, targets, etc. The state of risk management, and related responses, reviewed and coordinated in the Executive Committee, are reported to the Board of Directors as necessary, together with other agenda items.

The Crisis Management Committee assesses reports and proposals from the section in charge of managing each risk, ascertains risks on a companywide basis, and deliberates on appropriate responses, reporting on these efforts to the Executive Committee. If a report or proposal has been received concerning an impact of climate change, then it similarly decides on appropriate responses from the perspective of companywide risk management.

The Board of Directors receives reports from the Executive Committee on the state of risk management concerning climate change and related responses and carries out related oversight.

ated with climate change as recognized by the Company. From now on, we plan to continue analysis employing the 2 °C scenario and other considerations, estimate the financial impacts of climate change, and consider responses.

### Business impact and responses

		Item	Impact on business	Response
Transition	Risks	Strengthening of various regulations	• Strengthening of regulations on existing construction machinery due to adoption of restrictions on construction work involving high environmental impacts	• Eliminating/reducing carbon emissions in cooperation with supply chains
	Risks	Adoption of carbon tax	• Increased costs due to taxation of CO2 emissions from business activities	• Reducing CO2 emissions during construction and at Company offices, through the use of renewable energy
Physical	Opportunities	Growing demand for energy-conservation and renewable-energy technologies	• Growth in businesses related to renewable energy • Growing demand for ZEB and energy-conservation and technologies due to rising awareness of the need to lessen environmental impact	• Strengthening ability to handle projects related to renewable energy • Strengthening ability to supply high-value-added buildings with outstanding environmental performance
	Risks	Rising average summer temperatures	• Increasing health risks such as heatstroke on construction sites • Increasingly severe shortage of skilled workers due to worsening of working conditions on construction sites	• Saving labor and power, and further increasing productivity, through use of ICT and AI • Improving working conditions on site through work-style reforms and technological innovation
	Risks	Increasingly common and severe natural disasters	• Difficulties in procuring supplies, machinery, labor, etc. due to damage to suppliers • Rising risks of damage to structures under construction and work interruptions due to increasing disasters	• Building strong networks with supply chains • Stronger disaster prevention during construction and BCP measures in response to disasters
	Opportunities	Strengthening of national resilience policies	• Growth in infrastructure construction and maintenance and building renovation for purposes of disaster prevention and mitigation and national infrastructure	• Strengthening sales activities for infrastructure construction and improvement businesses

### KPIs and goals

Based on its environmental policies, the Company will aim for sustainable development by contributing to environmental solutions through various business activities. We will strive to prevent global warming

#### Key performance indicators (KPIs)

- Greenhouse gas emissions (Scopes 1 and 2)
- Rate of reduction from base year toward the 2030 midterm target
- CO2 emissions per construction output (intensity)
- Fuel used in heavy machinery and vehicles
- Electricity used

#### Midterm target

Reducing greenhouse gas emissions in FY ending March 2030 by 50% vs. FY ending March 2014

#### Long-term target

Aiming to eliminate greenhouse gas emissions (i.e., achieve carbon neutrality) in 2050

#### Greenhouse gas emissions

The Company's GHG (CO2) emissions in FY2021 (ending March 2022) totaled 448,972 t-CO2. This total is broken down below.

#### Company emissions (Scopes 1 and 2)

Category	Emissions (t-CO2)			
	FY2018	FY2019	FY2020	FY2021
Direct emissions (Scope 1) *1	27,005	27,278	25,837	25,285
Indirect emissions (Scope 2) *2	1,585	1,556	1,451	1,539
Total	28,590	28,834	27,288	26,824

\*1 Subject: Fossil fuels used at Company construction sites, offices, and machinery centers in Japan. Figures based on the greenhouse gas emissions calculation, reporting, and disclosure program under the Act on Promotion of Global Warming Countermeasures are used for unit calorific value and CO2 emissions coefficients for each fuel.

\*2 Subject: Fossil fuels used at Company construction sites, offices, and machinery centers in Japan. Calculated based on the adjusted emissions coefficients of individual electric power companies as stipulated in the Act on Promotion of Global Warming Countermeasures (using emissions coefficients specified in contracts between retail electric power companies and business sites)

on a Groupwide basis through assessment and management of the progress and achievements of environmental conservation activities on five main environmental key performance indicators (KPIs).

#### Emissions intensity per 100-million-yen construction output in the construction stage

	(kg-CO2/100 million yen)				
	FY2013 (base year)	FY2018	FY2019	FY2020	FY2021
	51,549*3	33,779	32,576	30,975	28,699

\*3 Calculated using CO2 emissions coefficients from the Japan Federation of Construction Contractors

#### Upstream through downstream emissions (Scope 3)

Category	Subjects of calculations	Emissions (t-CO2)
		FY2021
Other indirect emissions (Scope 3) *4	1 Resource extraction, manufacture, and transport of products and services purchased *5	357,959
	2 Manufacture and transport of equipment and other capital goods services purchased	10,098
	3 Resource extraction, production, and transport of fuel and energy purchased *2	5,953
	4 Transport and delivery (upstream) *6	4,773
	5 Treatment of wastes emitted by facilities *7	1,924
	6 Employee business travel	222
	7 Worker commuting	110
	8 Operation of lease assets rented	not subject
	9 Transport and delivery (downstream)	not subject
	10 Processing of intermediate products	not subject
	11 Use of products sold *8	41,109
	12 Treatment of products sold upon waste disposal	not subject
	13 Operation of lease assets to be rented	not subject
	14 Operation of franchises	not subject
	15 Operation of investments	not subject
Total		422,148

\*4 Using Company nonconsolidated procurement data. Calculated by multiplying procurement data figures by intensity. Intensities in the emissions intensity database of calculation of organizational greenhouse gas emissions, etc. throughout the supply chain used.

\*5 \*6 Main materials refer to building materials such as concrete, cement, and steel frames. Subject: Products and services procured in Japan

\*7 Using total wastes emitted from Company job sites in Japan

\*8 Calculated by multiplying total floor area of new buildings built by the Company by emissions intensity and building useful life (years)

# Development of Eco-friendly technologies

## Environmental greening technologies for resource recycling and coexistence with nature

Sometimes, the construction business involves modification of original topographic features. We work to restore vegetation that has been destroyed in such cases. These eco-friendly technologies aimed at resource recycling and coexistence with nature put lumber from tree-thinning on construction sites to effective use as chips or fertilizer materials.

### Eco-Cycle greening method

This is a method of greening and natural restoration that involves recycling of construction by-products such as powdered wood from thinning and tree roots for use as a foundation material for growing vegetation on slopes.

### Track record on recycling wood into foundation materials for growing plants

Category	Wastes reusable as recycled materials
Organic	Lumber from thinning, raw chips or fertilizer from roots, grass clippings and pruned branches, wood from demolition (charcoal), wastewater sludge (granules), livestock wastes, waste plastics, etc.
Inorganic	Asphalt fragments, concrete fragments, shell fragments, glass bottle fragments, sludge from water-purification sites, coal cinders, pulp sludge, etc.

\*Put to effective use through the processes of drying, conversion to fertilizer, sieving, or mixing, depending on intended use



Wood from demolition Shells from aquaculture

### All Greening method

This eco-friendly spray-landscaping method secures high retention and erosion resistance by mixing short fibers in the foundation for growing vegetation. Since the short fibers increase adhesion of seeds cast on the ground and encourage propagation of vegetation, this method is also very suitable for construction sites where the objective is to achieve rapid natural restoration through surrounding vegetation, with consideration for biodiversity.



Highly degradable short fibers

### Construction examples: Greening using pressure plate covers and potted seedlings

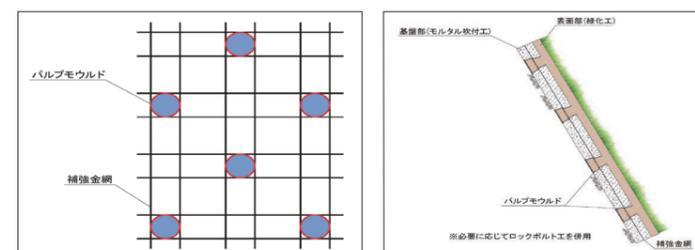


Three months after construction Six years after construction

## A new slope protection method that can withstand disasters and is easy on the environment

### Multiple slope face construction method

This slope protection method is outstanding in terms of both disaster prevention and the environment, fusing highly erosion-resistant mortar spraying with the vegetation method, which is better in terms of scenic considerations. By combining pulp molding and reinforcing metal nets, reinforcement bars, grating cribs, and other features, this method is suitable for a wide range of site conditions and meets the needs to prevent weathering and erosion, to landscape slopes, and to prevent surface-level destruction. It also provides a choice of partial or full landscaping options, in consideration of weeding and other aspects of maintenance and management after the work is complete.



Plane diagram Cross-section diagram



After completion of the work

## Integrated soil-pollution remediation technologies

The Soil Contamination Countermeasures Act was enacted in 2003 as a law concerning countermeasures against soil pollution. Numerous regions have also enacted their own ordinances and other rules on soil pollution. The Company handles all tasks related to soil pollution surveying, from survey planning through implantation and analysis of results. Furthermore, it is developing and possesses integrated soil-pollution remediation technologies that include subsequent assessment, proposing optimal purification methods, and implementation.



Based on the results of surveying surface pollution, including ground soil and soil gas, we survey the state of pollution at deeper levels

Purification technologies

### Raito Kogyo soil-pollution remediation technologies

Pollutants	Purification technologies	Pollutants	Purification technologies
Heavy metals	Insolubility in situ	Oil content	Chemical oxidative decomposition
Volatile organic compounds	<ul style="list-style-type: none"> <li>Iron powder reduction purification</li> <li>In situ bioremediation</li> <li>Soil gas absorption</li> </ul>	All pollutants	<ul style="list-style-type: none"> <li>Chemical oxidative decomposition</li> <li>Hot-soil method</li> <li>Water lifting aeration</li> <li>Sealed in situ</li> <li>Excavation and removal</li> </ul>

## Repair and reinforcement technologies that reduce industrial wastes

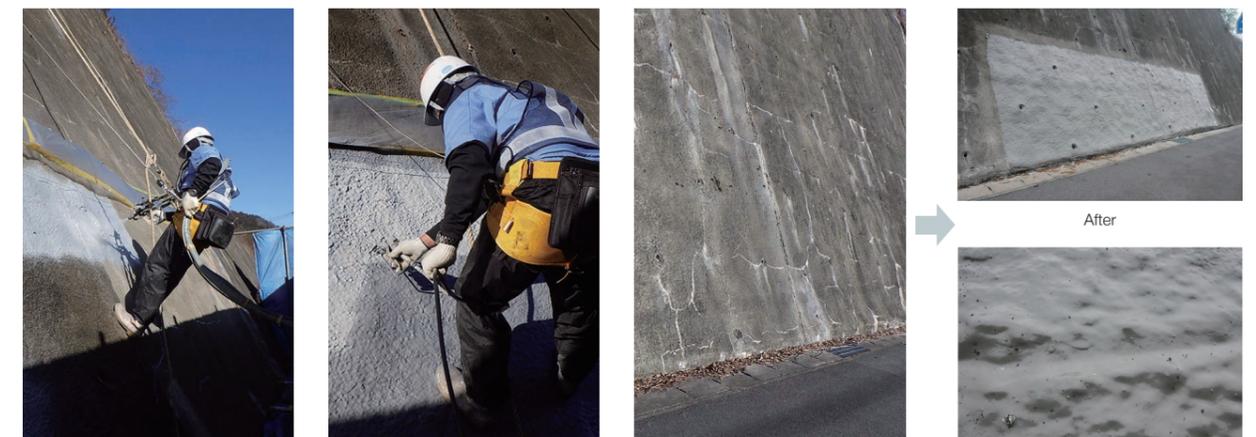
To date, the most common method of protecting sloped surfaces has been through use of mortar spraying. This method has been used to prevent weathering and erosion, and it needs to be waterproof. Existing spray mortar itself degrades, cracks, and peels with age, and the effects of these conditions, and of groundwater, can lead to erosion and hollowing out of the soil. The Company offers technologies that reduce industrial wastes and mortar use when repairing and reinforcing spray mortar.

existing aged sprayed mortar, by applying a new layer of mortar on top of the old one. Mixing of short fibers into the mortar improves its flexural ductility, enabling use of thinner sprayed surfaces than was previously possible. This helps to lessen environmental impact by reducing the volume of mortar used. In addition, minor damage to mortar can be repaired easily by using a resin spray. Since this method involves no use of mortar, it eliminates losses from mortar recoil. Furthermore, the smaller size of the machinery used helps to reduce CO2 emissions from construction work.

### Norefresh Method

Traditionally, removing existing sprayed mortar and replacing it with new mortar involved generation of large volumes of industrial wastes. The Norefresh Method, however, makes it possible to repair and reinforce existing sloped Repair and reinforcement technologies that reduce industrial wastes surfaces without removal (and disposal) of

### Steps



Spraying resin Spraying the top coat Before After (close-up)

**Collapse of Aso Ohashi Bridge and restoration of the Choyo Ohashi Bridge Route**

In April 2016, a very strong earthquake with a seismic intensity of seven on the Japanese scale caused considerable damage, chiefly in Kumamoto and Oita prefectures. In particular, the main tremor, which struck before dawn on April 16, caused numerous slopes to collapse in the village of Minamiaso, Kumamoto Prefecture. The damage was centered in areas including the Tateno and Kawayo districts and the western and southwestern foothills of Mt. Aso. Aso Ohashi Bridge collapsed due to a massive surface collapse in the Tateno district, cutting off road access to the village of Minamiaso from the city of Kumamoto. While plans had called for using the Choyo Ohashi Bridge Route, which includes Aso Choyo Ohashi Bridge and Toshita Ohashi Bridge and totals about three kilometers in length, as a substitute route, when this route too was damaged by an earthquake quick restoration became a pressing need. Raito Kogyo was involved in the series of projects toward restoration, handling tasks ranging from checking conditions of the damage on site through proposals related to designing response measures, developing construction methods, and managing the construction work. In addition to difficult work conditions unlike any ever experienced before, this project also needed to be completed in a short period, as emergency repair work.

**Development of new technologies to prevent secondary disasters**

The FY2016 Tateno district external slope work project, which the Company conducted as part of recovery work on the Choyo Ohashi Bridge Route was done on a site where it was extremely difficult to protect the surface while ensuring safety, since the slope was susceptible to earth collapse that posted a risk of secondary damage. Faced with these conditions, the Company concluded that the best solution was to develop a method to balance safety and construction feasibility by adding newly developed technologies to existing ones. In traditional surface protection work, workers spray the surface while protected by lifelines known as rope scaffolding. On this site, however, that method posed a high risk of secondary damage by causing earth collapse. In response, the Company developed the Robo-Shot Type-G method, using new technology based on the concept of conducting spraying work while keeping workers out of the danger zone. This technology made it possible to complete the work safely by spraying from a nozzle system suspended from a crane. In particular, the ability of workers to control the nozzle system remotely by radio greatly improved work processes overall, by reducing the physical burden as well as improving safety. This new technology was improved further to enhance operability and feasibility, and it generated substantial results when used on the FY2016 Toshita district external lower slope work disaster restoration project.



Raito Kogyo was in charge of restoration work on the Choyo Ohashi Bridge Route, including the slopes at Aso Choyo Ohashi and Toshita Ohashi bridges (photo), which had suffered surface collapse.

**Restoration from liquefaction caused by the Hokkaido Eastern Iburi Earthquake**

The Hokkaido Eastern Iburi Earthquake that struck at 3:07 am on September 6, 2018 was the first quake with a seismic intensity of seven ever to be measured in Hokkaido, causing severe tremors and massive damage across a wide area. That earthquake killed 42 persons and injured 762, while also completely destroying 462 homes, seriously damaging 1,570 others, and causing other damage, forcing more than 16,000 persons to evacuate.

In the town of Atsuma, there were large-scale landslides on sloped surfaces as 30 million cubic meters of earth collapsed in one movement. The surface area of landslides was 13.4 square km, or about 1.2 times that of the Niigata Chuetsu Earthquake in 2004, representing the most widespread damage since the Meiji Era in the 19th century. Aside from slope damage, there was also major destruction due to large-scale soil liquefaction, and subsidence occurred across Hokkaido, requiring restoration work on various types of infrastructure, including ports, roads, and embankments.

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**Utilizing various methods to improve the ground in a disaster-affected area**

Raito Kogyo carried out ground improvement work as part of a project to restore the cityscape in the Satozuka district of Sapporo's Kiyota Ward. On the road portions of the project, we used the Mega-JET deep-mixing method to mix earth and cement solids in the embankment layer below groundwater level, in order to form continuous columnar structures on which walls can be built to prevent soil liquefaction by restraining lateral ground movement. In the residential portions of the project, we used fluid permeation grouting (infiltration solidification processing) in liquefied layers below groundwater level, to prevent the occurrence of liquefaction. This infiltration solidification processing method enables ground improvement beneath residences through diagonal or horizontal drilling on slopes, leaving the buildings intact. In addition, fluid infiltration at low pressure makes it possible to minimize displacement and deformation of buildings above-ground because the soil on which they are built remains unchanged, since gaps are filled with fluid without the need to rearrange soil particles. Thanks to these advantages, this method was adopted as being the most suitable approach for the various ground improvement methods involved in this project.



Prevention of liquefaction using the MegaJET method



Ground improvement in the lower portion of a residence, using the infiltration solidification processing method

**Social infrastructure development**

**Nichinan Aburatsu Port quay seismic reinforcement work**

Aburatsu Port in the city of Nichinan, Miyazaki Prefecture, is a natural harbor located on the scenic coast of Nichinan. Active shipping through the port commenced after the head of the Obi clan excavated a canal during the Edo Period (1603-1868) and, in 1938, a paper mill opened in the Agata area in the port's hinterland, followed by the designation of Aburatsu as a major port in 1952. Steady improvements were made following formulation of a port plan in 1955. They included construction of seawalls and mooring facilities. After the eastern quay opened in 1998, domestic and international container shipping routes using the port were opened. Since then, it has been a logistics base for southern Miyazaki Prefecture.

**Highly challenging construction project to install a ground anchor of more than 100 m**

Seismic reinforcement work has been underway on Quay No. 10 at Aburatsu Port since 2017. This project is being carried out through the method of seismic reinforcement of a gravity quay wall using a caisson through installation of a ground anchor to control landsliding and displacement in the event of an earthquake. Characteristics of this method are the way in which it realizes results with long-term stability through fully redundant erosion protection using tension materials and the power of pre-stressing to connect the tip of the caisson with the ground, as well as its low environmental impact. Another distinctive feature is how it makes it possible to carry out construction work while the port facility is still in use, due to the construction yard surface area being relatively small. Because the site has a deep base layer, the work involved the highly difficult challenge of boring at a depth of approximately 100 meters. Most ground anchors involve depths of around 30 m, and boring at 50 m is normally considered quite deep. There are few examples in Japan of boring at deeper than 100 m. In fact, the task is so rare that the software normally used to design anchors was incompatible with the depth of more than 100 m. Since the ground anchors are installed at 1.9 m intervals, this required high-precision boring to avoid interference with neighboring anchors. Another important issue was the need to reliably verify that the base layer had been reached.

**Developing a new borer to realize stable boring**

As a solution to this difficult challenge, we developed the new TSD-300 Megatitan borer, one of the largest rotary-percussion drills in Japan, with a maximum boring length of 120 m. Its maximum boring diameter of 330 mm is also the highest in Japan. This borer has high capacity, making it usable not only for anchor work but also for chemical injection and micropile work. This task involved two-layer boring with a casing 216 mm in diameter and an inner rod 135 mm in diameter, ensuring high levels of quality and construction feasibility. Use of the Megatitan in combination with a wide range of existing boring technologies made it possible to realize stable boring in this project to install one of the longest-ever ground anchors.



TSD-300 Megatitan

**Bridge-pier seismic retrofitting work between Chigasaki Junction and Chigasaki-Nishi Interchange**

As part of our seismic retrofitting work, Raito Kogyo is carrying out seismic retrofitting work on the north side of the Shitamachiya overpass on the Shin-Shonan Bypass in the city of Chigasaki, Kanagawa Prefecture. The Shin-Shonan Bypass is on National Highway 1 that connects the city of Fujisawa with the town of Oiso via the cities of Chigasaki and Hiratsuka. The section between Fujisawa Interchange and Chigasaki Junction is a part of the Ken-O Expressway. It has been in use for more than 30 years since it opened to traffic between Fujisawa Interchange and Chigasaki-Nishi Interchange in 1988. For this reason, we received an order for bridge pier reinforcement and other work to ensure conformity to current seismic standards. We are handling seismic retrofitting of 23 bridge piers between Chigasaki Junction and Chigasaki-Nishi Interchange. This project involves a wide range of construction methods including structural excavation, bridge-pier seismic retrofitting, plate jacketing, bridge accessory structure work, support replacement, and recoating and repainting.

**Bridge-pier seismic retrofitting work**

This work involves assembling reinforcing bars around existing bridge piers and then pouring concrete into the surrounding formwork. An integrated structure of strong concrete surrounding the bridge pier makes it more earthquake resistant. Since the foundations of a bridge pier are embedded deep in the ground, this work requires excavating around the perimeter to expose the foundation. The excavation work needs to proceed with care as the surrounding earth needs to be shored up and problems such as subsidence on nearby roads need to be prevented.

**Plate jacketing**

This work involves spraying a special mortar called polymer cement mortar after assembling reinforcing bars around the bridge pier perimeter, similar to bridge-pier seismic retrofitting work. Incorporating polymers into the cement helps to prevent cracking by increasing adhesion and strength. Since the thinner polymer cement mortar imparts the same strength as conventional thicker concrete, this method is used on sites that involve space restrictions.



A finished polymer cement mortar surface

**Support replacement**

This work involves replacement of aged supports between bridge piers and bridge structures, and those that do not satisfy current seismic standards, while still enabling use of the roadway. Supports are replaced by installing brackets on the bridge piers and using these to jack the girders up by about three millimeters with hydraulic jacks. Then, the existing supports are removed, new ones installed, and the bridge is jacked down and into place to complete the work. This delicate process carried out while the roadway remains in use must be conducted with extreme care.



Supports and jacks



Support replacement site

### Quality policy

Increasing trust in the Company's quality and contributing to societal progress to enable people to live with assurance, through development and comprehensive management of advanced construction technologies based on coexistence with nature.

1. Building a society in which people can live with peace of mind
2. Coexistence with nature
3. Ensuring reliable quality

### Ensuring reliable quality

1. Development and utilization of advanced construction technology
2. Comprehensive technology management
3. Human-resources training to secure quality levels in line with technological advances

### Quality Management System

Raito Kogyo's Quality Management System involves organization-wide activities, originally certified on March 18, 1999, to build structures for continuously improving quality control in outputs, through compliance with the requirements of the international standard ISO 9001: 2015 and applying the plando-check-act (PDCA) cycle.



Registration certificate

### ISO 9001 certification

Certification No.	MSA-QS-200
Date of certification	March 18, 1999
Effective date	October 27, 2022
Expiration date	November 28, 2025
Scope	28 Construction 34 Engineering, R&D
Applicable standard	JIS Q 9001 : 2015 (ISO 9001 : 2015)
Inspection and registration agency	Management System Assessment Center
Scope of certification	Design, construction, and decontamination of civil engineering structures and buildings
Organizations included in the scope of certification	Head Office: 4-2-35 Kudan-Kita, Chiyoda-ku, Tokyo Utsunomiya Machinery Center, R&D Center, Hokkaido Branch, Tohoku Branch, Kanto Branch Office, Kan-Etsu Branch, Chubu Branch, West Japan Branch Office, Chugoku Branch, Kyushu Branch, Kanto Disaster-Prevention Branch

### Quality improvement efforts

Regarding efforts to realize even higher levels of quality, the Company is primarily focusing on utilization of construction technologies to enable quality improvement and carefully managing these technologies. Through developing and improving construction technologies based on data collected through actual construction work, we work constantly to secure even better quality in workplaces under a range of conditions.

### Awards

The Company's National Highway 5 Nikicho Nikikita improvement project (client: Otaru Development and Construction Department, Hokkaido Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism) won the Bureau Director's in the Sub-contractor Awards.



The award

The Company's construction projects have won various awards for their high-quality construction technologies and construction-management technologies as well as their contributions to local communities and other achievements. Going forward, the Company will continue development and comprehensive management of advanced technologies, aiming to maintain and improve quality levels and to become an even more highly trusted enterprise.

### Main awards won in FY2021

Awarding organization	Award	Recipient
Ministry of Land, Infrastructure, Transport and Tourism Hokkaido Regional Development Bureau	Subcontractor Awards Bureau Director's award	National Highway 5 Nikicho Nikikita improvement project
Ministry of Land, Infrastructure, Transport and Tourism Hokkaido Regional Development Bureau	Subcontractor Awards General Manager's Award	Nakaabetsu left-bank external sluice improvement work in the Ishikari River maintenance project
Ministry of Land, Infrastructure, Transport and Tourism Tohoku Regional Development Bureau Kitakawa River Downstream Office	Subcontractor Awards Office General Manager's Award	New construction of the Sumiyoshi drain water sluiceway on the right bank of the former Kitakamikawa River channel
Ministry of Land, Infrastructure, Transport and Tourism Tohoku Regional Development Bureau Iwaki National Highways Office	Subcontractor Awards Office General Manager's Award	Sekita Takizawa district road improvement project
Ministry of Land, Infrastructure, Transport and Tourism Kanto Regional Development Bureau Yokohama National Highways Office	Award for service on difficult construction work	Yokohama National Highways Office disaster prevention work (1)

## Digital transformation (DX) initiatives

### DX accreditation

In October 2022, the Company was accredited by the Ministry of Economy, Trade and Industry as a DX accredited business under the ministry's DX accreditation program, for companies that are prepared for DX promotion on the basic points covered in the ministry's Digital Governance Code.

This is a result of using digital technologies to improve business efficiency and reform work styles and using DX to advance corporate reforms, in line with the strategy of "Establishing new foundations for growth through development of technologies to lead the digital society" identified in the Raito 2024 medium-term management plan. The internal structure is centered on the DX Promotion Office, which promotes DX projects in various fields through Companywide activities by the DX Promotion Committee in cooperation with the DX units of individual sections. Specific initiatives cover a wide range of activities, including improving work efficiency on site by adopting various IT devices and tools; using sensor-based automatic measurement and photo-management software on construction sites; enabling use by multiple users of data from a single source using a new application; and utilizing knowledge from internal information through development, integration, automation, and application of AI in the backbone system that supports the construction business.

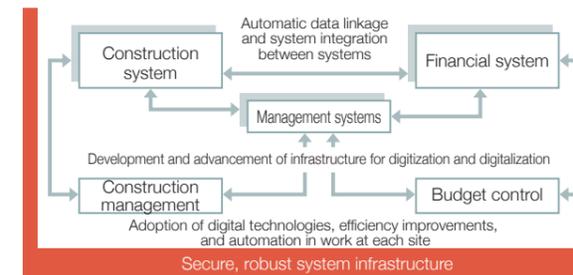
We also aim to realize a corporate environment that enables further DX promotion by improving objective evaluation of the DX promotion indicators needed for DX accreditation, through continuing initiatives targeting these indicators. Furthermore, by simultaneously promoting cybersecurity measures, which are important under the Digital Governance Code, we will strive to reduce security risks through business DX.



### Backbone system advancement and reforms

In the backbone system that supports the construction business, we are accelerating the adoption of digital technologies, efficiency improvements, and automation through the development and advancement of management systems based on digitization and digitalization. In addition, through business system improvements we are promoting DX through automatic data linkage and integration among systems, realizing productivity improvements through more efficient business operations as a whole. Furthermore, together with these initiatives we also are advancing measures to maintain highly reliable infrastructure to enable stable, secure system operation.

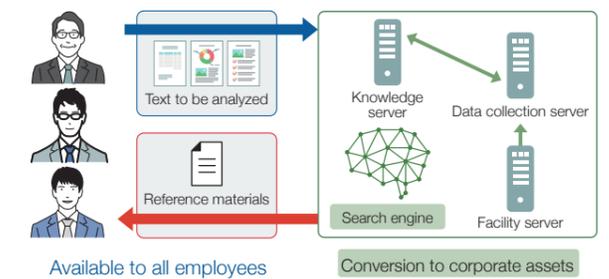
### Backbone system upgrade



### Development of a knowledge management system

Most knowledge such as research, development results, and construction information has been retained in paper format through now. This is inefficient because it means that analog document searches and interviews are needed to access past knowledge and data. Together with converting these data to digital media, we have adopted an AI-supported knowledge management tool to develop a system capable of sharing and searching data companywide. In the future, we will put this system to effective use in creating new construction methods, services, and business models by identifying new value that would be hidden in data such as construction results, site experiences, and literature.

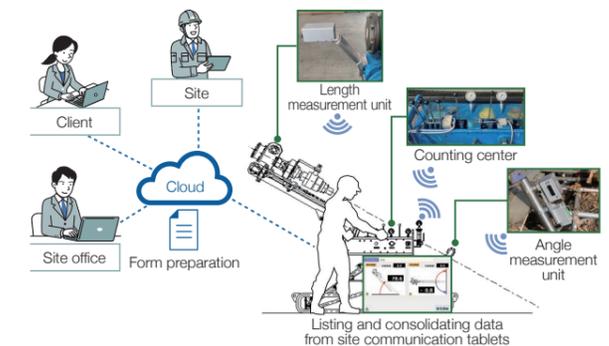
### Illustration of knowledge management



### Development of an ICT mortising system

Management of the ground anchors used widely in slope disaster prevention work and earth reinforcement work involved the need to develop administrative processing to switch from analog to digital data in direct measurement of management values and checking on the work. This ICT mortising system made it possible to view work progress in real time on management monitors, as well as automating and digitalizing the collection of construction information from machinery, through a combination of mortising machines with digital angle measurement and length measurement units. We also developed a system for automatic preparation of forms, greatly reducing the labor involved in on-site work and administration. In the future, we will study various methods to utilize this system, such as remote control, through migrating the data collected to the cloud, as part of DX promotion.

### Illustration of the cloud-based ICT mortising system



### Health and Safety Management Policies

We are aiming to be a safe, trusted company, free of accidents, based on the fundamental principles of respect for human life and "safety first." We also will strive to improve health management and build safe, comfortable workplace environments.

#### Health and Safety Management Policies

1. Aiming to be a safe, trusted company, free of accidents, based on the fundamental principles of respect for human life and "safety first"
2. Strictly complying with laws, regulations, official notices, guidelines, internal rules, etc. concerning occupational health and safety
3. Working to reduce risks through active use and continual improvement of the Occupational Health and Safety Management System, to create comfortable workplace environments in which people can work in safety and security
4. Aiming to attain health and safety targets in cooperating with partner companies, through ensuring full understanding among all workers of health and safety management policies and plans, and strengthening and enhancing health and safety training

### Health and safety management and oversight structure

Health and safety committees meet monthly at the Company's head office and each managing branch and branch office, for reporting and deliberation on health and safety activities. Employees are notified of their decisions through the intranet. The Central Health and Safety Committee at the head office is chaired by the General Manager of the Health, Safety, and Environmental Division. Its membership includes members of management and worker representatives. In addition, the Company appoints a Director as the Chief Health and Safety Management Officer, who reports regularly to the Board of Directors on health and safety management policies and plans and the state of related activities.

### Health and safety education and awareness raising

To increase understanding of health and safety, the Company provides basic health and safety education as part of training provided by the head office for new employees. This is followed up by continuing education through e-learning as well as regular guidance on site, to raise employees' safety awareness. In addition, the intranet provides thorough information concerning matters such as disaster case studies and amendments to occupational health and safety rules, so that the latest information can be checked quickly.



### Occupational Health and Safety Management System

Raito Kogyo's Occupational Health and Safety Management System involves organization-wide activities to build structures for continuously improving and enhancing the levels of occupational health and safety in our workplaces, through compliance with the requirements of the international standard ISO 45001: 2018, and application of the plan-do-check-act (PDCA) cycle.



#### ISO 45001 certification

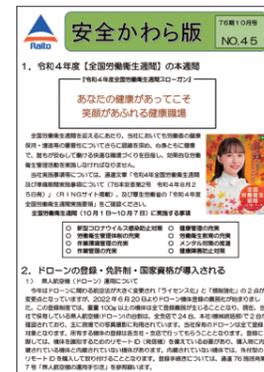
Certification no.	MSA-SS-123
Scope of certification	November 26, 2010
Effective date	October 27, 2022
Expiration date	February 26, 2025
Applicable standard	ISO 45001:2018
Inspection and registration agency	Management System Assessment Center
Scope of certification	Design, construction, and decontamination of civil engineering structures and buildings
Organizations included in the scope of certification	Head office: 4-2-35 Kudan-Kita, Chiyoda-ku, Tokyo Utsunomiya Machinery Center, R&D Center, Hokkaido Branch, Tohoku Branch, Kanto Branch Office, Kan-Etsu Branch, Chubu Branch, West Japan Branch Office, Chugoku Branch, Kyushu Branch, Kanto Disaster-Prevention Branch

### Sharing information on health and safety and preventing reoccurrence

The intranet website has a safety information page where information can be shared to prevent the reoccurrence of incidents. By sharing information on disasters and accidents, this makes it possible to search cases for reference information to help in implementing through measures to prevent reoccurrence. Timely posting of information to the safety forum helps to share information on the most recent health and safety topics. We also collect data from daily health and safety patrols and use it in risk assessment.



Safety information page



Safety forum

## Health and safety management initiatives

### Safety track record

The Company's safety track record shows that, every year, our incident frequency rate remains below the national average \*1. In FY2021, the Company's incident frequency rate stood at 1.03\*2

- \*1 The incident rate is the number of accidents per 1 million cumulative total working hours.
- \*2 The total incident rate in the construction industry nationwide (on construction sites) is 1.39 (Scope of accreditation (from Ministry of Health, Labour and Welfare, "2021 Occupational Injury Trends Survey")

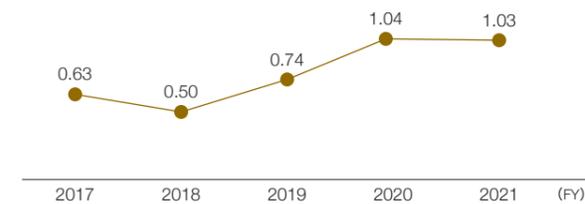
#### FY2022 numerical health and safety targets

1. Maintaining a level of zero fatal accidents
2. Zero serious accidents
3. Zero serious accidents (those involving a disability level of 7 or above)
4. An incident rate of 0.25 or less

#### FY2022 health goals

1. Reducing overtime work and ensuring that all employees take at least five days of annual paid vacation
2. Providing health checkups for all employees and checking to make sure that those instructed to undergo follow-up examinations do so
3. Permeation of mental health checkups throughout the organization

#### Trends of incident rates



	Unit	FY2019	FY2020	FY2021
Frequency of occupational injuries	—	0.743	1.041	1.034
Number of times off work due to occupational injuries (not including fatalities)	Case	6	8	8
Fatalities involving permanent employees	Case	0	0	0
Fatalities involving contracted employees	Case	0	0	0
Number of employees undergoing health and safety training	Persons	914	940	943
Percentage undergoing stress checks	%	78.2	83.3	81.1

### Management safety patrol

Focusing particularly on special weeks and preparatory periods, such as National Safety Week and National Industrial Safety and Health Week, the Company carries out safety patrols in which members of management check on safety, occupational health, and other matters, year-round. In these patrols, the President and other members of management encourage Company employees and partner companies to participate proactively in health and safety management activities as well as checking on the status of implementation of priority items and, as necessary, pointing out necessary improvements and issuing related instructions. The aim of having the President directly participate in safety patrols is to communicate to all executives and employees, as well as partner companies, the importance of health and safety management, and to link this understanding to stimulation of health and safety activities, in order to create safer, more comfortable working environments.



Management safety patrol

### Construction planning using risk assessment

Risk assessment refers to estimating and assessing the risks of occupational injuries and accidents in work on site, and then implementing measures to reduce the risks. The Company conducts risk assessment based on past injuries and focusses on managing work with high risk levels. Preparatory study meetings are held on all sites before beginning work, and risk assessment is conducted to identify risky work in operation procedures and elsewhere and take measures to reduce the risks. After work begins, risks are assessed through means such as health and safety patrols.

# 5 Developing diverse human resources and realizing attractive, rewarding working environments

## Human-resource development and promotion

### Basic human resources concept

The Raito Kogyo Group Code of Conduct expresses its basic concept with respect to human rights in the Group as follows: "Executives, employees, and others must respect basic human rights and refrain from discrimination on such grounds as gender, nationality, ethnicity, religion, social status, or physical attributes, both on and off the job." The Code of Conduct has been established to engender respect for fundamental human rights.

### Diversity and inclusion

#### Enabling female employees to flourish

Efforts to develop an environment in which each and every individual employee can demonstrate his or her abilities to the maximum extent include establishment of a program under which employees, including female employees, hired to work in specific areas can transfer to career-track positions. In addition, we have set a target of 15 women in managerial positions by the end of FY2024 (up 50% from FY2021).

#### Supporting the Kensetsu Komachi Initiative

The term "Kensetsu Komachi" is used by the Japan Federation of Construction Contractors to denote all women who are actively engaged on construction sites. Based on the concept of creating a society in which women can realize their full potential, the Japan Federation of Construction Contractors promotes, through the Kensetsu Komachi Initiative, opportunities for women in the construction industry, a field about which it must be admitted that only limited opportunities for women currently exist. We support this initiative, and sites where women employees work are fitted with "Kensetsu Komachi" signs.



A "Kensetsu Komachi" sign

#### Employment of persons with disabilities

We strive constantly to promote employment of persons with disabilities, through such means as creating workplaces that reflect consideration for disability status and providing jobs and workplaces suited to individual abilities, so that workers with disabilities can be valued members of the workforce, wherever they work

#### Employment of senior citizens

Through combination of our retirement age of 65 years and a program for re-employment of retirees, which enables employees to choose how they want to work at age 60 and older, we offer employment opportunities that make the most of the skills, techniques, and knowledge that senior citizens have accumulated over the years

### Raito Kogyo Mirai Scholarships established

The Raito Kogyo Mirai Scholarships were established using the My Fund program of the Koeki Suishin Kyokai to train human resources in the sciences who can contribute to the development of resilient infrastructure in Japan and around the world. For students who want to continue their studies but are unable to do so due to funding reasons, these scholarships provide educational funding for the time the students are enrolled in university. Recipients are under no obligations regarding subjects such as repayment of the scholarships or future employment.



A scholarship leaflet

Eligible persons	<ul style="list-style-type: none"> <li>Japanese students enrolled in the final year at national or public high schools, or Vietnamese exchange students, eligible for the Koeki Suishin Kyokai program, who are recognized as facing funding difficulties in continuing their studies *1.</li> <li>Must be actively enrolled in a science faculty*2 of a full-time university designated by the Koeki Suishin Kyokai in April 2023.</li> </ul>
Aid period	Four years of university attendance (six years for graduate school)

\*1\*2 Contact the Koeki Suishin Kyokai Raito Kogyo Mirai Scholarships for details concerning note \*2.

### Basic human resources policies

Raito Kogyo aims to develop human resources who can succeed on the global stage, with diverse values and broad perspectives, regardless of nationality, ethnicity, gender, or other characteristics. Based on our management philosophy of "Continuing to take on the challenge of creating new value," we consider one of the most important priorities of management to be that of creating an environment in which each and every employee can grow and demonstrate his or her abilities to the maximum extent. Based on this understanding, we work to enhance our support for employees' skills development.

#### Main education and training programs

- Introductory training
- On-the-job training (OJT)
- Technical training (construction skills)
- Salesperson training (marketing)
- Manager training
- Training for acquisition of various qualifications, such as those for professional engineers and construction management engineers
- Various e-learning training and education programs

## Developing comfortable working environments

### Promoting health management

Seeing the maintenance of an environment in which employees can work in good physical and mental health as an important topic of management for purposes of achieving sustained corporate growth, the Company strives to maintain and promote the health of all employees. We issued a Health Management Declaration in October 2022. We will continue striving to promote health management further in the future as well.

#### Health Management Declaration

Raito Kogyo considers the health management of its valuable employees to be an important topic of management. It will implement health management to maintain a comfortable workplace environment in which employees can continue to work with vitality while demonstrating their individuality and abilities to the maximum extent in good mental and physical health.

October 1, 2022  
President Kazuhiro Akutsu

### Education to prevent harassment

The Raito Kogyo Group Code of Conduct explicitly prohibits acts in violation of human rights, such as sexual harassment, power harassment, and maternity harassment. The Company has established a helpline in the Human Resources Department and works to maintain comfortable workplace environments. We also take measures to educate and raise awareness among top management, as well as all executives and employees, regarding prevention of harassment, through internal training, official notices, and Company bulletins. We also provide training through e-learning and seminars led by licensed social insurance consultants and attorneys, explaining in detail, using real-world examples, what kinds of speech, behavior, and ideas constitute harassment, in order to deepen understanding of harassment among executives and employees.

### Work-life balance

As initiatives intended to realize sound work-life balance through developing more amenable working conditions, The Raito Kogyo Group: 1) develops and enhances programs such as childcare leave, shortened working hours for childcare, and family leave, and 2) promotes efforts to reduce overtime work. We also encourage employees to take annual paid leave in combination with the year-end/New Year holidays or summer vacation and to rest and refresh body and mind through taking consecutive days off, so that they can perform their work more efficiently

#### Rectifying long working hours situations through improving business efficiency

Improving efficiency and productivity on construction sites is essential to advancing work-style reforms. In light of the prospect of decreasing numbers of new hires in the future, as society progressively ages and birth rates fall, the Company is advancing efforts to increase operational efficiency through such means as development of techniques utilizing ICT technologies, enhancement of IT tools and other solutions, and standardization of work. We will strive to make work more rewarding and to improve quality of life for employees and partner businesses through Company-wide utilization of ICT to increase production efficiency Company-wide and more effective use of time

### Preventing overwork

In Japan, the Group has concluded a labor-management agreement on overtime and holiday work pursuant to Article 36 of the Labor Standards Act (Article 36 agreement). To conform to the Article 36 agreement, each business site is striving to (1) reduce overtime work, (2) increase percentages of annual paid vacation taken, and (3) reduce total hours worked. The persons responsible in administrative sections monitor overtime hours monthly and provide guidance to the persons responsible in sections with high overtime hours as well as encouraging workers working long hours undergo health checkups.

## Voice



Kanto Branch Office  
Construction Technology  
Division  
Construction Technology  
Department No. 1

Kanae Miyazawa

Since completion of training, I have been assigned to the management of ground improvement construction using the OPT-1 method. In introductory training, I learned about subjects such as basic site knowledge, health and safety management, and earning qualifications. In on-the-job training (OJT), I deepened my knowledge of the flow of a workday on site and the construction cycle, as well as specialized areas such as ground improvement. I think that on-site training on basic knowledge and safety has helped my work to go smoothly. Although I still have many things to learn, my work grows increasingly interesting as I gradually deepen my knowledge on site. I would like to continue growing from day to day by actively building up my knowledge.



West Japan Branch Office  
Construction Technology  
Division  
Construction Technology  
Department No. 1

Yuka Takunaga

After completing introductory training when I joined the Company, I have continued to work on the slope work site where I was assigned for on-the-job training (OJT). In introductory training, I learned about the Company's construction methods and site health and safety management. I also obtained the qualifications needed in site management. Also, in OJT training I learned mainly about important matters for getting accustomed to the site quickly and being able to carry out practical work there, such as the ES Net construction method, the flow of cribwork, and site rules. Right now, I am doing my work with the support of senior colleagues. I would like to gain the knowledge and grow further as a professional with the experience I have gained so far.

**Basic Corporate Governance Policy**

To realize its basic management policy of working for the prosperity of clients, shareholders, employees and all other stakeholders, the Raito Kogyo 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.

**Board of Directors**

Raito Kogyo's Board of Directors comprises fifteen Directors (including five Outside Directors) and four Corporate Auditors (including three Outside Corporate Auditors). In principle, the Board of Directors holds regular monthly meetings 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 Presidents, core members of management, and others take part in roundtable discussions (exchange of opinions) with the Outside Directors in order to ensure objectivity in management decision-making and enhance the monitoring functions.

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

**Board of Corporate Auditors**

The Board of Corporate Auditors comprises one Standing Corporate Auditor and three Outside Corporate Auditors. The Corporate Auditors 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 man-

**Outside Directors and Outside Corporate Auditors**

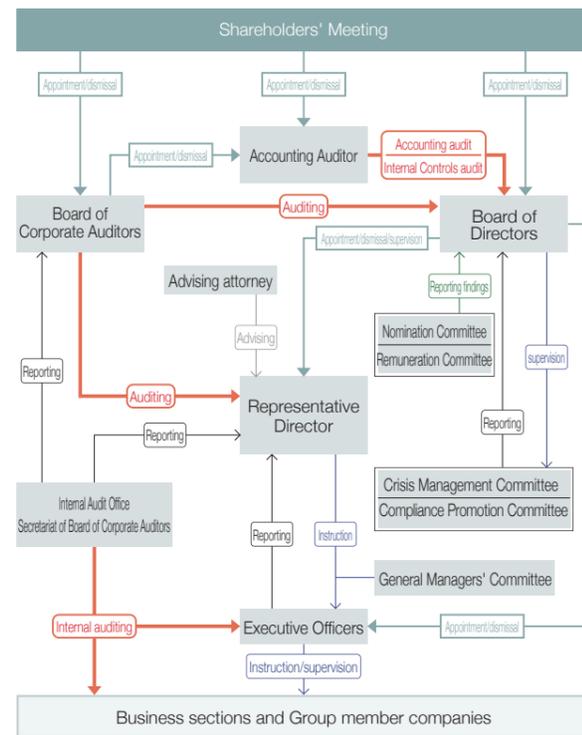
The Company has five Outside Directors and three Outside Corporate Auditors. The functions of the Outside Directors include advising the Board of Directors in order to ensure fairness and validity of decision-making by the Board; for example, through attending meetings of the Board of Directors and offering opinions on overall management from impartial points of view, free of conflicts of interest. The Outside Corporate Auditors attend meetings of the Board of Corporate Auditors and offer opinions in order to ensure fairness and validity of decision-making by that body, based on their wide-ranging knowledge and experience gained from working in other industries

**Activities of outside Directors and Outside Corporate Auditors**

Name	Position and responsibilities with the Company	Attendance Rate of Board Meeting (Number of times held : 13)	Attendance rate of Audit Committee (Number of times held : 13)	Attendance rate of designated committee meetings (Number of times held :2)	Attendance rate of the Compensation Committee (Number of times held :2)
Makoto Shira	Lead Outside Director	100% (13/13)		100% (2/2)	◎100% (2/2)
Takaji Kokusho	Outside Director	100% (13/13)		100% (2/2)	
Youko Shimizu	Outside Director	100% (10/10)		100% (2/2)	100% (1/1)
Takeshi Nagata	Outside Director	100% (10/10)		100% (2/2)	100% (1/1)
Hiromi Asano	Outside Director	100% (10/10)		100% (2/2)	100% (1/1)
Yoshinobu Maeda	Outside Corporate Auditor	100% (13/13)	100% (13/13)		
Tokiko Maruno	Outside Corporate Auditor	92.3% (12/13)	92.3% (12/13)		
Nobuo Iida	Outside Corporate Auditor	100% (10/10)	100% (10/10)		

\* In the attendance rates on the left, the number of meetings held during the term of office is used as the denominator.  
 \* Outside Directors Yuko Shimizu, Takeshi Nagata, and Hiromi Asano and Outside Corporate Auditor Nobuo Iida took office June 29, 2021. (The Board of Directors and the Audit and Supervisory Board have met 10 times since their appointment)

**Corporate governance structure**



agement. In addition, the Representative Director and the Corporate Auditors exchange opinions through opportunities to share information on important issues, and management information, in order to facilitate mutual understanding and communication between them.

and on information obtained through activities such as inspection of Company sites.

Appointment of Outside Directors and Outside Corporate Auditors is conducted with reference to the standards on determining the independence of outside independent directors established by the Tokyo Stock Exchange, and all eight Outside Directors are reported to the Tokyo Stock Exchange as independent directors. The Company also concludes contracts with the Outside Directors limiting their liability.

Attendance in meetings of the Board of Directors, etc. (April 1, 2021 to March 31, 2022)

**Executive compensation**

The Company's basic policy on executive compensation requires that compensation decisions be based on creation of an optimal remuneration structure for the purposes of improving business performance and increasing corporate value over the medium to long term, as well as ensuring fairness and transparency in the executive-compensation decision-making process.

Compensation for Directors is deliberated on by the Remuneration Committee, chaired by the lead Outside Director, and decided on by the Board of Directors based on the Committee's recommendations, within the scope of amounts approved by the Shareholders' Meeting. Compensation for Corporate Auditors is decided on through deliberation by the Board of Corporate Auditors, within the scope of amounts approved by the Shareholders' Meeting. Compensation for Directors (not including Outside Directors) consists

of fixed remuneration specified for each title based on the responsibilities thereof, performance-linked remuneration reflecting Company business performance and results, and performance-linked, share-based compensation 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. Compensation for Outside Directors is paid in the form of fixed remuneration only, in order to ensure their independence and objectivity. Compensation for Corporate Auditors is paid in the form of fixed remuneration only.

**Knowledge, experience, and skills of Directors and Corporate Auditors**

To ensure a highly effective Board of Directors, a good balance is maintained in its composition. The board is made up of individuals who come from diverse career backgrounds and have the knowledge, experience, and other characteristics that the directors need

given the business environment in which we operate. In the table below, the fields in which each person has special expertise are marked with a circle.

**Skills Matrix (As of June 29, 2022)**

Name	Position and responsibilities with the Company	Corporate sales Management strategy	Financial Accounting	Sales Marketing	R&D	Technology/IT	Legal/Compliance/Risk management	Human resources/labor management/Human resource development	ESG Sustainability	Global
Kazuhiro Akutsu	President	●		●	●	●			●	●
Shigeaki Funayama	Vice President General Manager, Management Administration Division	●	●			●	●	●	●	
Yoichi Howa	Senior Managing Director General Manager, Health, Safety, and Environmental Division	●		●		●	●		●	●
Kohei Kawamura	Senior Managing Director General Manager, Engineering Marketing Division	●		●		●	●		●	
Makoto Nishi	Senior Managing Director General Manager, Management Planning Division	●	●				●	●	●	
Yusuke Murai	Managing Director General Manager, Kanto Branch Office	●		●	●	●		●	●	
Akinobu Yamamoto	Managing Director General Manager, Construction Business Division	●		●			●	●	●	
Osamu Kawamoto	Director General Manager, Construction Technology Division	●		●	●	●	●		●	
Tatsuya Kaneto	Director General Manager, Chubu Branch	●		●	●	●			●	
Tomoyuki Yamane	Director General Manager, Overseas Businesses Division	●	●				●	●	●	●
Makoto Shirai	Lead Outside Director		●				●		●	
Takaji Kokusho	Outside Director			●	●				●	●
Youko Shimizu	Outside Director	●		●		●		●	●	
Takeshi Nagata	Outside Director		●				●		●	
Hiromi Asano	Outside Director	●				●	●	●	●	
Hiroyuki Kinoshita	Corporate Auditor (Standing)		●				●	●	●	
Tokiko Maruno	Outside Corporate Auditor		●				●	●	●	
Nobuo Iida	Outside Corporate Auditor	●	●	●			●	●	●	
Yasushi Sasaki	Outside Corporate Auditor	●	●	●			●	●	●	

# 6 Promoting respect for human rights and fair business activities

## Directors, Corporate Auditors

※(As of March 31, 2023)



**President and Representative Director**  
**Kazuhiro Akutsu**

- Apr. 2013 Managing Executive Officer and General Manager of Kanto Branch Office
- June 2015 Director and General Manager of Kanto Branch Office
- June 2016 Managing Director and General Manager of Kanto Branch Office
- Apr. 2018 Managing Director and General Manager of Sales Engineering Division
- Apr. 2019 Managing Director and General Manager of Construction Engineering Division
- June 2019 Senior Managing Director and General Manager of Construction Engineering Division
- June 2020 President and Representative Director (current position)



**Vice President**  
**General Manager, Management Administration Division, Management Administration Division**  
**Shigeaki Funayama**

- May 2009 Advisor of the Company
- June 2009 Director in-charge of Finance and Accounts
- Apr. 2011 Director and General Manager of Business Administration Department
- June 2012 Managing Director and General Manager of Business Administration Department
- June 2016 Senior Managing Director and General Manager of Business Administration Department
- June 2021 Director and Vice President, and General Manager of Business Administration Division (current position)



**Lead Outside Director**  
**Makoto Shirai**

- Oct. 2003 Registered as an attorney at law
- Apr. 2008 Securities and Exchange Inspector of Securities and Exchange Surveillance Division, Kanto Local Finance Bureau, Ministry of Finance Japan
- Apr. 2010 Professional Inspector of Inspection Division, the Executive Bureau of Securities and Exchange Surveillance Commission, Financial Services Agency
- July 2012 Re-registered as an attorney at law Partner of KOHWA SOHGOH LAW OFFICES (current position)
- June 2016 Outside Director of the Company (current position)
- July 2018 Outside Audit & Supervisory Board Member of BIT Point Japan Co., Ltd. (current position)



**Outside Director**  
**Takaji Kokusho**

- Apr. 1969 Joined Central Research Institute of Electric Power Industry
- Apr. 1982 Doctor of Engineering of Graduate School of Engineering, the University of Tokyo
- Apr. 1985 Part-time Lecturer of Faculty of Engineering in Civil Engineering, the University of Tokyo
- Mar. 1996 Technical Advisor of West Japan Engineering Consultants, Inc.
- Apr. 1996 Professor of Faculty of Science and Engineering in Civil Engineering, Chuo University
- Apr. 2015 Professor Emeritus of Chuo University (current position)
- June 2020 Outside Director of the Company (current position)



**Senior Managing Director**  
**General Manager, Health, Safety, and Environmental Division**  
**Yoichi Howa**

- Apr. 2009 Executive Officer and General Manager of Overseas Business Division
- June 2010 Director and General Manager of Overseas Business Division
- Apr. 2016 Director and General Manager of Sales Engineering Division
- June 2016 Managing Director and General Manager of Sales Engineering Division
- Apr. 2018 Managing Director and General Manager of Safety, Quality, Environment Division
- June 2019 Senior Managing Director and General Manager of Safety, Quality, Environment Division
- Apr. 2021 Senior Managing Director and General Manager of Safety, Health, Environment Division (current position)



**Senior Managing Director**  
**General Manager, Engineering Marketing Division**  
**Kohei Kawamura**

- Apr. 2011 Deputy General Manager of Tohoku General Branch Office
- Apr. 2013 Executive Officer and General Manager of Tohoku General Branch Office
- Apr. 2016 Managing Executive Officer and General Manager of Tohoku General Branch Office
- June 2017 Director and General Manager of Tohoku General Branch Office
- June 2019 Managing Director and General Manager of Sales Engineering Division
- June 2020 Senior Managing Director and General Manager of Sales Engineering Division (current position)



**Outside Director**  
**Hiroko Shimizu**

- Apr. 1979 Joined FUJITSU
- Apr. 2002 Representative Director and President of Fujitsu HR Professionals Limited
- Apr. 2007 Chief General Manager of Service Business Division of FUJITSU LIMITED
- Aug. 2011 Chief Investigator of National Committee of ISO/IEC JTC1 SC40/WG3 (current position)
- Nov. 2015 Executive Officer of TOKYO SYSTEM RESEARCH CORP.
- June 2019 Chair of ITES-BPO JIS Drafting Committee
- June 2021 Outside Director of the Company (current position)
- June 2022 Outside Director of FUKOKU Co., Ltd. (current position)



**Outside Director**  
**Takeshi Nagata**

- Apr. 1977 Joined Sendai Regional Taxation Bureau
- July 2009 District Director of Hongo Tax Office
- July 2015 Assistant Regional Commissioner of Kanazawa Regional Taxation Bureau
- July 2017 Regional Commissioner of Takamatsu Regional Taxation Bureau
- Nov. 2019 Registered as a tax accountant Established Takeshi Nagata Tax Accountant Office
- June 2021 Outside Director of the Company (current position)



**Senior Managing Director**  
**General Manager, Management Planning Division**  
**Makoto Nishi**

- Apr. 2008 Deputy General Manager of Sales Division
- Apr. 2009 Executive Officer in-charge of Human Resources and General Affairs
- Apr. 2011 Executive Officer and General Manager of Management Planning Division
- June 2011 Director and General Manager of Management Planning Division
- June 2016 Managing Director and General Manager of Management Planning Division
- June 2021 Senior Managing Director and General Manager of Management Planning Division (current position)



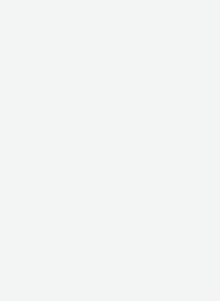
**Managing Director**  
**General Manager, Kanto Branch Office**  
**Yusuke Murai**

- Apr. 2011 Executive Officer and General Manager of Chubu General Branch Office
- Apr. 2013 Executive Officer and General Manager of Nishinoh Branch Office
- Apr. 2014 Managing Executive Officer and General Manager of Nishinoh Branch Office
- June 2016 Director and General Manager of Nishinoh Branch Office
- Apr. 2018 Director and General Manager of Kanto Branch Office
- June 2019 Managing Director and General Manager of Kanto Branch Office (current position)



**Outside Director**  
**Hiromi Asano**

- Apr. 1983 Joined Ministry of Labour
- Apr. 2000 Assistant Regional Commissioner of Gunma Labor Bureau, and General Manager of Public Employment Security Office, Ministry of Health, Labour and Welfare
- Apr. 2007 General Manager, Supply and Demand Balancing Department, Tokyo Labor Bureau, Ministry of Health, Labour and Welfare
- Apr. 2015 Chief Employment Promotion Officer, Public Employment Security Division, Ministry of Health, Labour and Welfare
- Mar. 2019 Director-General of Tochigi Labour Bureau, Ministry of Health, Labour and Welfare
- Mar. 2021 Retired from Ministry of Health, Labour and Welfare
- Apr. 2021 Professor, Graduate School of Business Creation Faculty of Graduate Institute for Entrepreneurial Studies (current position)
- June 2021 Outside Director of the Company (current position)



**Outside Corporate Auditor**  
**Tokiko Maruno**

- Oct. 2002 Registered as an attorney at law (55th term, Dai-ichi Tokyo Bar Association) (current position)
- Nov. 2016 Outside Audit & Supervisory Board Member of CHIKISHINBUNSHA CO., LTD. (current position)
- June 2017 Outside Audit & Supervisory Board Member of NICHIRYOKU CO., LTD.
- June 2019 Outside Audit & Supervisory Board Member of the Company (current position)
- Mar. 2022 Audit & Supervisory Board Member of FAN Communications, Inc. (current position)
- Apr. 2022 Auditor of Association of Healthcare Corporation Kousei-Kai (current position)



**Managing Director**  
**General Manager, Construction Business Division**  
**Akinobu Yamamoto**

- Apr. 2010 General Manager of Sales, Building Construction Business Department, Construction Business Department
- June 2013 Deputy General Manager of Building Construction Business Division
- Apr. 2015 Executive Officer and General Manager of Construction Business Division
- Apr. 2016 Managing Executive Officer and General Manager of Construction Business Division
- June 2018 Director and General Manager of Construction Business Division
- June 2020 Managing Director and General Manager of Construction Business Division (current position)



**Director**  
**General Manager, Construction Technology Division**  
**Osamu Kawamoto**

- Apr. 2014 Deputy General Manager of Nishinoh Branch Office, and General Manager of Chugoku Branch
- Apr. 2015 Deputy General Manager of Sales Engineering Division
- Apr. 2016 Executive Officer and General Manager of Kyushu General Branch Office
- Apr. 2018 Managing Executive Officer and General Manager of Kyushu General Branch Office
- Apr. 2020 Managing Executive Officer and Deputy General Manager of Construction Engineering Division
- June 2020 Director and General Manager of Construction Engineering Division (current position)



**Corporate Auditor (Standing)**  
**Hiroyuki Kinoshita**

- Apr. 1978 Joined the Company
- Apr. 2008 General Manager of Accounts Department
- Apr. 2009 General Manager of Finance and Accounts Department
- Apr. 2011 Executive Officer, Deputy General Manager of Business Administration Department, and General Manager of Finance and Accounts Department
- June 2013 Full-time Audit & Supervisory Board Member (current position)



**Outside Corporate Auditor**  
**Yasushi Sasaki**

- Apr. 1985 Joined Nippon Life Insurance Company
- Mar. 2016 Manager, General Manager, Market Development Department (Hokkaido), Nippon Life Insurance Company
- Mar. 2017 Executive Officer, Deputy General Manager, East Japan Corporate Sales Division, Nippon Life Insurance Company
- Mar. 2021 Retired as Executive Officer, Nippon Life Insurance Company
- Apr. 2021 President and Representative Director, Aroma Square Co., Ltd. (current position)
- June. 2022 Outside Audit & Supervisory Board Member of the Company (current position)



**Director**  
**General Manager, Chubu Branch**  
**Tatsuya Kaneto**

- Apr. 2007 General Manager of Kobe Sales Office, Osaka Branch
- Apr. 2011 General Manager of Construction Engineering Department, Chubu General Branch Office
- Apr. 2012 Deputy General Manager of Chubu General Branch Office
- Apr. 2013 Executive Officer and General Manager of Chubu General Branch Office
- Apr. 2016 Managing Executive Officer and General Manager of Chubu General Branch Office
- June 2021 Director and General Manager of Chubu General Branch Office (current position)



**Director**  
**General Manager, Overseas Businesses Division**  
**Satoyuki Yamane**

- Apr. 2009 General Manager, Business Administration Department
- Apr. 2011 General Manager, Management Planning Department, Management Planning Division
- Apr. 2013 General Manager of Sales Planning Department, Sales Engineering Division
- Apr. 2016 Executive Officer and General Manager of Overseas Business Division
- Apr. 2020 Managing Executive Officer and General Manager of Overseas Business Division
- June 2022 Director and General Manager of Overseas Business Division (current position)



**Outside Corporate Auditor**  
**Nobuo Iida**

- Apr. 1979 Joined The Taiyo Kobe Bank, Limited
- Apr. 2008 Executive Officer and General Manager of Osaka-kita Corporate Service Department of Sumitomo Mitsui Banking Corporation
- June 2010 Representative Director and President of Yoko Building ME Co., Ltd
- June 2017 Representative Director and President of Yoei Holding Co., Ltd. Representative Director and President of Yoei Co., Ltd.
- June 2019 Audit & Supervisory Board Member of KOGANEI CORPORATION (current position)
- June 2020 Director and Chairman of Yoei Co., Ltd.
- June 2021 Outside Director of TOYOKOSAN-ItD (current position) Outside Audit & Supervisory Board Member of the Company (current position)



**Outside Corporate Auditor**  
**Nobuo Iida**

- Apr. 1985 Joined Nippon Life Insurance Company
- Mar. 2016 Manager, General Manager, Market Development Department (Hokkaido), Nippon Life Insurance Company
- Mar. 2017 Executive Officer, Deputy General Manager, East Japan Corporate Sales Division, Nippon Life Insurance Company
- Mar. 2021 Retired as Executive Officer, Nippon Life Insurance Company
- Apr. 2021 President and Representative Director, Aroma Square Co., Ltd. (current position)
- June. 2022 Outside Audit & Supervisory Board Member of the Company (current position)

**Basic Compliance Policy**

1. We will engage in fair and sound business activities, complying with laws, regulations, and social norms.
2. We will aim to be good corporate citizens that contribute to our local communities.
3. We will contribute to global environmental protection and the creation of prosperous, amenable communities.

**Compliance Promotion Committee**

To promote sound business activities, the Raito Kogyo Group has established the Basic Compliance Policy and the Raito Kogyo Group Code of Conduct and set up the Compliance Committee as a body tasked with checking whether business activities are conducted in line with this Policy and Code.

In addition to monitoring the state of compliance, the Compliance Committee also reports regularly to the Board of Directors on the state of compliance activities, as well as carrying out activities including reviewing related rules and periodic training to promote compliance throughout the entire Group. In addition, the Board of Directors receives reports periodically and at other times as necessary, to carry out oversight of the state of compliance operations Groupwide and implement appropriate responses when needed. There were no compliance violations in FY2021, and no cases such as violations of laws or regulations or payment of fines.

Indicator	Unit	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Antimonopoly/ Legal action in response to anticompetitive acts	Number	0	0	0	0	0
Antimonopoly/ Fines and settlements related to anticompetitive acts	Million yen	0	0	0	0	0
Confirmed cases of corruption	Number	0	0	0	0	0
Fines and settlements related to corruption	Million yen	0	0	0	0	0

**Exclusion of anti-social forces**

The Raito Group is strengthening its efforts to combat anti-social forces; this includes steadfastly rejecting any approaches by such forces and never responding to improper demands. In addition to independent establishment of the Raito Kogyo Group Code of Conduct and the Crisis Management Manual, contracts such as those concluded with construction subcontractors call explicitly for rejection of improper demands and other approaches from anti-social forces, and for severing all relations with them. Also, a section has been specified as being responsible for preventing improper demands and an environment has been established to enable timely responses to any such demands.

**Compliance training**

The Raito Kogyo Group has established the Basic Compliance Policy and the Raito Kogyo Group Code of Conduct and distributed these in pamphlet form to all Group executives and employees to ensure comprehensive understanding of compliance obligations in everyday business activities. In addition, training programs have been established for specific positions and sections, covering subjects such as legal and regulatory compliance, and corporate ethics, as well as the Construction Business Act, the Building Standards Act, the Industrial Safety and Health Act, prevention of leakage of information, and prevention of insider trading.

Also, ongoing compliance training is provided via e-learning to Raito Kogyo Group executives and employees as another means of ensuring comprehensive understanding of compliance obligations. In the event that any compliance-related concerns arise, follow-up training is provided for executives and employees to raise awareness of the importance of compliance and help prevent reoccurrence of such issues.

**Internal whistleblowing system**

The Group has adopted an internal whistleblowing system, securing independence from management by naming the Corporate Auditors and the legal affairs section as internal contact points. We have also established an external contact point staffed by two attorneys with a high degree of independence from management, as we work to increase the efficacy of the whistleblowing hotline. Furthermore, we have formulated internal whistleblowing management rules to protect whistleblowers by keeping information on them confidential and prohibiting treating them at a disadvantage.

The Group accepts reports of suspected violations of compliance or the Raito Kogyo Group Code of Conduct from not only Group executives and employees but all stakeholders, including employees of business partners.

**Policy on anticorruption initiatives**

The Group is striving thoroughly to prohibit not only bribery, facilitation payments, kickbacks, excessive gifts and entertainment, and unlawful political donations, but also any and all acts of corruption involving any counterparty, whether engaged in directly or indirectly.

**Oversight of anticorruption policies**

The Group maintains a compliance structure based on the Basic Policy on Development of Internal Controls Systems. It has established a Compliance Committee chaired by the President and CEO, which reports on its activities as appropriate to the Board of Directors. This committee monitors the state of compliance as well as reviewing related rules and conducting training and other activities to achieve permeation of compliance awareness.

**Risk management**

**Risk management system**

The Group has established a Crisis Management Committee independent of the Audit and Supervisory Board, to review various risks. Together with regular monitoring, assessment, and analysis of the status of important risks and providing necessary advice and guidance to individual sections and Group companies, this committee also reports periodically to the Board of Directors on related details. In addition, the Board of Directors performs oversight functions by receiving reports directly from the Crisis Management Committee and evaluating the state of operation and efficacy of the Group Code of Conduct, risk management rules, and the management structure. Risks subject to evaluation and oversight by the Board of Directors and the Crisis Management Committee include those of legal and regulatory violations as well as environmental and other ESG risks.

**Formulation of and thorough compliance with crisis management rules**

The Raito Kogyo Group identifies in the Crisis Management Rules matters subject to management in order to respond rapidly and appropriately in the event that a risk materializes that has, or could have, a serious adverse effect on business operations, and defines preventive measures for such risks. In addition, the Crisis Management Committee categorizes and determines risks stipulated in the Crisis Management Manual and engages in activities such as periodic revision of the rules, training, and drills, ensuring that all executives and employees in The Raito Kogyo Group are fully informed.

**Business Continuity Plan (BCP)**

Raito Kogyo's Business Continuity Plan (BCP) establishes matters such as Company structures and the roles of executives and employees in the event of a major disaster, in order to enable minimization of any impact and continuity, or early resumption, of business operations, as well as contributions by the Company to society through use of our technologies and other capabilities during post-disaster recovery and restoration efforts.

In principle, this plan is inspected and reviewed annually in order to maintain and improve our business continuity capabilities.

**Business Continuity Plan (BCP): basic policy**

1. Give top priority to protecting the lives and physical safety of executives and employees (including members of their families), visitors, construction workers, and others.
2. While giving full consideration to the community and related parties, work to ensure timely recovery of Company-built projects damaged as a result of a disaster and to prevent secondary damage.
3. Support the recovery activities and other efforts of trading partners.
4. Fully utilize the Company's technological capabilities in aid and recovery activities in cooperation with affected areas.
5. In the event of a major disaster, the entire Company shall work in concert to carry out the activities under 1-4 and, through such activities, to earn even higher levels of trust from our trading partners and society at large as a company that they can rely on.
6. It is desirable that activities in accordance with this Business Continuity Plan are also implemented in relevant cases other than major earthquakes.

**Management of personal information**

The Company manages personal information on customers, trading partners, employees, and others handled in the course of doing business in compliance with laws, regulations, and other standards concerning protection of personal information, and with its own rules and systems established with regard to personal information.

**Protection of intellectual property**

We consider intellectual property to be a very important management resource supporting the growth and income of The Raito Kogyo Group. As the section in charge of intellectual property, renamed the General Affairs/IP Department and transferred to the R&D Center, which opened in January 2018 to identify next-generation core technologies and business fields and promote efficient R&D to power the Group's perpetual growth. It handles application for, securing of, maintenance and management of patents, utility models, designs, trademarks, and other forms of intellectual property and proactively secures rights to new technologies that are created as a result of R&D activities, as it works to protect the Company's technologies. In addition to putting our own intellectual property to appropriate use, we also respect the intellectual property of others and conduct prior studies of existing technologies to ensure that we do not infringe on others' rights.

**Information security enhancements**

The Raito Kogyo Group works to manage risks in respect of information security throughout the Group, based on the Information Management Rules. We have prepared an Information Leakage Prevention Manual covering specific measures for preventing leaks of internal information and trade secrets, and we ensure that all executives and employees in The Raito Kogyo Group fully understand the contents thereof. In addition, to be prepared against cyberattacks such as targeted DOS attacks and ransomware, we are endeavoring to raise the level of security through adoption of advanced solutions.

**Countermeasures against cyberattacks**

To protect its internal networks against externally originated infection by computer viruses or cyberattacks, The Raito Kogyo Group employs next-generation firewall technology and monitors individual applications for improper communications and access for other than business purposes. We constantly implement the most up-to-date security measures, including installation of redundant antivirus software as an endpoint security measure.

**Preparing a communication flowchart as a countermeasure against COVID-19**

We have prepared a communication flowchart for use when employees feel unwell, as a countermeasure against COVID-19. In addition to a chart showing the actions to be taken if an employee is found to feel unwell, organized by symptom, this flowchart also describes the structure for communication of reports of such cases and the flow for communication of positive PCR test results. All employees are being made aware of this flowchart so that it can be put to comprehensive use in order to minimize resulting impacts on business operations.

**Briefings on financial results, facility tours**

Aiming to further enhance its investor relations (IR) activities, Raito Kogyo holds briefings on financial results for institutional investors and analysts twice a year (in May and November). In these briefings, the Representative Director and other Directors responsible for IR explain matters such as an overview of settlement of accounts and trends in business results, policies for the future, and the latest technologies. The documents used in briefings on settlement of accounts are also made available to the general public via the Company website. We also proactively hold individual meetings in which the Directors responsible for IR engage in direct dialogue with institutional investors and analysts.



Briefing on settlement of accounts

In addition, to deepen their understanding of our business activities, we held a tour of the R&D Center for institutional investors, analysts, and related parties. Going forward, we will further improve our information disclosure and communication efforts.



Tour of the R&D Center

\* Briefings on financial results held in FY2022 were conducted in a new venue, reflecting consideration for prevention of COVID-19 transmission, including social distancing, disinfection, ventilation, and temperature-taking in the venue.

**Company guide for children and comic-format company guide prepared**

A company guide for children was prepared as a tool for use by Company executives and employees for explaining the Company in an easily understandable way, to audiences both within and outside of the organization.

This guide is used as a communication vehicle for telling one's own children about everyday work in the Company and helping relevant parties to better understand the Company. In addition, a comic-format company guide entitled "The Civil Engineering Technologies that Protect our Way of Life: Creating a Brighter Future," has been prepared and published on the recruitment page for new university graduates on the Company website, to deepen people's understanding of civil engineering technologies and specialized civil engineering. We will keep working to communicate the Company's business story in various ways.



Company guide for children



Comic-format company guide

**Shareholders' Meeting**

Considering the Shareholders' Meeting to be an important opportunity for dialogue with shareholders, the Company strives to manage it accordingly through such means as appropriate disclosure of information and early circulation of convocation notices, in order to effectively secure the rights of shareholders. Some 30 shareholders attended the 76th Shareholders' Meeting, held on June 29, 2023 at Arcadia Ichigaya (Shigaku Kaikan) in Kudan-Kita, Chiyoda-ku, Tokyo.

**Participation in various IR events**

To deepen individual investors' understanding of our business activities, the Company proactively communicates information and engages in direct dialogue through participation in various IR events and other activities.

The event included descriptions of the Company's priority businesses, its financial standing, the high level of technological capabilities and other strengths, and matters such as future prospects based on the current statuses of priority businesses. Going forward, we will look to increase the number of opportunities for such communication and dialogue for better understanding of our business activities among the investors.



Chairperson Suzuki delivers a presentation

**Exhibiting at trade shows**

We introduce our proprietary technologies and solutions to potential customers and other stakeholders through various trade shows. At the 57th National Conference on Geotechnical Engineering, we introduced a high-pressure injection and mixing management system (ICT-JET) using ICT technology to make jet grout visible. At EE Tohoku '22, we exhibited the 3D-ViMa System, which makes the quality and output of ground improvement work visible, and a GNSS steering system that integrates machine guidance devices with construction management functions to support operators' construction work, employing global navigation satellite system (GNSS) technology.



Exhibiting at a trade show

**Partnerships with business partners**

**Partnership Declaration**

Aiming to be an attractive company for all stakeholders, the Raito Kogyo Group promotes partnership building aiming for sustained growth with partner companies.

We also support the concept of building sustainable relations between large firms and SMEs to enable their mutual growth, as advocated by the Future Partnership Promotion Council promoted by the Cabinet Office, the Small and Medium Enterprise Agency, and other agencies together with related business associations.



**Partnership Declaration**

Raito Kogyo will focus on the following measures to build new partnerships by advancing collaboration and coprosperity with our partners, including members of the supply chain and businesses with which we create value.

**1. Coprosperity throughout the supply chain and new collaboration extending beyond boundaries such as company size and group**

Through encouragement of other partners via direct partners (i.e., from Tier N to Tier N+1), we will strive to increase added value throughout the entire supply chain, while also aiming to build coexistence and coprosperity with partners through collaboration extending above and beyond boundaries such as existing transactions relationships and company size. In doing so, we will support partners through means such as advising on adoption of remote working and business continuity planning (BCP), for purposes such as business continuity after a disaster and work-style reforms.

**(Individual items)**

Based on the Autonomous Action Plan for Normalization of Transactions with Subcontractors and Proper Order Receipt Activities established by the Japan Federation of Construction Contractors, we will implement appropriate transactions ourselves as well as helping partner companies and others in areas such as raising awareness of appropriate transactions and human-resource development.

**2. Compliance with the promotion standards**

We will comply with recommended practices for transactions with new businesses and subcontractors (the promotion standards under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises) and actively strive to rectify any transactions or commercial practices that could impede the building of partnerships with transaction counterparties.

**(i) Methods of deciding on prices**

We will not make unreasonable demands to lower costs. We will ensure thorough implementation of procedures based on the Construction Industry Compliance Guidelines issued by the Ministry of Land, Infrastructure, Transport and Tourism, to build relations of equality between contractor and subcontractor and to implement fair and transparent transactions.

In concluding contracts, including decisions on transaction prices, in accordance with the Construction Business Act and other applicable laws and regulations we will ensure that subcontracting agreements are concluded in writing (including e-contracts) before beginning the work, to clarify contractual terms and conditions as the contractor and to prevent disputes and rectify any unilaterally. In doing so, we negotiate based on equal standing between contractor and subcontractor and strive to conclude contracts based on conditions acceptable to both sides.

**(ii) Payment conditions for notes, etc.**

When paying subcontracting proceeds in both cash and notes, we make sure to pay portions corresponding to labor costs in cash, as well as endeavoring to increase the percentage paid in cash in general. In the event of amendment of official notices or other documents on payment in notes, we will revise payment conditions and other matters appropriately.

**(iii) Intellectual property and know-how**

We refrain from unilaterally demanding the conclusion of nondisclosure agreements or demands such as those for disclosure of know-how or gratis transfer of intellectual property rights based on our positions in transactions.

**(iv) Shifting the burden of work-style reforms, etc.**

To ensure that counterparties also can promote work-style reforms, we refrain from acts such as demanding short lead times or sudden changes in specifications without covering appropriate costs. In the event of a disaster or similar incident, we employ consideration in areas such as avoiding unilaterally forcing the burden of transactions on subcontractors and continuing transaction relationships as much as possible when resuming business operations.

**3. Others (optional)**

The Group considers initiatives implemented throughout the supply chain to be essential to the fulfillment of our corporate social responsibility. In addition to securing worker health and safety and building comfortable workplace environments, we also engage in fair transactions with suppliers and strive to strengthen relations of trust with our partners in value creation.

May 23, 2022

Raito Kogyo Co., Ltd. President Kazuhiro Akutsu

**Initiatives to promote the Construction Career Up System (CCUS)**

The Company is actively promoting adoption of the Construction Career Up System (CCUS) as an important system to improve the treatment of skilled workers. The Company has achieved a level of 100% registration of technician information for skilled employees in civil engineering and is promoting CCUS registration of technicians at partner companies as well, so that all those working on construction sites can join the program.

In addition, to collect data on the career histories of technicians in the CCUS program, we are actively installing card readers for construction work in which we are the contractor

**Addressing those not covered by social insurance**

The Company thoroughly is promoting coverage by social insurance. For both public- and private-sector construction projects, we demand in principle submittal of written quotes that clearly indicate a breakdown of statutory welfare costs under which all skilled workers can be provided with social insurance coverage. We refuse to conclude contracts with companies that do not provide social insurance coverage, except in certain special situations. The rate of social insurance coverage at partner companies in FY2021 was about 100%.

**Health and Safety Federation**

We have established the Raito Kogyo Health and Safety Federation to ensure quality and safety in construction work, together with partner companies.

In addition to fostering awareness of and building up knowledge concerning health and safety and working to establish safe work processes and promote health management, this Federation also carries out various activities to build smooth relationships with partner companies.

**(i) Health and safety patrols**

We carry out periodic joint patrols based on annual plans.

**(ii) National health and safety promotion conference**

We hold a national health and safety promotion conference during national safety week each year.

**(iii) Various types of education and training**

We carry out education and training in various locations each year.

**Cash payments to partner companies**

Since May 2022, we have made all payments related to outsourcing contracts in cash, to build even stronger partnerships with our partner companies. This helps to strengthen the business foundations of partner companies and support their efforts to secure and develop human resources.

# Consolidated financial statements

## Consolidated balance sheets

March 31, 2023 and 2022	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits (Note 3)	¥29,605	¥30,022	\$221,693
Notes receivable, accounts receivable from completed construction contracts and other	43,749	36,505	327,609
Electronically recorded monetary claims - operating	5,543	3,557	41,508
Securities	1,000	1,999	7,488
Costs on construction contracts in progress (Note 4)	1,366	1,770	10,229
Merchandise and finished goods (Note 4)	25	26	187
Work in process (Note 4)	-	0	-
Raw materials and supplies (Note 4)	597	660	4,470
Accounts receivable - other	112	51	838
Other	2,218	1,469	16,609
Allowance for doubtful accounts	(34)	(34)	(254)
Total current assets	84,183	76,029	630,395
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	13,411	12,354	100,426
Accumulated depreciation	(6,095)	(5,934)	(45,641)
Buildings and structures, net	7,316	6,419	54,785
Machinery, vehicles, tools, furniture and fixtures	28,955	26,987	216,826
Accumulated depreciation	(23,518)	(22,561)	(176,112)
Machinery, vehicles, tools, furniture and fixtures, net	5,437	4,426	40,714
Land (Note 7)	11,361	11,361	85,075
Leased assets	158	41	1,183
Accumulated depreciation	(55)	(20)	(411)
Leased assets, net	103	20	771
Construction in progress	428	1,075	3,205
Total property, plant and equipment	24,647	23,303	184,566
<b>Intangible assets</b>			
Goodwill	447	-	3,347
Other	255	257	1,909
Total intangible assets	703	257	5,264
<b>Investments and other assets</b>			
Investment securities (Notes 5 and 8)	7,152	7,468	53,556
Long-term prepaid expenses	84	118	629
Distressed receivables	6	6	44
Investment property	382	3,137	2,860
Deferred tax assets (Note 14)	1,448	1,080	10,843
Retirement benefit asset	1,637	2,285	12,258
Other	3,048	2,567	22,824
Allowance for doubtful accounts	(369)	(369)	(2,763)
Total investments and other assets	13,391	16,295	100,277
Total non-current assets	38,741	39,856	290,107
Total assets	122,925	115,885	920,510

\*All the above U.S. dollar amounts are translated from yen at the rate of JPY133.54=U.S.\$1.00

March 31, 2023 and 2022	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes payable, accounts payable for construction contracts and other	¥12,047	¥11,855	\$90,212
Electronically recorded obligations - operating	8,527	8,317	63,853
Short-term bank loans payable (Note 9)	1,532	870	11,472
Income taxes payable	2,393	2,706	17,919
Advances received on construction contracts in progress	1,102	2,144	8,252
Provision for warranties for completed construction	299	172	2,239
Provision for loss on construction contracts (Note 2)	11	0	82
Accrued expenses	2,961	2,611	22,173
Other	7,228	5,295	54,126
Total current liabilities	36,105	33,974	270,368
<b>Non-current liabilities</b>			
Long-term loans payable	181	-	1,355
Long-term accounts payable - other	144	141	1,078
Lease obligations	115	12	861
Deferred tax liabilities (Note 14)	2	2	14
Deferred tax liabilities for land revaluation (Note 7)	769	769	5,758
Provision for stock benefits	108	107	808
Other	60	60	449
Total non-current liabilities	1,382	1,094	10,348
Total liabilities	37,487	35,068	280,717
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Share capital	6,119	6,119	45,821
Capital surplus	6,447	6,358	48,277
Retained earnings	75,792	70,588	567,560
Treasury shares (Note 11)	(5,010)	(3,411)	(37,516)
Total shareholders' equity (Note 12)	83,349	79,654	624,150
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	866	525	6,484
Revaluation reserve for land (Note 7)	(1,120)	(1,120)	(8,387)
Foreign currency translation adjustment	1,512	1,316	11,322
Remeasurements of defined benefit plans (Note 10)	(103)	364	(771)
Total accumulated other comprehensive income	1,154	1,085	8,641
<b>Non-controlling interests</b>	933	77	6,986
Total net assets	85,437	80,817	639,785
Total liabilities and net assets	¥122,925	¥115,885	\$920,510

\*All the above U.S. dollar amounts are translated from yen at the rate of JPY133.54=U.S.\$1.00

# Consolidated financial statements

## Consolidated statements of income

For the years ended March 31, 2023 and 2022	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
<b>Net sales</b>			
Net sales of completed construction contracts	¥114,636	¥109,147	\$858,439
Net sales in sideline businesses	338	356	2,531
Total net sales	114,974	109,504	860,970
<b>Cost of sales</b>			
Cost of sales of completed construction contracts	90,828	85,310	680,155
Cost of sales in sideline businesses	229	243	1,714
Total cost of sales	91,057	85,554	681,870
<b>Gross profit</b>			
Gross profit on completed construction contracts	23,807	23,836	178,276
Gross profit on sideline business	109	113	816
Total gross profit	23,916	23,949	179,092
<b>Selling, general and administrative expenses</b>	11,131	10,713	83,353
<b>Operating profit</b>	12,785	13,236	95,739
<b>Non-operating income</b>			
Interest income	25	7	187
Dividend income	267	164	1,999
Royalty income	13	20	97
Insurance claim income	124	334	928
Rental income from non-current assets	307	278	2,298
Foreign exchange gains	98	140	733
Share of profit of entities accounted for using equity method	3	234	22
Other	205	93	1,535
Total non-operating income	1,045	1,274	7,825
<b>Non-operating expenses</b>			
Interest expenses	50	29	374
Loss on sales of notes receivable - trade	2	3	14
Commission expenses	24	102	179
Guarantee commission	63	65	471
Rental costs	277	228	2,074
Other	101	104	756
Total non-operating expenses	520	533	3,893
<b>Ordinary profit</b>	13,310	13,976	99,670
<b>Extraordinary income</b>			
Gain on sales of non-current assets	41	55	307
Gain on sales of investment securities	0	5	3
Gain on step acquisitions	229	-	1,714
Total extraordinary income	270	61	2,021
<b>Extraordinary losses</b>			
Settlement package	3	-	22
Loss on sales and retirement of non-current assets	134	13	1,003
Extra retirement payments	2	9	14
Loss on valuation of investment securities	74	-	554
Loss on sale of shares of subsidiaries and associates	-	735	-
Loss on valuation of golf club membership	-	0	-
Total extraordinary losses	214	758	1,602
<b>Profit before income taxes</b>	13,366	13,279	100,089
Income taxes - current	4,142	4,458	31,016
Income taxes - deferred	(186)	(74)	(1,392)
Total income taxes	3,955	4,383	29,616
<b>Profit</b>	9,410	8,895	70,465
Loss attributable to non-controlling interests	(78)	(34)	(584)
<b>Profit attributable to owners of parent</b>	¥9,489	¥8,930	\$71,057

\*All the above U.S. dollar amounts are translated from yen at the rate of JPY133.54=U.S.\$1.00

## Consolidated statements of comprehensive income

For the years ended March 31, 2023 and 2022	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
<b>Profit</b>	¥9,410	¥8,895	\$70,465
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities	341	(63)	2,553
Foreign currency translation adjustment	(38)	221	(284)
Remeasurements of defined benefit plans, net of tax	(468)	(77)	(3,504)
Share of other comprehensive income of entities accounted for using equity method	234	577	1,752
Total other comprehensive income (Note 13)	69	658	516
<b>Comprehensive income (Note 13)</b>	9,480	9,553	70,989
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	9,432	9,573	70,630
Comprehensive income attributable to non-controlling interests	¥47	(¥19)	\$351

\*All the above U.S. dollar amounts are translated from yen at the rate of JPY133.54=U.S.\$1.00

# Consolidated financial statements

## Consolidated statements of changes in equity

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
<b>Balance at March 31, 2021</b>	¥6,119	¥6,358	¥65,761	(¥2,883)	¥75,355	¥589	(¥1,082)	¥516	¥441	¥465	¥96	¥75,917
Changes during period												
Dividends of surplus			(2,598)		(2,598)							(2,598)
Profit attributable to owners of parent			8,930		8,930							8,930
Purchase of treasury shares				(2,077)	(2,077)							(2,077)
Cancellation of treasury shares			(1,543)	1,543	-							-
Treasury stock payment of stock ownership plan trust				6	6							6
Reversal of revaluation reserve for land			38		38							38
Net changes in items other than shareholders' equity						(63)	(38)	799	(77)	619	(19)	599
Total changes during period	-	-	4,827	(527)	4,299	(63)	(38)	799	(77)	619	(19)	4,899
<b>Balance at March 31, 2022</b>	¥6,119	¥6,358	¥70,588	(¥3,411)	¥79,654	¥525	(¥1,120)	¥1,316	¥364	¥1,085	¥77	¥80,817
Changes during period												
Dividends of surplus			(2,746)		(2,746)							(2,746)
Profit attributable to owners of parent			9,489		9,489							9,489
Purchase of treasury shares				(3,150)	(3,150)							(3,150)
Cancellation of treasury shares			(1,538)	1,538	-							-
Treasury stock payment of stock ownership plan trust				13	13							13
Change in ownership interest of parent due to transactions with non-controlling interests		89			89							89
Net changes in items other than shareholders' equity						341	-	196	(468)	69	856	925
Total changes during period	-	89	5,203	(1,598)	3,694	341	-	196	(468)	69	856	4,620
<b>Balance at March 31, 2023</b>	¥6,119	¥6,447	¥75,792	(¥5,010)	¥83,349	¥866	(¥1,120)	¥1,512	(¥103)	¥1,154	¥933	¥85,437

Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
<b>Balance at March 31, 2021</b>	\$45,821	\$47,611	\$492,444	(\$21,589)	\$564,287	\$4,410	(\$8,102)	\$3,864	\$3,302	\$3,482	\$718	\$568,496
Changes during period												
Dividends of surplus			(19,454)		(19,454)							(19,454)
Profit attributable to owners of parent			66,871		66,871							66,871
Purchase of treasury shares				(15,553)	(15,553)							(15,553)
Cancellation of treasury shares			(11,554)	11,554	-							-
Treasury stock payment of stock ownership plan trust				44	44							44
Reversal of revaluation reserve for land			284		284							284
Net changes in items other than shareholders' equity						(471)	(284)	5,983	(576)	4,635	(142)	4,485
Total changes during period	-	-	36,146	(3,946)	32,192	(471)	(284)	5,983	(576)	4,635	(142)	36,685
<b>Balance at March 31, 2022</b>	\$45,821	\$47,611	\$528,590	(\$25,542)	\$596,480	\$3,931	(\$8,387)	\$9,854	\$2,725	\$8,124	\$576	\$605,189
Changes during period												
Dividends of surplus			(20,563)		(20,563)							(20,563)
Profit attributable to owners of parent			71,057		71,057							71,057
Purchase of treasury shares				(23,588)	(23,588)							(23,588)
Cancellation of treasury shares			(11,517)	11,517	-							-
Treasury stock payment of stock ownership plan trust				97	97							97
Change in ownership interest of parent due to transactions with non-controlling interests		666			666							666
Net changes in items other than shareholders' equity						2,553	-	1,467	(3,504)	516	6,410	6,926
Total changes during period	-	666	38,962	(11,966)	27,662	2,553	-	1,467	(3,504)	516	6,410	34,596
<b>Balance at March 31, 2023</b>	\$45,821	\$48,277	\$567,560	(\$37,516)	\$624,150	\$6,484	(\$8,387)	\$11,322	(\$771)	\$8,641	\$6,986	\$639,785

\*All the above U.S. dollar amounts are translated from yen at the rate of JPY133.54=U.S.\$1.00

## Consolidated statements of cash flows

Millions of yen

Thousands of U.S. dollars

For the years ended March 31, 2023 and 2022	2023	2022	2023
<b>Cash flows from operating activities</b>			
Profit before income taxes	¥13,366	¥13,279	\$100,089
Depreciation	2,441	2,140	18,279
Loss (gain) on retirement of non-current assets	93	(42)	696
Share of loss (profit) of entities accounted for using equity method	(3)	(234)	(22)
Increase (decrease) in allowance for doubtful accounts	(0)	(5)	(6)
Increase (decrease) in provision for warranties for completed construction	126	16	943
Increase (decrease) in provision for loss on construction contracts	10	(20)	74
Decrease (increase) in retirement benefit asset	647	(154)	4,844
Increase (decrease) in provision for stock benefits	1	15	7
Interest and dividend income	(293)	(172)	(2,194)
Interest expenses	50	29	374
Loss on sales of notes receivable - trade	2	3	14
Loss (gain) on sales of investment securities	(0)	(5)	(3)
Loss (gain) on valuation of investment securities	74	0	554
Loss (gain) on sale of shares of subsidiaries and associates	-	735	-
Loss (gain) on step acquisitions	(229)	-	(1,714)
Decrease (increase) in trade receivables	(8,881)	(648)	(66,504)
Decrease (increase) in costs on construction contracts in progress	869	568	6,507
Decrease (increase) in inventories	83	(157)	621
Increase (decrease) in trade payables	393	(153)	2,942
Increase (decrease) in advances received on construction contracts in progress	(1,092)	(692)	(8,177)
Other, net	1,326	(1,326)	9,929
Subtotal	8,987	13,176	67,298
Interest and dividends received	293	172	2,194
Interest paid	(50)	(29)	(374)
Payments for sales of notes receivable - trade	(2)	(3)	(14)
Income taxes paid	(4,465)	(4,719)	(33,435)
Net cash provided by (used in) operating activities	4,761	8,597	35,652
<b>Cash flows from investing activities</b>			
Proceeds from redemption of securities	1,000	-	7,488
Purchase of property, plant and equipment	(2,951)	(2,970)	(22,098)
Proceeds from sales of property, plant and equipment	102	115	763
Purchase of intangible assets	(82)	(45)	(614)
Purchase of investment securities	(50)	(317)	(374)
Proceeds from sales of investment securities	50	8	374
Proceeds from sale of shares of subsidiaries and associates	-	1,017	-
Purchase of shares of subsidiaries and associates	(223)	(1,046)	(1,669)
Collection of loans receivable from subsidiaries and affiliates	4	4	29
Purchase of investment property	(76)	(351)	(569)
Proceeds from sales of investment property	2,830	205	21,192
Purchase of insurance funds	(481)	-	(3,601)
Proceeds from maturity of insurance funds	392	1,037	2,935
Other, net	(28)	(6)	(209)
Net cash provided by (used in) investing activities	487	(2,350)	3,646
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	135	(8)	1,010
Purchase of treasury shares	(3,150)	(2,077)	(23,588)
Repayments of finance lease obligations	(10)	(8)	(74)
Dividends paid	(2,739)	(2,593)	(20,510)
Net cash provided by (used in) financing activities	(5,765)	(4,687)	(43,170)
Effect of exchange rate change on cash and cash equivalents	98	204	733
Net increase (decrease) in cash and cash equivalents	(417)	1,763	(3,122)
Cash and cash equivalents at beginning of period	30,022	28,259	224,816
Cash and cash equivalents at end of period (Note 3)	¥29,605	¥30,022	\$221,693

\*All the above U.S. dollar amounts are translated from yen at the rate of JPY133.54=U.S.\$1.00

# Notes to consolidated financial statements

## 1. BASIS OF PREPARATION

The accompanying consolidated financial statements of RAITO KOGYO CO., LTD. (the "Company") and consolidated subsidiaries are translated and compiled from the Japanese consolidated financial statements, which are prepared by the Company on the basis of accounting principles generally accepted in Japan and in accordance with the requirements of the Securities and Exchange Law of Japan. These requirements are different in certain respects from the application and disclosure rules of International Financial Reporting Standards.

The amounts are rounded to the nearest million yen. Therefore, total or subtotal amounts do not correspond with the aggregation of such account balances. The United States dollar amounts presented in the accompanying financial statements are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥133.54 = US\$1.00, which was the exchange rate prevailing at March 31, 2023.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of consolidation

#### i) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and its 15 significant subsidiaries: RAITO, INC., ONORYO CO., LTD., AURA CE CO., LTD., RAITO ENGINEERING & CONSTRUCTION LIMITED, MICHINOKU REALIZE CO., LTD., TOHOKU REALIZE CO., LTD., TOKAI REALIZE CO., LTD., KYUSYU REALIZE CO., LTD., FUKUSHIMA REALIZE CO., LTD., NIIGATA REALIZE CO., LTD., YAMAGUCHI REALIZE CO., LTD., SANYORYOKUKA CO., LTD., YASASHIITE RAITO CO., LTD., Fecon Underground Construction Joint Stock Company, and RAITO FECON INNOVATIVE GEOTECHNICAL ENGINEERING JSC., after the elimination of all significant intercompany transactions, balances and unrealized profits.

The consolidated financial statements do not include the accounts of, NISHINIHON REALIZE CO., LTD., TOUGH EARTH CO., LTD., RAITO CARE CO., LTD., and EDO ENTERPRISE CO., LTD. since the combined total assets, sales, net income and retained earnings of these subsidiaries are not significant and would not have a material impact on the consolidated financial statements.

#### ii) Equity method

The equity method was applied to Fecon Corporation.

Four consolidated subsidiaries not subject to the equity method are excluded from the scope of equity method companies since such exclusion has no material impact on the Company's consolidated financial statements in terms of profit or loss (amount corresponding to the ownership held by the Company), retained earnings (amount corresponding to the ownership held by the Company) and other financial results, and they are not material as a whole.

#### iii) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, the Company and its consolidated subsidiaries consider all highly liquid investments with insignificant risk of changes in value and original maturity of three months or less at the date of acquisition to be cash equivalents.

#### iv) Fiscal year of consolidated subsidiaries

The fiscal years of consolidated subsidiaries are the same as that of the Company.

### (b) Marketable securities and investments in securities

Held-to-maturity securities are carried based on the amortized cost method. Marketable available-for-sale securities are carried at fair market value at the fiscal year-end. The cost of securities sold is determined based on the moving-average method. Unrealized holding gain or loss on available-for-sale securities, net of the applicable income taxes, is charged to shareholder's equity.

Non-marketable available-for-sale securities are carried at cost based on the moving-average method.

In case of impairment, non-marketable securities are reduced to net realized value by a charge to income.

### (c) Inventories

Accumulated construction cost in progress is stated at cost determined by the identified cost method.

Merchandise and finished goods, work in progress and raw material and supplies (amounts reduced to their book value due to a decline in profitability) are stated at cost determined by the first-in, first-out method.

### (d) Property, plant and equipment depreciation

Property, plant and equipment are carried at cost.

Regarding the Company and its domestic subsidiaries, depreciation for buildings acquired before April 1, 1998, are mainly computed by the declining balance method, and depreciation for buildings acquired after April 1, 1998 and facilities attached to buildings and structures acquired after April 1, 2016 are computed by the straight-line method over the applicable useful lives.

Regarding foreign subsidiaries, depreciation is mainly computed by the straight-line method over the estimated useful lives.

### (e) Software

Software used by the Company and its consolidated subsidiaries is depreciated using the straight-line method, based on the useful life as determined by the Company and its consolidated subsidiaries (5 years).

### (f) Basis for recording important provisions

#### i) Allowance for doubtful accounts

Allowance for doubtful accounts of the Company and its consolidated subsidiaries are provided as follows:

For general receivables, allowance is provided at rates derived from historical credit loss experiences.

For doubtful receivables, allowance is provided at the amount considered uncollectible based on respective assessment on collectability.

#### ii) Provision for warranties for completed construction

A provision for warranties for completed construction is provided at an estimated future amount for the fiscal year under review to cover expenses relating to defects on completed construction.

#### iii) Provision for loss on construction contracts

Accumulated construction cost in progress relating to contract work where a loss is anticipated and the allowance for anticipated loss on contract work are posted separately and not offset. The allowance for anticipated loss on contract work applicable to accumulated construction cost in progress relating to contract work where a loss is anticipated amounts to ¥11 million.

#### iv) Provision for stock benefits for directors

To grant directors with shares of the Company's stock, the Company provides an allowance at an amount accrued during the fiscal year under review based on the estimated amount of benefits.

### (g) Accounting treatment for retirement benefits

#### i) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to periods up to and including the consolidated fiscal year under review using the benefit formula method.

#### ii) Treatment of actuarial differences and prior service cost

Prior service cost is amortized using the straight-line method over the predetermined period (10 years), which is shorter than the average remaining years of service of eligible employees at the time of incurrence of such cost.

An actuarial difference is amortized proportionately using the straight-line method over the predetermined period (10 years), which is shorter than the

average remaining years of service of eligible employees at the time of incurrence in each consolidated fiscal year, beginning with the following consolidated fiscal year.

### (h) Basis for recording the amount of completed work and the cost of completed work

In accounting for the amount of work completed, the percentage-of-completion method (the cost-to-cost method when estimating construction progress) is applied to the portion of progress where the certainty of results can be confirmed up to the end of the accounting period. For all other work the completed-contract method is applied.

### (i) Consumption tax

Consumption tax is taken out from all the revenue and expense items and balance sheet items, and recorded separately, except for, mainly, receivables and payables.

# Notes to consolidated financial statements

## 3. CASH AND CASH EQUIVALENTS

Reconciliation between cash and time deposits and marketable securities on the consolidated balance sheets as of March 31, 2023 and 2022 and cash and cash equivalents at end of years on the statements of cash flows for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and deposits on the consolidated balance sheets	¥29,605	¥30,022	\$221,693
Time deposits with terms exceeding 3 months	-	-	-
Cash and cash equivalents on the statement of cash flows	¥29,605	¥30,022	\$221,693

## 4. INVENTORIES

Inventories as of March 31, 2023 and 2022 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Costs on construction contracts in progress	¥1,366	¥1,770	\$10,229
Merchandise and finished goods, work in process and raw material and supplies	622	686	4,657
	¥1,988	¥2,456	\$14,886

## 5. INVESTMENT SECURITIES

Information on investment in securities of non-consolidated subsidiaries and affiliated companies as of March 31, 2023 and 2022 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Investment in securities (shares)	¥3,948	¥4,562	\$29,564

## 6. NOTES RECEIVABLE - TRADE

Information relating to the balances of discounted notes receivable and endorsed notes receivable as of March 31, 2023 and 2022 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Endorsed notes receivable	-	-	-

## 7. REVALUATION OF LAND

Under the "Law of Land Revaluation," promulgated on March 31, 1998 and revised on March 31, 2001, the Company has elected a one-time revaluation of its own use land.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of shareholders' equity. There is no effect on the statements of operations. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

As of March 31, 2023, because the fair value of revaluated land exceeds the carrying amount after revaluation, the difference is not stated.

## 8. MARKETABLE SECURITIES AND INVESTMENT IN SECURITIES

The market value of listed securities, which are classified as marketable securities, as of March 31, 2023 and 2022, are as follows:

	Millions of yen		
	Cost	Fair Value (Carrying Amount)	Unrealized Gain (Loss)
As of March 31, 2023			
Marketable equity securities	¥1,320	¥2,461	¥1,141
Fund trust and other	-	-	-
	¥1,320	¥2,461	¥1,141

	Millions of yen		
	Cost	Fair Value (Carrying Amount)	Unrealized Gain (Loss)
As of March 31, 2022			
Marketable equity securities	¥1,272	¥2,116	¥843
Fund trust and other	49	51	1
	¥1,322	¥2,167	¥844

	Thousands of U.S. dollars		
	Cost	Fair Value (Carrying Amount)	Unrealized Gain (Loss)
As of March 31, 2023			
Marketable equity securities	\$9,884	\$18,428	\$8,544
Fund trust and other	-	-	-
	\$9,884	\$18,428	\$8,544

## 9. SHORT-TERM BANK LOANS PAYABLE

In order to ensure the efficient use and management of working capital, the Raito Kogyo Group has concluded overdraft and commitment lines of credit agreements with five banks. The total amount under overdraft and commitment lines of credit agreements as of the end of the fiscal year under review stood at ¥10,570 million (\$79,152 thousand).

## 10. EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN

Consolidated fiscal year under review (from April 1, 2022, to March 31, 2023)

### 1. Overview of adopted retirement benefit plans

The Company and some of its consolidated subsidiaries have a savings-type defined benefit plan and a defined contribution plan to cover employees' retirement benefits.

The defined benefit corporate pension plan provides lump-sum payments or pensions according to the amount of benefits and length of service.

Retirement benefit trusts are established under the lump-sum retirement allowance plan.

The lump-sum retirement allowance plan provides, as retirement benefits, lump-sum payments according to the amount of salary and length of service.

Some of the consolidated subsidiaries calculate retirement benefit obligations and expenses using a simplified method, wherein retirement benefits payable at the term end for personal reasons are regarded as retirement benefit obligations.

### 2. Defined benefit plan

(1) Adjustments to retirement benefit obligation at beginning of term and at end of term

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit obligation at beginning of term	¥7,351	¥7,282	\$55,047
Service cost	389	373	2,912
Interest expense	43	43	322
Actuarial difference amounts incurred for the period	531	23	3,976
Retirement benefit payments	(197)	(371)	(1,475)
Retirement benefit obligation at end of term	¥8,118	¥7,351	\$60,790

(2) Adjustments to plan assets at beginning of term and at end of term

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Plan assets at beginning of term	¥9,636	¥9,412	\$72,158
Expected return on assets	143	139	1,070
Actuarial difference amounts incurred for the period	(98)	(47)	(733)
Contributions from employer	231	431	1,729
Retirement benefit payments	(164)	(300)	(1,228)
Plan assets at end of term	¥9,749	¥9,636	\$73,004

# Notes to consolidated financial statements

(3) Retirement benefit obligations and plan assets at end of term and adjustments to liabilities and assets relating to retirement benefits recorded on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit obligation of funded plans	¥8,118	¥7,351	\$60,790
Plan assets	(9,749)	(9,636)	(73,004)
	(1,631)	(2,285)	(12,213)
Retirement benefit obligation of unfunded plans	-	-	-
Net assets and liabilities recorded on the consolidated balance sheets	(¥1,631)	(¥2,285)	(\$12,213)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net defined benefit liability	¥-	¥-	\$-
Net defined benefit asset	(1,631)	(2,285)	(12,213)
Net assets and liabilities recorded on the consolidated balance sheets	(¥1,631)	(¥2,285)	(\$12,213)

(4) Retirement benefit expenses and itemized breakdown of their main amounts

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥389	¥371	\$2,912
Interest expense	43	43	322
Expected return on assets	(143)	(139)	(1,070)
Amount expensed for actuarial difference	(44)	(32)	(329)
Amount expensed for prior service cost	(8)	(8)	(59)
Retirement benefit expenses for the defined benefit plan	237	234	1,774
Retirement benefit expenses relating to defined benefit plans	¥237	¥234	\$1,774

(5) Remeasurements of defined benefit plans

A breakdown of items (before any applicable tax effect) recorded in remeasurements of defined benefit plans is as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Prior service costs	¥8	¥8	\$59
Actuarial differences	673	102	5,039
Total	¥682	¥111	\$5,107

(6) Total remeasurements of defined benefit plans

A breakdown of items (before any applicable tax effect) recorded in total remeasurements of defined benefit plans is as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized prior service costs	(¥48)	(¥57)	(\$359)
Unrecognized actuarial differences	205	(467)	1,535
Total	¥156	(¥525)	\$1,168

(7) Plan assets

i) Principal breakdown of plan assets

The ratios by major classification with regard to total plan asset are as follows.

	2023	2022
Bonds	40%	40%
Shares	39%	40%
Cash on hand and in banks	5%	3%
Other	14%	15%
Total	100%	100%

ii) Method for setting expected rate of return on long-term plan assets

In deciding the expected rate of return on long-term plan assets, consideration is given to current and future plan asset distributions and to the current and future expected long-term rate of return from the variety of assets that constitute plan assets.

(8) Basis for actuarial calculations

The major actuarial assumptions for the consolidated fiscal year under review (shown as the weighted average)

Discount rate: 0.6%

Expected rate of return on long-term plan assets: 2.0%

Expected rate of salary increase: 2.5%

3. Defined contribution plan

The required amount of contribution to the defined contribution plan of the Company is ¥121 million for the previous fiscal year and ¥127 million for the fiscal year under review.

## 11. TREASURY SHARES

The Company holds 4,857,110 treasury shares as of March 31, 2023.

## 12. SHAREHOLDERS' EQUITY

Dividends may be approved by the shareholders after the end of each fiscal period. In accordance with the Company Act of Japan, these dividends and the related appropriations of retained earnings are not reflected in the financial statements at the end of such fiscal year but are recorded at the time they are approved.

However, dividends per share shown in the accompanying statements of income and retained earnings are included for the years to which they relate.

## 13. CONSOLIDATED COMPREHENSIVE INCOME

Information relating to the amounts of reclassification adjustment applicable to other accumulated comprehensive income for the years ended March 31, 2023 and 2022 is presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Valuation difference on available-for-sale securities:			
The amount arising during the period	¥370	(¥72)	\$2,770
Reclassification adjustment	0	(5)	3
Foreign currency translation adjustment:			
The amount arising during the period	53	221	1,805
Reclassification adjustment	(91)	-	(681)
Retirement benefit adjustment:			
The amount arising during the period	(629)	(70)	(4,710)
Reclassification adjustment	(53)	(40)	(396)
Share of other comprehensive income of entities accounted for using equity method:			
The amount arising during the period	234	577	1,752
Reclassification adjustment	-	-	-
Before adjustment for tax effects	(102)	609	(898)
Amount of tax effects	190	48	1,422
Total other accumulated comprehensive income	¥69	¥658	\$516

Information relating to the amounts of tax effects applicable to other accu-

mulated comprehensive income for the years ended March 31, 2023 and 2022 is presented as follows.

	Millions of yen 2023		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	¥369	(¥27)	¥341
Revaluation reserve for land	-	-	-
Foreign currency translation adjustment	(38)	-	(38)
Remeasurements of defined benefit plans	(682)	213	(468)
Share of other comprehensive income of entities accounted for using equity method	234	-	234
Total other accumulated comprehensive income	(¥120)	¥190	¥69

	Millions of yen 2022		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	(¥77)	¥13	(¥63)
Revaluation reserve for land	-	-	-
Foreign currency translation adjustment	221	-	221
Remeasurements of defined benefit plans	(111)	34	(77)
Share of other comprehensive income of entities accounted for using equity method	577	-	577
Total other accumulated comprehensive income	¥609	¥48	¥658

	Thousands of U.S. dollars 2023		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	\$2,763	(\$202)	\$2,553
Revaluation reserve for land	-	-	-
Foreign currency translation adjustment	(284)	-	(284)
Remeasurements of defined benefit plans	(5,107)	1,595	(3,504)
Share of other comprehensive income of entities accounted for using equity method	1,752	-	1,752
Total other accumulated comprehensive income	(\$898)	\$1,422	\$516

# Notes to consolidated financial statements

## 14. INCOME TAXES

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Net defined benefit liability	¥239	¥56	\$1,789
Accrued expenses	545	515	4,081
Allowance for doubtful accounts	123	124	921
Provision for loss on construction denied for deduction	3	5	22
Net operating loss carryforwards	555	598	4,156
Impairment loss denied for deduction	154	154	1,153
Loss on support of subsidiaries and affiliates	908	908	6,799
Loss on valuation of stocks of subsidiaries and affiliates	408	408	3,055
Other	1,777	1,626	13,306
Subtotal	4,716	4,398	35,315
Valuation allowance	(2,747)	(2,828)	(20,570)
Total deferred tax assets	¥1,969	¥1,570	\$14,744
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit	(273)	(273)	(2,044)
Valuation difference on available-for-sale securities	(243)	(213)	(1,819)
Special depreciation allowance for tax purposes	(1)	(1)	(7)
Disposal expenses relating to asset retirement obligations	(2)	(2)	(14)
Total deferred tax liabilities	(¥520)	(¥490)	(\$3,893)
Total net deferred tax assets	¥1,448	¥1,079	\$10,843

## 15. SEGMENT INFORMATION

### a) Overview of reportable segments

The Group's reportable segments are the business units for which the Company is able to obtain the relevant financial information separately in order for the Company's Board of Directors to conduct periodic investigations to distribute management resources and evaluate their business results.

The Group positions branch offices and consolidated subsidiaries by region, and each branch office and consolidated subsidiary determines comprehensive domestic and overseas strategies with regard to receiving construction orders and execution as well as product and material sales in the course of developing its business activities.

Regarding the branch offices and consolidated subsidiaries as its basis, the Group consists of businesses that include civil engineering, building construction, and product and material sales. To provide appropriate information on business activities and the management environment, the Group consolidates multiple segments with similar business structures into the reportable "Construction Business" segment.

The works encompassed by the Construction Business include slope protection, landslide prevention, foundation/ground improvement, structural repair/reinforcement, environmental restoration, and sewage system construction in addition to general civil engineering and building construction.

### b) Calculation method for sales, profit and loss, assets, and other item amounts by reportable segment

The accounting method for reportable business segments generally follows the principles stated in the "Chief basis of preparation of the consolidated financial statements."

Reportable segment profit figures are based on operating income. Intersegment transactions and transfers are based on market prices.

### c) Industry segments

Summarized financial information by industry segment for the years ended March 31, 2023 and 2022 is as follows:

	Millions of yen				
	Year ended March 31, 2023				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	¥114,636	¥338	¥114,974	¥-	¥114,974
Inter-segments	-	1,083	1,083	(1,083)	0
Total	¥114,636	¥1,421	¥116,058	(¥1,083)	¥114,974
Operating expenses	101,906	1,367	103,274	(1,083)	102,191
Operating income/loss	12,279	54	12,784	0	12,785
Assets	80,833	1,149	81,982	40,943	122,925
Depreciation	2,384	20	2,405	(10)	2,395
Capital expenditures	3,500	10	3,511	(60)	3,451

	Millions of yen				
	Year ended March 31, 2022				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	¥109,147	¥356	¥109,504	¥-	¥109,504
Inter-segments	-	1,116	1,116	(1,116)	0
Total	¥109,147	¥1,473	¥110,620	(¥1,116)	¥109,504
Operating expenses	95,974	1,410	97,385	(1,116)	96,269
Operating income/loss	13,173	62	13,235	0	13,235
Assets	73,055	1,247	74,303	41,582	115,885
Depreciation	2,102	20	2,122	(35)	2,087
Capital expenditures	3,346	20	3,366	(2)	3,364

	Thousands of U.S. dollars				
	Year ended March 31, 2023				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	\$858,439	\$2,531	\$860,970	\$-	\$860,970
Inter-segments	-	8,109	8,109	(8,109)	0
Total	\$858,439	\$10,641	\$869,087	(\$8,109)	\$860,970
Operating expenses	763,112	10,236	773,356	(8,109)	765,246
Operating income/loss	95,319	404	95,731	7	95,739
Assets	605,309	8,604	613,913	306,597	920,510
Depreciation	17,852	149	18,009	(74)	17,934
Capital expenditures	26,209	74	26,291	-	25,842

"Others" are business segments not included in the reportable segments, and include product and material sales, leases, home-visit care and so on.

### d) Geographical segments

Summarized financial information for revenues by geographical business segment for the years ended March 31, 2023 and 2022 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2023	2022	2023	
Japan	¥109,736	¥107,480	\$821,746	
North America	3,359	967	25,153	
Other	1,878	1,056	14,063	
Total	¥114,974	¥109,504	\$860,970	

## 16. PER SHARE INFORMATION

Details of net assets per share and net income per share for the years ended March 31, 2023 and 2022 are presented as follows:

	Yen		U.S. dollars
	2023	2022	2023
Net assets per share	¥1,721.36	¥1,591.20	\$12.89
Net income per share	¥190.59	¥174.12	\$1.42

## 17. SUBSEQUENT EVENT

On June 29, 2023, the following appropriations of retained earnings were approved at the shareholders' meeting of the Company:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash dividends of ¥61.0 (\$0.45) per share (final for the year ended March 31, 2023)	¥3,001	¥2,746	\$22,475



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